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Labour Migration in ASEAN: A Misguided Quest

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Disclaimer

I Savanhnaxai Seasouvan certify that this thesis is entirely my own work, and that to the best of my knowledge and belief, it does not contain any material previously published or written by another person, except where due reference is made in the text or footnotes.

Savanhaxai Seasouvan

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Abstract

A cluster of independent states namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam together form the Association of South East Asian Nations (ASEAN). As a group, the members of ASEAN have the potential to increase their bargaining power in the international community. For this reason, in 2015 ASEAN decided to establish the ASEAN Economic Community (AEC) in order to exercise this potential and bring the member states closer together in a prosperous community. In order to achieve such an ambitious aspiration, as proposed by the ASEAN Secretariat, ASEAN agreed to facilitate the freer movement of skilled labour and professionals alongside the freer movement of services, capital, and investment. Ideally, the free movement of labour and capital would help narrow regional demographic and economic disparities.. However, the AEC proposal gained unequal and uneven support from ASEAN members because they had differing perceptions about the benefits that would flow to them. The thesis will argue that the ASEAN attempts to facilitate economic integration through the movement of skilled labour and professionals seems unrealistic because such labour represents a minor proportion of regional labour mobility, while semi- and low-skilled labour accounts for the majority share. In order to accelerate regional economic integration, ASEAN should focus on incorporating semi- and low-skilled labour, even in the form of temporary contracts. Semi- and low-skilled labour can in fact make a significant contribution to developing countries in terms of absorbing surplus labour, and national economic development.

List of Acronyms

AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement on Services
ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ASEAN	Association of South East Asian Nations
APEC	Asia-Pacific Economic Cooperation
AQRF	ASEAN Qualification Reference Framework
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
CARICOM	Caribbean Community
CLM	Cambodia, Laos, Myanmar
CLMV	Cambodia, Laos, Myanmar, and Vietnam
EU	European Union
EOI	Export Orientated Industrialisation
FDI	Foreign Direct Investment
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
MNP	ASEAN Agreement on the Movement of Natural Persons
MRAs	Mutual Recognition Arrangements
NAFTA	North America Free Trade Agreement
OECD	Economic Co-operation and Development
SAARC	South Asian Association for Regional Cooperation

Chapter 1

Introduction

The Promise and Reality of Economic Integration

The Association of Southeast Asian Nations (ASEAN) consists of ten member states: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. As a group, ASEAN is aiming to become a highly integrated and cohesive economy where regional movement of human resources, capital, investment, and services is freer and smoother. Since the movement of human resources is considered to be integral to this aspiration, a number of ASEAN instruments have been introduced to facilitate this aim. ASEAN believes that the freer movement of skilled and professional labour is a significant component of regional economic integration,¹ which in turn can narrow regional demographic and economic disparities. However, despite ASEAN's efforts to facilitate the freer regional movement of skilled labour and professionals, these efforts seem misplaced, and they have not won sufficient support from member states because of contradictions between member perceptions regarding regional and national benefits.² In other words, there is a disconnection between the promised collective benefits of ASEAN's vision, and the likely benefits and acceptable disadvantages for the individual member-states.

ASEAN's expects that provisions for the freer movement of skilled labour and professionals will boost regional benefits in the long-term. These provisions include the

¹ *ASEAN Community 2015: Managing integration for better jobs and shared prosperity*, International Labour Migration and Asian Development Bank, Bangkok, 2014, P. 3.

² G. Sugiyarto and D. R. Agunias, 'A "The freer" Flow of Skilled Labour within ASEAN: Aspirations, Opportunities and Challenges in 2015 and Beyond,' *A Joint Series of the IOM Regional Office for Asia and the Pacific and the Migration Policy Institute*, no. 11, 2014, p. 1.

ASEAN Framework Agreement on Services (AFAS), the ASEAN Agreement on the Movement of Natural Persons (MNP), Mutual Recognition Arrangements (MRAs) and the ASEAN Qualification Reference Framework (AQRF). These instruments are supposed to balance regional demographic and economic disparities by facilitating labour exchanges between the more- and less-developed countries. In particular, for the more developed countries, the instruments are designed to compensate for labour shortages due to low fertility rates, ageing populations, and the outflow of young talent and new graduates. At the same time, the less-developed members can release surplus skills and gain benefits from both remittances and a brain gain. In this way, the more-developed economies can maintain their economic competitiveness while the less-developed economies are able to maintain their economic development when human resources are exchangeable.

