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State, Development and Inequality in Selected ASEAN Countries: Internal and External Pressures and State Responses

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Internal and External Pressures and State Responses

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Abstract

This article examines the role of the state in development, and the question of poverty, inequality and regional disparity in selected ASEAN countries Malaysia, Indonesia, Thailand and the Philippines in the context of both internal and external pressures faced by the state and how its responds to them. This article examines the historical context of the socioeconomic transformation, the current state of development, the high level of poverty in these countries (except Malaysia), the pervasive inequality and regional disparity, the various internal and external pressures exerted on the state and the latter's response to them. The article concludes by highlighting the importance of appropriate state policies for inclusive development and the role of civil society to exert pressure to ensure states perform such tasks. It argues that these issues are a result of state policies and institutional arrangements, and that to resolve them, appropriate inclusive policies need to be crafted and effectively implemented. The state has the autonomy and space to devise such policies but it is dependent on the political will of state actors and the role of civil society in engaging with the state to effect such reforms to address poverty, inequality and regional disparity effectively.

Keywords: Southeast Asia, poverty, inequality, regional disparity, state, civil society

Introduction

Development and modernization are two historical processes that have impacted the whole world, particularly Third World countries that attained independence after the Second World War. Emerging from the throes of colonialism, these newly independent states such as Malaysia and other countries of Southeast Asia embarked along the path of development and modernization as a key component of their nation-building project. Having gone through several decades of development, which for the most part has been private sector-driven but under the aegis of a developmentalist state, a deep-going transformation has taken place in these societies since the second half of the twentieth century. This has been triggered by a complex of factors, including educational expansion, rural development, industrialization, international trade, urbanization, women's economic participation and empowerment, the rise of modern classes particularly the middle and corporate classes, the ICT revolution, and globalization. Indeed, one of the most important phenomena arising from this social transformation is the rapid expansion of the urban highly educated middle and corporate classes in these societies, and middle class participation in civil society movements (Abdul Rahman, 2013, 2015).

However, development and its outcomes in these countries is not only uneven but has not effectively addressed the problem of poverty, inequality and regional disparity. While absolute poverty may have been reduced in some countries, it is still a big issue in others. At the same time, inequality and regional disparity remain a big issue.

The problem of inequality and regional disparity has attracted the attention of scholars and international agencies. Scholars have pointed out that while inequality has been an issue for many decades, the concern over its implications has been growing especially since the 2008 global financial crisis. There are several reasons for this. Some scholars highlight that the negative outcomes associated with excessive income inequality are stagnant growth, society's divisiveness, capture of wealth by politics, and the lack of opportunity and mobility in society (Stiglitz, 2012). The political outcomes arising from excessive inequality are clear. The massive protests across Western countries and the upheavals during the Arab Spring in the last few years are pertinent manifestations (Bock, 2014: 1).

In Asia, a number of agencies such as the Asian Development Bank (ADB), the OECD and the ASEAN Secretariat are also concerned with the problem. ADB's report, *Asian Development Outlook 2012,* shows that income disparity is rising in Asia, where the richest one percent of households control about 8.0 percent of total income, and that almost 20 percent of the total income in the majority of countries is controlled by the richest 5.0 percent. Indeed the share of income and financial assets accruing to the richest households has increased over time. Specifically for ASEAN, the 2013 *Southeast Asian Economic Outlook* also focused on income inequality and the need for narrowing development gaps (Bock, 2014). While growth has been positive in Southeast Asia as will be shown below, other aspects such as society's divisiveness, political capture of wealth and constraints on social mobility cannot be dismissed.

This article argues that development has generally been top down while participatory development and development from below has been more rhetoric than reality. Policies and implementation or practice often may not go hand in hand. Past experience shows that development especially in the form of industrialization tends to concentrate in or around state capitals and metropolitan regions at the expense of the periphery including areas inhabited by indigenous communities. State elites very often respond to pressures or demands from powerful domestic business interests and the international business community, and formulate policies and program that accommodate or are in line with such interests. State agencies too, formulate policies to address poverty, inequality and regional disparity in response to pressures from below (civil society and community-based organizations) and international pressures, but priorities tend to be for growth and profit-driven sectors. While states under conditions of globalization may be able to maintain their capacity (Weiss, 1998, 2003; Nelson, 2008) to chart the course of action in development planning and address problems of poverty, inequality and regional disparity, it is dependent upon the political will of state actors whether to act in consort with the demands of big business (both domestic and international) who tends to concentrate their investment in areas that promise the greatest returns; or, to respond to the demands of the people and civil society who constitute the bulk of their political base residing in both urban and rural areas and in different regions in the country for a more balanced development. Even if their investment is in outer areas (such as for mining, logging, and other activities), they will push the state to adopt policies that will depress wages and increase profits, causing a lot of resentment among the workers and others.

Several studies (see, for example Jomo, 2003) have pointed out to the phenomenon of "crony capitalism" whereby politically-linked domestic business interests collude with state actors to capture rents and other benefits, leading to corruption and other opaque practices. To measure the extent of crony-capitalism and its proportion in a country's GDP, *The Economist* has developed a crony-capitalism index, which measures the crony-capitalism wealth sector in the GDP as opposed to the non-crony-capitalism sector. Based on the crony-capitalism indexed developed by *The Economist* (17 March 2014), it is shown that the four Southeast Asian countries – Malaysia, Indonesia, Thailand and the Philippines – under study are relatively high on the index; in fact, their ranking has gone up (meaning the proportion of the crony-capitalism sector has been on the rise) in the last decade or so. Led by Hong Kong which ranked number one in 2014, it is followed by Russia (number two) and Malaysia (number three) – a position which has not changed since 2007. For the three other Southeast Asian countries covered in this article, the Philippines ranked 6 in 2014 (up from 9 in 2007), Indonesia ranked 10 (up from 18 in 2007), while Thailand ranked 16 (up from 23 in 2007). This means that based on the index, in all the four countries, the states have in many ways been responding to pressures or demands from the politically-linked domestic businesses, indicating the latter's entrenched position in the economy. However, there is no equivalent measure to indicate the extent to which states have acted to pressures from outside, namely from international investors and other actors, but the pressures from outside are very significant too as these countries are heavily dependent on foreign direct investment (FDIs) to generate growth for their economies.

With the framework that takes into account both internal and external pressures faced by the state and how its responds to them, this article will first briefly examine the historical context of the development and transformation, the current state of development and inequality – both income and regional disparity; as well as pressures from various sectors of society including local governments and civil society on the state and how the latter responds to them. The article will conclude by highlighting the importance of right policies to be put in place and implemented by the state and the role of civil society to ensure that states perform such tasks. As indicated above, for manageability, the article will focus only on four ASEAN countries – Malaysia, Indonesia, the Philippines and Thailand – for some comparative analysis and discussion.

Development and Social Transformation in ASEAN Countries

Southeast Asia, comprised of 11 countries, is a fast developing region with a huge land mass and sea area, and a population of 621.4 million in 2013. All the Southeast Asian countries are members of ASEAN, with the exception of Timor Leste. The ASEAN region has undergone processes of development and transformation over the decades, with some growing faster than others. Five of the biggest economies (measured by size of GDP in 2013) in ASEAN are Indonesia (US$878.04 billion), Thailand (US$387.27), Malaysia (US$312.44), Singapore (US$297.94) and the Philippines (US$272.02 billion) (see Table 1). However, only Singapore and Brunei enjoy very high GDP per capita – US$36,897.87 and US$24.184.67 respectively. In terms of human development, based on the UNDP Human Development Index for 2013, Singapore scores highest (ranked 9 out of 187 countries, with a score of 0.901), followed by Brunei (ranked 30 with a score of 0.852), and Malaysia which was ranked 62 out of 187 countries, roughly a third down from the top, with a score of 0.773. Using the HDI, Singapore and Brunei achieve 'very high human development' while Malaysia is in the 'high human development' category.

Over the last two decades or so, the ASEAN countries had experienced two major financial and economic crises – the 1997/98 Asian financial crisis and the 2008 global economic crisis, but have been back on track for growth again. Based on data published in the *Asian Development Outlook 2012*, the situation in 2009 when the global crisis had not fully flown away, not all of ASEAN countries managed to register positive growth. While Indonesia grew by 4.6 percent and Vietnam by 5.3 percent that year, Malaysia, Singapore and Thailand experienced negative growth, and the Philippines just managed to register a slight positive growth of 1.1 percent. However, the situation had changed since 2010 with Indonesia registering the highest growth in 2011 at 6.5 percent, Malaysia (5.1%), the Philippines (3.7%), and Thailand (0.1%).

Table 1: Population, GDP and Human Development in Southeast Asian Countries, 2013

Country	Population (mil.)	GDP in US$ (bil.)	GDP per capita in US$	Human Development Index (out of 1)	HDI ranking out of 187 countries
Brunei	0.408 (2012)	16.11	24.184.67	0.852	30
Cambodia	15.1	15.25	709.18	0.584	136
Indonesia	253.6 (2014)	878.04	1810.31	0.684	108
Laos	6.8	11.13	751.03	0.569	139
Malaysia	30.4	312.44	6990.25	0.773	62
Myanmar	53.3	53.14 (2012)	824.19 (2011)	0.524	150
Philippines	101.1	272.02	1581	0.660	117
Singapore	5.5 (2014)	297.94	36,897.87	0.901	9
Timor Leste	1.178	1.27 (2012)	1,105.35 (2012)	0.620	128
Thailand	67.0	387.27	3437.84	0.722	89
Vietnam	90.7 (2014)	171.39	1028.62	0.638	121
Southeast Asia	**621.4**	**-**	-	-	-

Source: *World Bank data 2013, UNDP Human Development Report 2014*.

For the next five years, 2014-2018, while ASEAN 10 is expected to grow by 5.4 percent, the growth rates are uneven between countries. The CLMV countries are expected to register high growth rates with Laos leading the pack at 7.7 percent, Cambodia (6.8%), Myanmar (6.8%) and Vietnam (5.4%). Among the ASEAN 6, Indonesia is expected to grow fastest at 6.0 percent during the same period, the Philippines (5.8%), while Malaysia and Thailand are expected to grow at 5.1 percent and 4.9 percent respectively (see Table 2). According to the OECD 2013 report, for the Southeast Asian region as a whole, growth would remain robust in the medium term, growing at a pace which is comparable to the pre-global financial crisis of 2008. The Southeast Asia GDP growth rate is expected to achieve on average 5.4 percent per annum between 2014-18 as compared with 5.5 percent per annum from 2000-07 (Table 2).

Table 2: Real GDP Growth of Southeast Asia, China and India (including Projections for 2014- 2018) (Annual Percentage Change)

	2012	2018	2014-18	2000-07
ASEAN 6				
Brunei	1.0	2.4	2.3	-
Indonesia	6.2	6.1	6.0	5.1
Malaysia	5.6	5.3	5.1	5.5
Philippines	6.8	5.9	5.8	4.9
Singapore	1.3	3.1	3.3	6.4
Thailand	6.5	5.3	4.9	5.1
CLMV countries				
Cambodia	7.2	7.1	6.8	9.6
Laos	7.9	7.5	7.7	6.8
Myanmar	-	7.0	6.8	-
Vietnam	5.2	6.0	5.4	7.6
Average of ASEAN 10	5.5*	5.6	5.4	5.5**
People's Republic of China	7.7	7.5	7.7	10.5
India	3.7	6.1	5.9	7.1

Notes: The cut-off date for data is 6 September 2013. Emerging Asia includes ASEAN 10 countries plus China and India. * Excluding Myanmar, ** Excluding Brunei Darussalam and Myanmar.
Source: OECD Development Centre, MPF-2014. For more detailed information on MPF, see www.oecd.org/dev/asiapacific/mpf
See: *Economic Outlook for Southeast Asia, China and India 2014: Beyond the Middle Income Trap.* OECD 2013. The full report is available on line at: http://dx.doi.org/10.1787/saeo-2014-en

One major transformation in Southeast Asia is related to urbanization. Indeed the region is fast approaching the urbanization transition, while some individual countries such as Singapore, Brunei and Malaysia have already made the transition, while Indonesia and Thailand are already approaching the transition, crossing the 50 percent level (see Table 3). More than six decades ago, in 1950, Southeast Asia was predominantly rural, with the population living in urban areas comprising only 15.5 percent (Yap, 2011). However, by 2010, the urbanization for the whole Southeast Asia had risen to 41.8 percent, with about 250 million people living in cities and towns. Based on projections, it is expected that by 2025, 50 percent of Southeast Asia would be urbanized. By 2050, it is projected that 67 percent of the Southeast Asian population would be urbanized, with the exception of Cambodia and Timor Leste which would still have the majority living in rural areas (Table 3).

Table 3: Urbanization Levels of Southeast Asian Countries 1990, 2014 and 2050

Country	Urban population (%)			Country	Urban population (%)		
Year	1990	2014	2050	**Year**	1990	2014	2050
Singapore	100.0	100	100	Myanmar	25	34	55
Brunei	66	77	84	Laos	15	38	61
Malaysia	50	74	86	Vietnam	20	33	54
Philippines	49	44	56	Timor Leste	21	32	38
Indonesia	31	53	71	Cambodia	16	21	36
Thailand	29	49	72	Southeast Asia	32	47	64

Source: Computed from UN DESA Population Division 2014, p. 22 (data for 2050 projected)

Three ASEAN countries are the most urbanized, viz. Singapore which is 100 percent urban, followed by Brunei (77%) and Malaysia (74%) in 2014, having made the urbanization transition long ago. It is expected that Thailand will become urbanized rather rapidly given its annual urbanization rate at 2.7 percent between 2010-2015, compared to Indonesia which is slightly lower at 1.5 percent and Malaysia slowing down to 1.0 percent, while the Philippines experiences negative urban growth at -0.4 percent (UN DESA, 2014: 22). However, even though the large ASEAN countries such as Indonesia, Thailand and the Philippines are still not highly urbanized as compared to Malaysia or Singapore, it does not mean they do not have huge urbanized metropolitan regions. Also, urbanization is uneven within the countries with regions like West Java in Indonesia, Bangkok region in Thailand, Metro Manila in the Philippines and the Klang Valley in Malaysia as being more urbanized than others.