The introduction of ASEAN provisions for the freer movement of skilled labour and professionals, however, do not always get the green light from ASEAN member states. MRAs, which are supposed to facilitate the broader movement of skilled labour and professionals ASEAN-wide, making it easier for ASEAN professionals to get jobs across the region, cover only eight professional skills including engineering, nursing, architecture, medicine, dentistry, tourism, surveying and accounting.³ Together they represent only 1.5 percent of the total ASEAN workforce resulting in very limited

³ 'ASEAN Mutual Recognition Agreement,' *Investing in ASEAN*, 14 September 2017, <<http://investasean.asean.org/index.php/page/view/asean-the-free-trade-area-agreements/view/757/newsid/868/mutual-recognition-arrangements.html>>, consulted 14 September 2017.

impacts on the ASEAN labour market generally.⁴ Moreover, the labour-receiving countries can still exercise their rights to refuse recognition of the qualifications of skilled labour and professionals, based on their domestic laws, regulations, and national labour migration policies. This can frustrate the ASEAN regional goal of freer labour movement.⁵ ASEAN, however, is considering improving existing MRAs and adding new MRAs to facilitate greater labour mobility.⁶ The further development of ASEAN instruments on labour migration depends largely on the collective willingness and support of the ASEAN member states. These individual states, however, are not likely to favour provisions that undermine national control of labour. They are likely to wish to retain control over the amount of cross border skilled labour inflows and outflows. Labour-receiving countries are concerned about flooding the labour market with migrant workers, while labour-sending countries are concerned about a brain drain. For these reasons, the idea of a freer, liberal labour market seems too far reaching in the current ASEAN context.

Another reason ASEAN is not able to implement regional agreements and respond to the needs of both ASEAN's more- and less- developed countries is because the role and power of the ASEAN Secretariat is limited. The potential benefits of intraregional mobility of skilled labour and professionals seem promising due to various factors including existing disparities in wages and demography between the more- and less-developed countries; regional geographic proximity; and the supporting policies of

⁴ M. Faisal, 'AEC and congested labor mobility,' *The Jakarta Post*, 18 January 2016, <<http://www.thejakartapost.com/news/2016/01/18/aec-and-congested-labor-mobility.html>>, consulted 17 October 2017.

⁵ Y. Fukunaga, 'Assessing the progress of ASEAN MRAs on professional services,' *Economic Research Institute for ASEAN and East Asia*, Discussion Paper Series, 2015, p. 14.

⁶ *ASEAN Economic Community Blueprint 2025*, ASEAN Secretariat, Jakarta, 2015, p. 11, <http://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf>, consulted 14 October 2017.

individual governments.⁷ Individual states, however, prefer to rely on traditional mechanisms for labour demand and supply inside and outside ASEAN, which are independent from ASEAN schemes. In fact, the movement of semi- and low-skilled labour takes place widely in the region through bilateral and sub-regional arrangements, but these are usually ignored by ASEAN.⁸ The argument of this thesis is that the ASEAN Secretariat should consider convincing member states to include these plentiful skills into the ASEAN framework as they make significant contributions to national and international economies.⁹

In order to effectively analyse the potential long term regional gains expected from the ASEAN provisions for the freer movement of skilled and professional labour, versus concerns over potential short-term national losses, this thesis has been divided into 5 chapters. The first chapter introduces a brief profile of ASEAN initiatives for regional labour mobility, as well as the backlash from member states. The second chapter focuses on the expected benefits that may flow from the implementation of ASEAN initiatives for regional migration of skilled labour and professionals. The third chapter identifies and analyses why ASEAN member states presently focus on only eight categories of skilled migrant labour. Here it is assumed that the more-developed countries are unwilling to include semi- and low-skilled labour, while the less-developed countries are unwilling to include skilled professionals. The fourth chapter explores the role of the ASEAN Secretariat and the reactions the member states to

⁷ F. Jurje and S. Lavenex, 'ASEAN Economic Community: what model for labour mobility?,' *Swiss National Centre of Competence in Research*, Working Paper, vol. 2, 2015, p. 9.

⁸ 'Sub-Regional organisations,' *ASEAN*, < <http://asean.org/asean-economic-community/initiative-for-asean-integration-iai-and-narrowing-the-development-gap-ndg/resources/sub-regional-organisations/> >, consulted 11 October 2017.

⁹ A. Orbeta Jr, 'Enhancing labour mobility in ASEAN: Focus on lower-Skilled Workers,' *Philippine Institute for Development Studies Discussion Paper Series*, 2013, p. 4.

ASEAN initiatives on the regional movement of skilled labour. The final chapter concludes that ASEAN should better reflect on the actual nature of the ASEAN labour market, and include the movement of semi- and low-skilled labour, if it really wishes to integrate the regional economy. This does not necessarily involve full liberal integration, just freer labour migration.

Chapter 2

Why is skilled labour mobility significant to ASEAN?

ASEAN as a regional actor maintains the position that the freer movement of skilled labour and professionals will lead to regional economic integration, economic competitiveness, and economic growth. For this reason, ASEAN is attempting to create a mechanism ensuring the sufficient supply of qualified workers needed for long-term regional benefits. ASEAN's idealistic aspiration seems realistic because ASEAN is a rapidly developing region where there is great potential for further economic growth. In 2015, ASEAN's economy was collectively ranked as the 6th largest in the world and the 3rd largest in Asia with an average annual real growth rate of 5.3 percent between 2007 and 2015. Within the same period, ASEAN's total trade increased by US\$700 billion, and intra-ASEAN trade comprised the largest share. In 2015, ASEAN also attracted US\$ 121 billion of Foreign Direct Investment (FDI) with intra-ASEAN investment constituting the largest share of inflows.¹⁰ The current ASEAN population is approximately 622 million people - the 3rd largest regional population in the world after the Asia-Pacific Economic Cooperation (APEC) and the South Asian Association for Regional Cooperation (SAARC). Nearly half of ASEAN's people are working age and 47.7 percent live in urban areas.¹¹ The ASEAN region is also rich in natural resources such as gas, oil, and mineral deposits; forests cover 45 percent of the region; there are

¹⁰ 'Fact sheet of ASEAN Economic Community,' *ASEAN*, May 2017, <asean.org/storage/2012/05/7c.-May-2017-Factsheet-on-AEC.pdf>, consulted 14 October 2017.

¹¹ A. Orbeta Jr and K. G Gonzales, 'Managing International Labour Migration in ASEAN: Themes from a Six-Country Study,' *Philippine Institute for Development Studies*, Discussion Paper Series, 2013, p. 1.

abundant freshwater resources, especially in Brunei, Laos, and Malaysia; there are large areas of fertile soils; and ocean-based resources.¹²

Both human and natural resources, however, are distributed unequally throughout the region. For example, Brunei has a huge oil deposits, but a population of less than a million. On the other hand, Vietnam has a large population of nearly 100 million, but limited natural resources that are being rapidly exhausted.¹³ These regional disparities and inequalities are expected to be narrowed through comprehensive regional collaboration. One of the critical initiatives is the introduction of the ASEAN Economic Community (AEC). Established in 2015, the AEC goals include the creation of: “(i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN.”¹⁴ The establishment of the AEC is a major milestone in regional economic integration, and it is also a challenging step for ASEAN. In order to achieve such regional aspirations, ASEAN needs to unlock regional potential by facilitating or even liberating access to both human and natural resources. Preparatory processes and activities for the AEC initiative, in terms of freer flows of human resources, trade, investment and capital, began before 2015. However, moves towards establishing the freer movement of skilled labour stands out as having made slow progress due to a number of regional

¹² L. Pradipta, ‘ASEAN Community: Managing Natural Resources for Sustainable Development,’ *Jurnal Kajian Wilayah*, vol. 6, no. 2, 2015, p. 122. pp.