Rapid development and social transformation in Southeast Asian countries such as Malaysia, Indonesia, Thailand and the Philippines has produced new social groups and classes. At the top of the socioeconomic hierarchy, we have the corporate class, the captions of industry, the wealthiest elite in these countries. Besides controlling the economy together with foreign investors, they also directly or indirectly exercise control or influence over political power. Besides the corporate class, we also see the rise of a burgeoning middle class in the region. The rise of the middle class in these countries is in fact a measure of their industrialization, urbanization and overall development. Over the years, the Southeast Asian middle class has grown considerably, with their members manning government bureaucracies, private sector companies, or serving as professionals in their own firms, as leaders in civil society organizations, and so on.

Uneven Development, Poverty and Inequality in Selected ASEAN Countries

The presence of the middle class only helps to ameliorate the sharp polarization between the minority at the top with the majority at the bottom. However, their presence does not remove inequality and poverty. This can be seen in the case study of the four countries analyzed below.

Malaysia

While growth and transformation has generated new prosperity as witnessed by the rise of new middle and corporate classes, what is important to note is the persistent uneven development, unequal distribution of wealth and extant poverty still prevalent in a number of the countries. Malaysia may be an exception with respect to poverty eradication thanks to its growth with distribution policy implemented over the years as a response, in particular, to pressures from the local populace to address the poverty issue effectively.

Table 4: Poverty Level in Selected Asian countries (%)

No.	Country	Poverty level (%)	Year (available data)
1	Malaysia	1.4	2014
2	Indonesia	12.5	2011
3	Philippines	26.5	2010
4	Thailand	7.8	2010
5	Myanmar	25.6	2010
6	Vietnam	20.7*	2010
7	Cambodia	30.1	2010
8	Laos	27.6	2010
9	People's Republic of China	13.4**	2011
10	India	29.8	2010

Source: *Malaysian Human Development Report 2013*, p. 12;
*Vietnam Household Living Standards Surveys (VHLSS) by General Statistics Office (GSO);
**CIA The World Factbook.

Available data shows that Malaysia has successfully reduced absolute poverty from a high level of 49.3 percent in 1970 to 16.5 percent in 1990, and 5.1 percent in 2002 (Ragayah, 2009: 35). Today there are only pockets of poverty, since absolute poverty nationwide has been reduced to about 1.7 percent in 2012 and 1.4 percent in 2014. When compared with its neighbors, Malaysian poverty rate is the lowest among ASEAN countries (excluding Singapore and Brunei) at 1.4 percent in 2014, compared to Thailand (7.8%), Indonesia (12.5%), the Philippines (26.5%), Vietnam (20.7%), China (13.4%), or India (29.8%) (Table 4).

Table 5: Income Inequality in Selected ASEAN Countries and Its Neighbors, 2012

Country	Gini
Hong Kong	53.4
Singapore	47.4
Thailand	45.0
Malaysia	43.0
Philippines	43.0
P.R. China	42.5
Indonesia	41.0
US	40.8
Vietnam (2008)	37.6
India	33.4

Source: MHDR 2013: 35; NESDB Thailand; Badan Pusat Statistik Indonesia.

However, poverty reduction is one thing, inequality is another. While Malaysia has had some success, inequality in terms of income and wealth as well as regional disparity is still glaring. Although the degree of inequality has been reduced significantly since 1970 when the Gini coefficient was at 0.51 (worsening to 0.56 in 1976), it subsequently fell to 0.44 in 2007 and 0.43 in 2012. Nevertheless, the society is still highly unequal, leading to some scholars to argue that the reduction of income inequality has achieved “mixed results” (Ragayah, 2009: 36). This is so because Malaysia’s Gini coefficient is one of the highest in Southeast Asia, and higher than China, India and the US (see Table 5).

Table 6: Malaysia: Income Share (%) According to Income Groups, 1984-2012

Income groups	1984	1990	1995	1999	2002	2007	2012
Top 20%	53.5	50.4	51.3	50.5	51.3	49.8	48.6
Middle 40%	33.8	35.3	35.0	35.3	35.2	35.4	36.6
Bottom 40%	12.7	14.3	13.7	14.2	13.5	14.8	14.8

Source: Khazanah Research Institute (2014); Ragayah (2009)

An examination of data in Table 6 will corroborate the inequality measured by the Gini index. Half of the income share in the country goes to the top 20 percent, while the bottom 40 percent only acquires less than 15 percent. The income share between the top 20 percent and the bottom 40 percent almost remains the same for a period of more than 20 years, from 1990 to 2012. We can see that the top 20 percent – the richest in the country – holds almost the same proportion of income: they controlled 50.4 percent in 1990, with their control going up to 51.3 percent in 2002, and then fell slightly to 49.8 percent in 2007 and 48.6 percent in 2012. In short, there is only a marginal difference of 1.8 percent less than in 1990. The bottom 40 percent has not achieved any significant progress either. Neither has the middle 40 percent which is stuck in the middle, increased their share only marginally from 35.3 percent in 1990 to 36.6 percent in 2012, an increase of only 1.3 percent in more than two decades.

While the income share shows the top 20 percent having roughly half the income, the same cannot be said for financial assets. In terms of financial assets for the year 2007, the top 20 percent holds 94.9 percent of all financial assets compared to only 5.1 percent being held by the middle 40 percent, while the bottom 40 percent does not hold any. In terms of property assets (such as houses), the inequality is wide between the top 20 percent which holds 50.9 percent and the bottom 40 percent only holds 7.5 percent; this difference however it is not as sharp as for financial assets (Muhammad, 2011). As shown by Kamal Salih (2013), based on 2009 data, wealth is heavily concentrated at the top. He shows that "the wealth of Malaysia's top 10 percent exceeds those of the bottom 70 percent, and about 12 percent of Malaysian households have no wealth. In fact, the wealth of the top one percent is much higher than the whole of the bottom 40 percent combined" (Kamal Salih, 2013: 43).

As other countries in Southeast Asia, Malaysia has implemented a low-wage but pro-profit policy despite increases in labor productivity; this is a natural outcome of pressures faced by the state from international companies and domestic employers. Based on data released by the Employees Provident Fund (EPF) in March 2015, of a total of 14 million EPF contributors, the overwhelming majority (75%) are wage-earners who earn less that RM2000 per month, while 15 percent earn between RM2000-RM5000, and only 10 percent earn RM5000 and above. The EPF calculates that to have a retirement income of RM800 a month to live for the next 20 years based on the present life-expectancy, each contributor needs to accumulate savings of at least RM196, 800 at the time of retirement of 55 years old. However, only 20 percent of the EPF contributors who turn 55 in 2015 are expected to have RM196, 800 or above in total savings. This means the remaining 80 percent of EPF contributors who turn 55 in 2015 are expected to live below poverty line of RM830, and that this percentage is likely to stay about the same in the coming years beyond 2020. Because of this, a number of scholars and commentators have urged the government and employers to seriously review the current minimum wage and retirement fund contribution policy for their employees in order to ensure that their (EPF does not fall below the poverty line (Lee and Muhammad, 2014).

Another major issue of concern in Malaysia is the disparity between regions especially between the developed west coast of Peninsular Malaysia with its east coast and more so with Sabah and Sarawak across the South China Sea. Most development is concentrated in the west coast of Peninsular Malaysia, while the east coast and East Malaysia (Sabah and Sarawak) have been lagging behind in terms of development. Greater Kuala Lumpur Region or the Klang Valley that covers Kuala Lumpur, Putrajaya and Selangor is the most industrialized, developed and the richest region in the country. Although there is development in the periphery, it cannot stem the tide of migration from rural areas to the metropolitan region, and also urban-urban, i.e., migration from smaller towns to Kuala Lumpur and surrounding areas. At the same time, the Klang Valley is also the destination of hundreds of thousands of foreign workers in the last few decades, and for accommodation, many have built squatter settlements around the city. Although the government has introduced the concept of development corridors in the 9th Malaysia Plan (2006-2010), such as the Iskandar Region in Johor, the Northern Corridor Economic Region (NCER), the Eastern Corridor Economic Region (ECER) in the East Coast, and similar corridors in Sabah and Sarawak in order to generate development, it cannot address the regional disparity effectively. The responses to such unequal development and the pressures faced by the state will be discussed in the relevant section below.

Indonesia

Indonesia, the biggest and most diverse nation in Southeast Asia, has grown strongly since 2010. Nevertheless, Indonesia faces many challenges including inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among regions. However, during the global financial crisis of 2008, Indonesia outperformed its regional neighbors and joined China and India as the only G20 members posting growth. During this period, Indonesia registered an economic growth rate of 4.58 percent in 2009, 6.1 percent in 2010 and 6.5 percent in 2011, with unemployment falling from 7.4 percent in February 2010 to 6.32 percent in February 2012.

What is interesting, as shown by Bock (2014), is that in the two decades between 1980s and 1990s, Indonesia under the Soeharto regime was heralded as an 'Asian Economic Miracle' and lauded for its 'growth with equity' model. At that time, the Indonesian economy grew at seven percent with the number of poor falling from 54.2 million in 1976 (40.1% of the population) to 22.5 million people in 1996 (11.3% of the population). The Gini coefficient during that period was relatively low and stable around 0.30. However, the situation after political reform in the wake of the Asian financial crisis and after has been markedly different. In terms of inequality, there has been a marked rise in income inequality as measured by the rising Gini index from 0.31 in 1999 (Sinaga, 2012) to 0.35 in 2007, rising further to 0.38 in 2010, and 0.41 in 2013 (see Table 7 below).

Table 7: Poverty and Inequality in Indonesia 2006-2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of persons living in poverty (millions)	39	37	35	33	31	30	29	29	28
Percentage of population in Poverty (level of poverty)	17.8	16.6	15.4	14.2	13.3	12.5	11.7	11.5	11.0
Gini Coefficient/ Gini Ratio	-	0.35	0.35	0.37	0.38	0.41	0.41	0.41	-

Sources: World Bank and Statistics Indonesia 2006 to 2014

The poverty situation in Indonesia is a cause for worry. It is true the poverty level has declined significantly from 17.8 percent (or 39 million people) in 2006 to 13.3 percent (31 million) in 2010, and 11.0 percent (28 million) in 2014 (see Table 7 above). However, due to the problem of definition, we need to be cautious with these figures as they may be understated. We should note that in 2014 the Indonesian authorities defined the poverty line to be a monthly per capita income of 312,328 Rupiah or approximately US$25, which is less than US$1 per day, a very low threshold even by Indonesian standards. If we use the World Bank threshold of US$1.25 per day as cut off point for the poverty line, the poverty percentages will go up slightly; and if we use the US$2 per day threshold, the poverty rate for 2009 in Indonesia would go up to 50.6 percent. This means that a large proportion of the Indonesian population is living either below the poverty line or slightly above it depending on the definition. In fact, the Indonesian media frequently assert that currently around 25 percent of Indonesians or approximately 60 million people today are living in poverty, a massive figure by any standard. (*Indonesia Investments 301*).

The Gini index of inequality is corroborated by the data on income distribution from the Central Statistics Agency (Badan Pusat Statistik – BPS). The data shows that while the top 20 percent households controlled 40.6 percent of total household income in 1999, by 2011, its share rose to almost half (i.e. 48.42%), about 8 percentage points increase. On the other hand, the bottom 40 percent households experienced a clear drop from 21.7 percent of total household income in 1999 to 16.85 percent in 2011, i.e. a drop of about 5 percentage points. The middle 40 percent also has its share declining from 37.77 percent in 1999 to 34.7 percent in 2011. As argued by analysts, this shows that "although more people are getting jobs and inflation has been kept relatively stable, the rich are still receiving a (much) greater proportion of the wealth in comparison to the poor and the middle class" (Sinaga, 2012).

An important characteristic of inequality in Indonesia is the high degree of concentration of wealth in the hands of a small elite. It is noted that the GDP per capita in Indonesia has currently reached its highest level in the country's economic history and is poised to grow higher. Writings by various analysts suggest that the per capita GDP is not an appropriate measurement to reflect reality, because the Indonesian society is characterized by a high degree of inequality with regard to income distribution, indicating a huge concentration of wealth among a small elite. This is evidenced by the fact that the wealth of the 43,000 richest Indonesians (or 0.02% of Indonesian population) is equivalent to 25 percent of Indonesia's GDP. Further, the wealth of 40 richest Indonesians account for 10.3 percent of GDP (which is the same amount as the combined wealth of the 60 million poorest Indonesians), and this inequality is expected to rise in future (*Indonesia Investments 253*).

In terms regional disparity, Indonesia shows sharp contrasts between regions and within regions. Indonesia is divided into two major regions – West Indonesia which occupies 32 percent of land area is more developed than East Indonesia which covers 68 percent of the land area. About 80 percent of the population is found in the West compared to only 20 percent in the East. In terms of geographical distribution within Indonesia, wealth is concentrated on the island of Java, concentrated mainly in the Jakarta Mega Urban Region which has a population of 21.19 million in 2010. The other more developed region is Metropolitan Bandung. Heterogeneity across regions has resulted in unbalanced development as eastern Indonesia has the lowest levels of development. Also, wealth and income inequality tends to be concentrated in urban areas. In urban settlements on Java, the Gini coefficient has reached 0.44 in 2011 (Bock, 2014: 6-7).

In terms of the geographical distribution of poverty, poverty rates have always been higher in the outer islands in East Indonesia. This is evidenced by the fact that provinces with the highest poverty level are Papua (Irian Jaya) (27.8%) followed by West Papua (26.3%), East Nusa Tenggara (19.6%), Moluccas/Maluku (18.4%), and Gorontalo (17.4%). Reports indicate that the rise of manufacturing disproportionately benefitted Java, Bali, and Sumatra in West Indonesia due to the better infrastructure of these inner islands. At the Indonesian Chamber of Commerce and Industry meeting held at Makassar, South Sulawesi in 2011, the Minister in Charge of Disadvantaged Regions said there are 184 regencies classified as 'disadvantaged areas' in Indonesia with about 120 regencies (65.2%) being located in the eastern part of Indonesia. We should note that geographically, the poorest fifth regions (mostly in the eastern region of Indonesia) account for just eight percent of consumption, while the richest fifth (located in West Indonesia) account for 45 percent. Regional economic disparity and the flow of natural resource profits to Jakarta in the past has led to dissatisfaction which even triggered separatist movements in areas such as Aceh and Papua (Irian Jaya) (*Encyclopedia of the Nations*).