K. Kalirajan and K. A. U. Zaman and G. Wijesekere, ‘Strengthening Natural Resources Management in ASEAN: National and Regional Imperatives, Targets, and Opportunities,’ *Economic Research Institution for ASEAN and Southeast Asia*, Discussion paper series, 2015, p. 1.

¹³ T. Tan, ‘Vietnam Deals with Energy Crisis Risk,’ *Vietnam Chamber of Commerce and Industry*, 23 Oct 2017, <http://www.vccinews.com/news_detail.asp?news_id=21742>, consulted 24 October 2017.

¹⁴ *ASEAN Economic Community Blueprint 2025*, ASEAN Secretariat, Jakarta, 2015, p. 1.

and national barriers, discussed in chapters 3 and 4. Nevertheless, ASEAN is committed to enhancing and improving human resources through a strategic framework designed to develop competent and a well-prepared labour force.¹⁵ It has introduced a number of provisions for facilitating the movement of skilled labour and professionals within the region, namely the ASEAN Framework Agreement on Services (AFAS), the ASEAN Agreement on the Movement of Natural Persons (MNP), Mutual Recognition Arrangements (MRAs) and the ASEAN Qualification Reference Framework (AQRF). AFAS aims to expand the scope and depth of trade liberalization in services including the presence of natural persons. Natural persons - a common term used in ASEAN - covers business visitors, intra-corporate transferees, contractual service suppliers, and other categories of natural persons as may be specified by ASEAN Member States.¹⁶ The MNP facilitates the temporary movement of skilled labour and professionals of ASEAN companies investing in other ASEAN countries, namely executives and professionals across the region.¹⁷ MRAs are designed to promote the mutual recognition of qualifications and to facilitate labour mobility within ASEAN. The AQRF is an instrument used to facilitate the implementation of MRAs by measuring the levels of

¹⁵ *ASEAN Socio-Cultural Community Blueprint*, ASEAN Secretariat, Jakarta, 2009, p. 11, pp. 1-16, <<http://asean.org/wp-content/uploads/images/archive/5187-18.pdf>>, consulted 13 August 2017.

¹⁶ 'ASEAN Agreement of the Movement of Natural Persons,' *Invest in ASEAN*, 14 September 2017, <<http://investasean.asean.org/index.php/page/view/asean-free-trade-area-agreements/view/757/newsid/869/asean-agreement-on-the-movement-of-natural-persons.html>>, consulted 14 Sept 2017.

¹⁷ 'ASEAN Agreement on the Movement of Natural Persons,' *ASEAN*, p. 3, <http://asean.org/wp-content/uploads/images/2013/economic/asean_mnp_agreement/ASEAN%20MNP%20Schedule%20-%20Singapore.pdf>, consulted 2 October 2017.

education or training with the comparable qualification frameworks, based on a common reference.¹⁸

The main reason ASEAN initiates the freer movement of skilled labour and professionals is because ASEAN realizes that it would be an important factor in boosting long-term regional economic integration and development.

The changing structure of ASEAN demography over the past decades strengthens the necessity for intraregional movement of skilled labour. Since the 1950s, ASEAN's demography has changed due to a shift from high fertility rates (around 5 children per woman from 1950-1955) to low fertility rates (2.1 children per woman in 2005-2010).¹⁹ This shift is due to people marrying later in life, and the use of contraceptives beginning in the 1960s and 1970s. As a result, ASEAN's population growth will slow in the near future to an annual rate of 1.1 percent²⁰, especially amongst the working age population. The ASEAN working age population will fall from 496,743 in 2050, to 490,332 in 2055, and 482,138 in 2060.²¹ The peak in the working age population, however, varies in each ASEAN member state. The more-developed countries seem to encounter the peak, and hence labour shortages, earlier than the less-developed countries. For example, in the absence of labour migration, the Singaporean working age population peaked in 2015 at 3.7 million people. Thailand is forecasted to peak in 2020 at 50 million people. Singapore and Thailand are among the first who will run short of young

¹⁸ C. S. Yue, 'Free Flow of Skilled Labour in the ASEAN Economic Community,' in S. Urata and M. Okabe (ed.), *Toward a Competitive ASEAN Single Market: Sectoral Analysis*, Economic Research Institution for ASEAN and Southeast Asia, 2011, pp. 206.