The people through civil society and other means have exerted pressures on the state to redress the situation, but their struggles were brutally suppressed especially under the Soeharto regime (1996-1998). These pressures led to the birth of *Reformasi* since 1998. The state has responded by passing new laws on decentralization and regional autonomy to address the problem of unequal growth and regional disparity. However, with such long decades of authoritarian rule from the center in Jakarta, the provinces are still finding their level and many challenges need to addressed to ensure the effectiveness of these new policies.

Thailand

Over the past six decades from the early 1950s, Thailand has enjoyed a positive economic growth, with an average annual growth rate of about 6.2 percent during 1952–2011 period (Jitsuchon, 2014: 1). Today Thailand's expanding economy with a GDP of US$387.27 billion in 2013 is the third largest in Southeast Asia, and growing more rapidly at 6.5 percent in 2012. However, while this is higher than the average growth of 5.1 percent during 2000-2007 period, the growth rate is expected to decline slightly to an average of 4.9 percent during the next few years 2014-2018 (see Table 2 above), due to uncertainties in both domestic and international environments.

Among the four selected ASEAN countries, Thailand's GDP per capita at US$3437.84 in 2013 is slightly lower than Malaysia (US$6990.25), but higher than Indonesia (US$1810.3), and the Philippines (US$1581). With a growing economy, the overall poverty situation in Thailand has improved, with the poverty rate declining over the past 10 years whereby the share of population under in poverty has declined from 32.4 percent in 2003 to 13.2 percent in 2011. By 2013, the rate declined further to 10.9 percent, with the number of the poor at approximately 7.3 million (see Table 8) (Wuttisorn, 2014). Based on the figures released by the Thai National Economic and Social Development Board (NESDB), poverty is more concentrated in rural areas which have 4.8 million persons or 13.9 percent living in poverty. In urban areas, the number of poor persons is smaller at 2.4 million poor persons, or 7.7 percent of the total urban population in 2013. Such improvement is an outcome of pressures exerted by civil society and community-based organizations across the country for the state to take measures to ameliorate the poverty situation.

Table 8: Urban and Rural Poverty in Thailand 2012, 2013 (%)

	2012			2013		
Region	Urban	Rural	Overall	Urban	Rural	Overall
Bangkok	1.91	-	-	1.06	-	-
Central	4.74	8.92	-	3.95	6.72	-
North	15.71	18.43	-	15.21	17.77	-
Northeast	19.13	20.10	-	16.39	17.88	-
South	9.02	15.70	-	7.98	12.67	-
Overall poverty	8.80	15.96	12.4	7.70 (2.45 mil)	13.89 (4.8 mil)	10.8 (7.3 mil)

Source: Office of the National Economic and Social Development Board (NESDB)

Poverty and income inequality are closely related, and in Thailand the Gini coefficient is high, at 0.45 in 2013, higher than Malaysia (0.43) and the Philippines (0.43) and other ASEAN countries (with the exception of Singapore which has the highest Gini at 47.4 in 2012). Considering across areas, income inequality was slightly higher in urban areas (0.452) compared to that in rural areas which was at 0.445 in 2013. When examined in terms of the disparity between income groups, we find the rich own a disproportionately higher share than the rest. Figures show that the richest or top 20 percent hold almost 60 percent of the total income, which is far higher than in Indonesia, Laos, Malaysia, the Philippines and Vietnam in 2009. The bottom or the poorest 20 percent only managed to secure only four percent of the income, thus maintaining a huge income divide between income groups and classes. Thailand's widening disparity between the rich and the poor reflects the rising disparity across Asia as reported by the Asian Development Bank Outlook 2012 (Chaitrong, 2012). Observers believe that such rising inequality threatens Thailand economic and social stability.

Besides the income gaps as shown above, regional disparity is another source of tension in Thailand. The average household income in Bangkok is 2.6 times larger than the rural area (northeastern Region) in 1975-1976, and 3.4 times in 1998. Poverty reduction has been most dramatic in the Bangkok Metropolitan Region compared to the North and Northeast regions because of the concentration of development in Metropolitan Bangkok and the Central Region. Thus we find that the poverty level is lowest in Bangkok with 1.06 percent in 2013, down from 1.91 percent the previous year (see Table 8). But the outer regions which are basically rural and agricultural are still far behind as shown by the high levels of poverty especially in the North and Northeast Regions as shown above (Thurachote, 2011). In fact, the income disparity between Bangkok and the outer regions is stark. According to the NSO Household Socio-economic Survey 2011, while the average monthly household income in the north was 17,350 baht and in the northeast 18,217 baht in 2011, in Bangkok, the average was 41,631 baht. This shows the average incomes in the north and northeast regions were approximately 40 percent of the average household income in Bangkok (Hewison, 2014: 849).

Table 9 Regional Differences on Selected Welfare Indicators Thailand, 2007

Regions	Maternal Mortality per 100,000 births	1st degree Malnutrition in under fives (%)	Households in slum conditions (%)	Workforce with social security (%)	No education (%)	Mean Years of schooling	Higher secondary enrolment (%)
Thai Kingdom	12.9	7.36	26.9	17.1	5.5	7.3	52.0
Bangkok	10.0	4.01	12.7	47.5	4.0	9.6	58.2
Central	11.0	3.26	33.5	24.6	4.8	7.1	61.5
Northeast	9.8	10.26	48.8	3.4	2.8	6.7	45.7
South	19.9	6.55	24.8	9.4	7.7	7.1	54.0

Source: McGregor (2007)

What the figures show is a geographical distribution of poverty which is largely concentrated in the North and Northeast regions, both in rural and urban areas (Wuttisorn, 2014) and also in the southern Thailand. Tables 8 and 9 show the regional disparity in Thailand's development. While the overall poverty level is 10.8 percent in 2013 for the whole of Thailand (Table 8) with 7.3 million people, by region, it is highest in the Northeast with 17.97 percent in rural areas and 16.4 percent in urban areas, followed by the North (17.8% rural; 15.2% urban) and South (12.7% rural; 8.0% urban), but it is lowest in Bangkok with 1.06%, and Central region (6.7% rural; 3.95% urban). Although poverty level is not very high in Southern Thailand, other dimensions of inequality are clear and significant. As shown in Table 8, maternal mortality is highest in the South with 19.9 deaths per 100,000 births in 2007. It also has the highest percentage (7.7%) with no education, and one of the lowest mean years of schooling (7.1 years while the lowest is the Northeast region with 6.7 years). This means that there is a high rate of school drop outs in Southern Thailand. The percentage of higher secondary education enrolment is lowest in the Northeast (45.7%) and the South (54%) (see Table 9).

Under the Thaksin administration, he introduced several pro-poor populist policies such as "The 30-Baht Healthcare Scheme", the "One Tambon One Product" (OTOP) scheme, and the "One Million Baht One Village Fund Program" (Village Fund Program) (Tangpianpant, 2010).[1] These policies introduced immediately after coming to power in 2001 managed to win the support of the rural poor, and may help explain the basis of the Red Shirt strength in the rural areas. Nevertheless, these policies are not enough to address the huge development gaps namely poverty and inequality in Thailand, and the tempo of change in rural areas has decelerated with changes of government and political uncertainties. According to Hewison (2014: 861), the Red Shirts wanted a 'fair and just state' and their demands for freedom, justice, and equality led to bitter struggles for control of the political system, sometimes violently repressed by the state apparatus. While the situation appears quiet since the military coup in May 2014, the pressures on the state to deliver its promises remain.

The Philippines

The Philippines – a country with a population of 100 over million – has been on track in terms of growth in recent years, growing at 6.8 percent in 2012 – the second highest in Asia after China – with increased competitiveness as acknowledged by the World Bank thanks to the ability of the country to mobilize greater attention from the international investment community. In fact, the World Bank has proclaimed that "the Philippines is no longer the sick man of Asia, but the rising tiger", emerging into what some writers dub as "the region's newest economic darling" (Keenan, 2013). However, as pointed out by critics, the growth

[1] According to (Tangpianpant, 2010), the Village Fund program (based on the ideas from the Grameen Bank and others) distributed one million baht (US $24,000) to each of about 78,000 villages since 2001 (99.1% of all villages in Thailand). Approximately 259 billion Baht (US $8.3 billion) was distributed to these villages by the end of May 2005. Although the Village Fund program was meant to increase people's income and reduce their expenses, household debt increased from 68,405 Baht ($2,072.90) in 2000 to 110,133 Baht ($3,337.40) in 2004.

looks good on paper, and despite President Benigno Aquino's development plan goal is to promote "inclusive growth", inequality in the Philippines continues to stand out.

The impact of uneven development in the Philippines can be seen in at least three ways: the high level of poverty, stark income inequality, and the concentration of development in Metro Manila and a few other cities resulting in sharp regional disparity. In terms of efforts at fighting poverty, available official figures show that its progress has been slow and unimpressive. While the poverty level was very high at 33.1 percent in 1991 – meaning that almost one in three was poor – it declined very slowly about two decades later to 26.5 percent in 2009, and there has been no significant decline since then. (In the Philippines, a poor person is defined as someone earning less than 16,841 Peso per year, or less than US$1 per day). The seriousness of poverty can be seen in terms of the number of the poor, which was 26.5 million in 1985, 30.4 million in 2000, 22.2 million in 2006, and 23.1 million in 2009 (Asian Development Bank, 2009).

Besides poverty, income inequality is also serious. According to the report by the ASEAN Trade Union Council (2011), the Philippines has the highest rate of economic and social inequality in Southeast Asia. This inequality is not only in terms of personal wealth. In fact, according to the report, land distribution, educational and vocational opportunities and basic welfare programs are also affected by the growing disparity between the Philippines' richest and poorest citizens.

Available figures show that the top 10 percent of the Filipino population has an income 20 times more than that of the bottom 10 percent. The richest 20 percent of the population controls more than 50 percent of the total family income while the poorest 20 percent control less than 5 percent. The Gini coefficient which is a measure of income inequality was 48.22 in 2000, falling slightly to 45.80 in 2006, and 43.0 in 2012. This 2012 figure is much higher than Thailand (40), China (42.5), Indonesia (34), India (33.4), but sharing the same position as Malaysia (43 in 2012).

Unlike in Malaysia, whose poverty level has declined very dramatically to only 1.0 percent today, in the Philippines, it is the opposite. While the Gini index declined in the past ten years (from 48.22 in 2000 to 43.0 in 2012), the poverty level increased from 24.9 percent to 26.5 percent between 2003 to 2009. This implies that "high growth has not had a distinct positive effect on poverty reduction even within a climate of decreasing income inequality" Bock (2014:7).

Another dimension of uneven development in the Philippines is the concentration of economic activities and wealth in the metropolis. Data shows that while Metro Manila has a land area of only 0.2 percent of the whole country, its national GDP contribution is disproportionately high, at 37.2 percent in 2008. In 2008, the per capita GDP of the Philippines was 82,000 Peso, but for Metro Manila, it was three times higher, i.e. 244,000 Peso. The Filipino average family income was 83,000 Peso in 1994 and 173,600 Peso in 2006, but for Metro Manila, it has been more than double, i.e. 174,000 Peso in 1994 and 311,000 Peso in 2006 (Lambino, 2010: 156-195). The same trend persists today.

The distribution of corporate headquarters too is highly skewed in favor of the metropolis. Of the 5000 top corporations in the Philippines, 3447 or 68.9 percent are based in Metro Manila. Out of the 79 provinces in the country, 35 provinces or 44.3 percent have no corporate headquarters whatsoever, showing clearly the geographic concentration of corporate power and wealth in the metropolitan center, and very few in the periphery.

One of the instruments to fight against poverty and regional disparity was the setting up of rural banks and cooperatives. However, under external pressures of neoliberal globalization, rural banks had been deregulated, leading to a relaxation of locational restrictions which led to a broadening of the geographical scale of rural banks. De-location of rural banks has increased the geographic interpenetration and concentration of finance capital. Between 1993 and 2006, the number of offices of rural banks and cooperative banks grew 1.74 times nation-wide, from 1195 to 2075; but in Metro Manila, they grew by 3.83 times from 18 to 69. The total resources of rural and cooperative banks also increased by 8.44 times during the same period, but the increase is fastest in Metro Manila at 34.9 times. Thus the deregulation of rural banks through de-location has worsened the regional disparity, as it led to further concentration of finance capital in Metro Manila (Lambino, 2010).

While there is concentration of wealth in Metro Manila, the situation in the provinces is bleak despite oppositional pressures exerted by various local groups. Mindanao, one of the most deprived regions which has been home to Muslim rebellion for decades, has six of its ten provinces where 25-40 percent of their families live in poverty – among the top 10 regions nationally in terms of poverty rates. As reported by the Childfund Alliance, nationwide, the 30 most deprived provinces are the home of more than one-third of Philippines' poorest families.

The key issue here is not that the Philippines as a country is poor; it is resource rich. The key problem is that the state has yielded to pressures by powerful politically-connected business elites as well as foreign investors while pressures from civil society have not been powerful enough to change the situation. As argued by Bock (2014: 20), “In the Philippines, political institutions are generally considered to be captured by wealthy business elites, mostly landed families, who have close connections to those in the top echelons of government”. Keenan (2013) says it more sharply that based on the Forbes magazine, in 2012 the collective wealth of the 40 richest Filipino families was US$47.4 billion; it grew by 37.9 percent or an increase of US$13 billion during the 2010-2011 period. The enormity of this increase can be seen from the fact that it was 76.5 percent of the Philippines GDP increase during the same period. Based on the calculations by the Filipino economist Cieleto Habito as quoted by Keenan (2013), the income disparity in the Philippines was one of the highest in Asia: the income of Thailand’s 40 richest families increased only by 26 percent of the GDP, while in Malaysia it was much lower at 3.7 percent.

Responses to Inequality and Regional Disparity from Various Sectors of Society

The responses from the various forces and sectors including the civil society have been varied across the four countries Malaysia, Indonesia, the Philippines and Thailand. These responses can be interested as pressures coming from below on the state, while the latter has to respond in certain ways – either to suppress or to accommodate. As will be shown below, the pressures may take the form armed rebellions and separatist movements in Indonesia, Thailand and the Philippines or by struggles launched their civil society groups which have been very active. In Malaysia, although there is no separatist movement, pressures on state emanate from below through discontent brewing among the people regarding low wages, and on inequality and also regional disparity. In this section, we shall briefly discuss some of these issues.

Indonesia, the largest country in Southeast Asia, had to face both separatist movements as well as strikes and protest by workers and members of civil society. The separatist movement in Aceh led by Gerakan Aceh Merdeka (GAM) (Movement for Independent Aceh) established in 1976 is already well-known. As a response to the armed rebellion, the government had to adopt a policy of accommodation by agreeing to a negotiated settlement signed with GAM on August 15, 2005 in Helsinki, Finland. Based on the agreement, Jakarta has agreed to recognize Aceh as a special autonomous province with powers to handle its own rich oil resources and to implement its own *syariah* laws.

Besides Aceh, Indonesia also faces pressures from the separatist movement in Papua (or Irian Jaya) launched for many decades under the leadership of the outlawed Free Papua Movement or Organisasi Papua Merdeka (OPM). The OPM was established in 1965 to end the Jakarta rule over Papua and West Papua provinces – the poorest of the provinces in Indonesia as shown above – and to secede from Indonesia. Reports show that the people of West Papua have been calling for self-determination for half a century – a struggle for liberation from an Indonesian military occupation that has seen as many as 500,000 Papuans killed (Gemima, 2014). Unlike in Aceh, the state still takes a hard line approach to the rebellion.

The increasing gap between rich and poor has led to tensions and conflict within society and between society and the state with certain repercussions. As argued by Sinaga (2012), "In an especially diverse nation such as Indonesia, groups and individuals may associate particular ethnic groups with wealth and then target them during times of discontent, as we saw in 1998. Income inequality also threatens the unity of this nation, as can be seen by separatist talk in several provinces in the past". As a manifestation of pressures from below, demonstrations and riots have broken out in Jakarta and other cities when the government tried to raise fuel prices and cut down subsidies in 2012, a move the government had to temporarily suspend to ease tension.

The state's policy to depress wages has led labor strikes in various parts of Indonesia demanding for better wages. A report in the *New York Times* on 26 December 2011 by Sara Schonhardt entitled "As Indonesia Grows, Discontent Sets in Among Workers" reveals that workers united by discontent launched strikes, triggered by the fact that many Indonesian workers "toil for barely a living wage, offering some of the cheapest labor in Asia". The *New York Times* report says that Indonesian workers have watched certain sectors of the economy grow wealthy on rising commodity prices and booming domestic demand, and increasingly, it is pushing for a greater share of company profits. The greatest pressure has come from 10,000-odd workers employed by the Arizona-based Freeport-McMoRan, which controls the world's largest recoverable gold and copper reserves in Timika, in Papua Province. In 2011, after a three-month strike by the mining workers, the foreign company had to agree to an increase of 37 percent in wages – a victory achieved through putting tremendous pressure on the company as well as the Indonesia state.

In the Philippines, due to pressures from armed rebels in Mindanao, southern Philippines, and also international pressures, the state decided to take an accommodationist stance. The Filipino government and the Moro Islamic Liberation Front, facilitated by Kuala Lumpur, held a series of peace talks that led to the formulation of The Framework Agreement on the Bangsa Moro which was announced in October 2012 to end the rebellion. Based on the official agreement which was signed in Kuala Lumpur on 24 January 2014 between the Filipino government and MILF, and witnessed by Malaysia, it was agreed to establish the Bangsamoro to replace the earlier Autonomous Region in the Muslim Mindanao (ARMM) signed in 1996 by Nur Misuari, leader the Moro National Liberation Front (MNLF) with the Fidel Ramos-led government. The MILF agreed to end the armed struggle, while the Philippines government agreed to recognize the rights of the Bangsamoro and the autonomy of the region. How the question of poverty and regional disparity will be resolved in southern Philippines is yet to be seen.

Besides the armed rebellion, pressures on the state also come from the Filipino people through civil society organizations that have waged various struggles to change the people's living conditions. The main issue championed by them is inclusive growth in the post-Millennium Development Goals (MDGs) 2015. According to reports, a group of NGOs and other civil society organizations launched a broad coalition in August 2014 – 500 days before the end of the MDGs – to push for inclusive growth and sustainable development. The organizations include Action Against Hunger (ACF) Philippines, Beyond 2015 Philippines, Caucus of Development NGO Networks (Code-NGO), Civil Society Counterpart – Council for Sustainable Development (CSC-CSD), Global Action Against Poverty-Philippines (GCAP Philippines), Social Watch Philippines, etc. (Dinglasan, 2014). The effectiveness of these moves on the state has yet to be seen.

In Thailand, one of the greatest and most costly pressures on the state is the long standing separatist armed rebellion fighting for local autonomy in the Moslem majority south since the 1960s. Violence which had badly affected the people in the south for many decades has escalated in recent times. According to reports, more than 6,000 people have died and more than 10,000 have been injured between 2004 and 2014 due to clashes between the government security forces and the separatists. Due to both domestic and international pressures, the Thai government has requested the assistance of Malaysia to facilitate peace talks between Bangkok and the rebels, but so far, no agreement has been reached.

Struggles by civil society groups to overcome poverty and inequality have been going on for some time in Thailand. In the two decades of the 1980s and 1990s, civil society groups and NGOs grew rapidly; ADB figures state that by 1989, there were 12,000 local NGOs, 44 percent of which worked in the field of development and welfare. Many of the organizations focused their involvement in rural development, working with the poor and disadvantaged groups to 'alleviate poverty, re-value and conserve villagers' wisdom and folkways, and ensure basic rights of rural people were met'. They also promote awareness among the people regarding the lop-sided top-down development projects that ignore or neglect people's participation (*ADB Civil Society BRIEFS Thailand*). The military junta needs to respond positively to these pressures from civil society groups to avoid their legitimacy from being questioned further.

In Malaysia, while there are no separatist movements or armed rebellions (the protracted armed struggle led by the Malayan Communist Party against the Malaysian government was already solved by December 1989), the pressures from various sectors of society including from provincial elites have been quite sharp. As a response to Malaysia's inter-ethnic inequality which was very high in the late 1960s, ethnic riots erupted in 1969 in Kuala Lumpur, while riots on a smaller scale took place in Kampung Medan outside Kuala Lumpur in 2011. However, today the situation is rather different. As various studies have shown, unlike in 1969 when inequality was inter-ethnic, today inequality is more serious within ethnic groups, or between classes rather than between ethnic groups (Ragayah, 2011), a point reaffirmed by various scholars (see in particular Kamal Salih, 2013: 42). There have been pressures from various civil society groups demanding the state to do away with ethnic-based affirmative action policies of the New Economic Policy (1971-1990), and implement the need-based affirmative action targeting the bottom 40 percent or even the bottom 60 percent. However, the state has not been wholehearted in responding to this demand as it has been opposed by Malay right wing groups such as Perkasa and ISMA, which have close ties with the UMNO-led government.

Other pressures on the state to address regional disparity also emanate from various sectors of society including provincial elites. The most advanced parts in the country are the industrialized and highly urbanized states located in the west coast of Peninsular Malaysia while the less developed ones are on the east coast including Sabah and Sarawak. Pressures have arisen due to the dissatisfaction with regard to the handling of federal-state relations by the Federal Government in Kuala Lumpur which has amassed centralized federal power. The pressures come especially from the east coast states of Kelantan and Terengganu as well as Sabah and Sarawak in relation to the financial allocation from the federal government to the states which is calculated based on population figures, rather than the level of development. Related to this is the issue of oil royalty to be given to the states by the federal government, an issue which civil society groups especially in Kelantan and Terengganu have been fighting for many years. Even members of the federal cabinet from these states have openly voiced for a review of how development allocations are made. A Bernama report (*The Malaysian Insider* 29 March 2015) quoted Mustapa Mohamad, Minister of International Trade and Industry in the Federal Government and also the Kelantan Federal Development Action Council chairman, who said he hoped that the Federal government would allocate a bigger budget to further develop states lagging behind in terms of development in the 11th Malaysia Plan (2016-2020). "We hope that the financial resources are distributed according to the level of achievement in terms of economic growth and poverty rates. We are aware of the fact that Kelantan is under the opposition (PAS), but this does not mean that the rights of the people should be deprived," he said.

State leaders from Sabah and Sarawak too have been putting pressures on the Federal government on this. For example, the former chief minister of Sabah, Salleh Said Keruak said Sabahans and Sarawakians must be made to feel they are partners in Malaysia and not be treated as ‘servants of West Malaysian colonialists’, insisting that these states were supposed to enjoy a certain level of autonomy. Writing in his blog as quoted in *Free Malaysia Today* (“Salleh: End federal grip on Sabah, Sarawak”) on 28 February 2015, he said Sabah and Sarawak did not really want independence, as proposed by some. “What is of concern to Sabah and Sarawak is the federalization of the state government and the loss of its autonomy in deciding some matters”, he said. The Federal Government has responded using the carrot and the stick. It has announced special measures for Sabah and Sarawak in terms of economic handouts besides having earlier appointed a bigger number of ministers in the Federal Cabinet from these states, while at the same time, insisting that any move to take Sabah and Sarawak out of Malaysia will be dealt with severely.

Both poverty and regional disparity in these countries especially Indonesia and the Philippines have been partly responsible for the rapid cross-border migration into countries that have developed faster and have become more prosperous, namely Singapore and Malaysia. Of the total workforce in Malaysia, 20 percent are foreign workers. Malaysian authorities give a figure of an estimated six million migrant workers living and working in the country, of which 2.9 million are legal while the rest are undocumented. Migrant workers work mostly as cheap labor in construction, plantation, manufacturing, domestic services and other industries. From the state point of view, cross-border migration especially those who come illegally poses problems for internal security, while from the human development perspective, it raises issues of human security and human rights. In terms of regional cooperation, the huge flows of migrants into other countries can create problems of bilateral relations as any mistreatment (perceived or real) of the migrants will be regarded by the sending country as an affront to their citizens, leading to pressures being exerted by these countries on the host country.

The analysis above further shows that in the four ASEAN countries studied, wages have been low, which is a major reason for sharp inequality, and that wages have not increased proportionately with rise in productivity. According to the ILO 2014 report, "For the five largest economies – Indonesia, Malaysia, the Philippines, Thailand, and Vietnam – the IMF recorded average GDP growth of 5.8 per cent from 2010 to 2013… However, wage growth remained subdued at around 2.3 per cent throughout this period, with zero real wage growth in 2008. As a result, wage growth had been falling behind productivity gains". The ILO report attributes this disconnect between productivity gains and wages as due to the weakness of wage-setting institutions in many countries across the region.

The over-reliance on foreign labor in countries such as Malaysia is a result of incessant pressures placed on the state from domestic employers, especially in the construction and plantation industries to employ cheap labor. In fact, the presence of foreign labor has been used as an instrument to perpetuate a low-wage and pro-profit policy regime in the country despite opposition by the trade unions. At the same time, abundance of labor in countries such as Indonesia, the Philippines and Thailand has enabled both domestic and foreign companies there to maintain their low-wage and pro-profit policy regime.

Conclusion

From the above discussion, it can be seen that pressures on the state emanate from both domestic and external sources, although the visible pressures seem to come from the internal. These pressures impact on state policy, leading to the continuation of the low-wage and pro-profit policy, i.e. policies that privilege capital over labor, and the metropolitan centers over the peripheral regions across all the four countries under study. That is why despite important strides being made in economic development and social transformation, they have yet to overcome poverty except in Malaysia, and more so inequality between income groups and classes and between regions.

What then is the way forward to address these problems? Hewison (2014) is spot on when he argues that "this involves examining policies and practices that have been in place for several decades". In the case of Thailand, he cites several examples of state policies such as the state's investment in social welfare and education that have tended to concentrate in urban areas, and did not reach the poor. Also, there was little redistribution to the poor from the state's taxation policies, and that state and commercial banks have tended to restrict the availability of credit for small enterprises, farmers and the informal sector. In short, "it is a pro-rich program that has been supplemented by a low wage and high profit policy that has been kept in place through the collusion of the state and business" (Hewison 2014: 854-855).

These views seem relevant when explaining some of the issues discussed in this paper regarding poverty and inequality not only in Thailand but also other countries in Southeast Asia. Discussing in a different context, Joseph Stiglitz (2012), argues that the problem in the past is that "the macroeconomic models placed too little attention on inequality and the consequences of policies for distribution" and that "(such) policies have contributed to the high level of inequality in America and elsewhere" (Stiglitz, 2012: 330-31). For change to occur, Stiglitz suggests "the institutional arrangements through which decisions are made will have to change… we cannot have a monetary system that is run by people whose thinking is captured by the bankers and that is effectively run for the benefit of those at the top" (2012: 331). It is these actors – business tycoons and corporate big wigs from both the international business community and inside the country whose aim is for profit maximization – together with like-minded politicians that have the most effective influence on the state to effect and perpetuate such policies.

To bring about change, it cannot be left to governments alone. As argued by Green (2008: 369), "In the effort to end poverty and gross inequality the central role will be played by active citizens and effective states. For only women and men struggling together for a better future, interacting with their governments, can deliver the kinds of social and political structures needed to make development serve the poorest individuals and communities". Civil society groups need to engage with governments, market players, and various sectors of society to ensure the formulation of good policies and their implementation that benefit the people and address poverty, inequality and regional disparity.

With regard to the role of the state in development, while it has the space or autonomy despite globalization in order to maneuver to devise appropriate policies and implement them, in the last analysis, it all depends on the commitment and political will of state actors to undertake reforms. They need to do so and be seen to do so if they want to build and gain the trust and confidence of people in state institutions and develop a cohesive and socially just society. Civil society actors need to keep up the momentum of their struggle to realize this goal.

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