¹⁹ M. Bruni, 'Labour market and demographic scenarios for ASEAN countries (2010-35) Education, skill development, manpower needs, migration flows and economic growth,' *Department of Political Economy, University of Modena and Reggio*, Working paper series, no. 6, 2012, pp. 13-14.

²⁰ T. S. Mun, *ASEAN Focus 1967-2017*, ASEAN Studies Centre at ISEAS-Yusof Ishak Institute, Singapore, 2017, p. 12.

²¹ M. Bruni, p. 19.

local labour, while the peaking point of the working age population for the rest of the ASEAN states will take considerably longer to reach. For instance, Indonesia, Myanmar, and Vietnam will peak in 2035 at 199.9, 38.7, and 71.9 million people respectively. Brunei will be in 2040 at 0.3 million. Cambodia will peak in 2045 at 13.7 million, and Laos in 2050 at 6.4 million.²² The sharp decline of the total fertility rate has set the ceilings on the working age populations of ASEAN members. The region will have smaller young workforce, which has negative implications for economic transactions and growth, particularly in the more developed economies.

Another critical issue is increasing life expectancy, which has a greater impact on the more-developed countries. In general, the current life expectancy of all ASEAN countries is above 60 years old due to better access to health services, and a higher standard of living due to rapid economic development. The more-developed economies such as Singapore and Brunei enjoy an even longer life expectancy of 80.6 and 77.5 years of age respectively.²³ As a result, some of the more-developed economies of ASEAN are likely to witness an increase in the aging population that is above the replacement level. Replacement level means the total fertility rate, which is just around one child per woman in the more-developed countries of ASEAN.²⁴ According to an overlapping generations model studying the impacts of an aging population in South Korea, an aging population that exceeds a working age population will have negative implications for national economic growth. First, there will be a significant drop in the young labour force, which might be a weakness that hinders economic investment by

²² M. Bruni, p. 18.

²³ M. Bruni, p. 14.

²⁴ M. Tuccio, 'Determinants of Intra-ASEAN Migration,' *Asian Development Review*, vol. 34, no. 1, 2017, p. 153.

firms, especially in labour intensive sectors. Furthermore, an increase in the aging population would increase the social welfare budget. The fiscal burden will be paid by increasing taxes on businesses and a decreasing share of the working age population, leading to lower national savings. This scenario, in the absence of migrant labour replacement, would inevitably hamper national economic growth of the country.²⁵ A similar dilemma is expected to be faced by the more-developed economies of ASEAN soon as the proportion of the aging population begins to rise above the working age population.

Apart from declining fertility rates and aging populations, the outflows of young ASEAN nationals also exacerbates labour shortages in the region. Normally, skilled migrants tend to move from developing to developed economies in search of better paying jobs, better employment opportunities, and a better quality of life. This trend is not limited to ASEAN states, as ASEAN skilled professionals and talent from the well-developed economies of Singapore, Malaysia, and Thailand also seek employment opportunities in the more advanced countries of Europe, America, Australia, and New Zealand. Papademetriou reveals that ASEAN is losing skilled workers because unemployed skilled workers find it easier to enter these developed countries than to move within ASEAN. Since skilled labour is increasingly considered a global commodity, the borders of these advanced economies are often more open and welcoming. There are approximately two million skilled professionals from ASEAN member states living and working in these countries, constituting a significant brain

²⁵ KH. Choi and S. Shin, 'Population aging, economic growth, and the social transmission of human capital: An analysis with an overlapping generations model,' *Economic Modelling*, vol. 50, 2015, p. 138.

drain from the region.²⁶ ASEAN university students studying in these developed countries often stay after graduation due to pursue career development opportunities, better paid jobs, and a higher standard of living.²⁷ The tendency to stay abroad after studies is also partially influenced by the hosts tailoring immigration policies to facilitate student migration in response to declining fertility rates, ageing populations, and skill shortages.²⁸ Consequently, foreign graduates are often permitted to find jobs and stay in the countries of education where permanent residency is offered. As a result, the number of foreign students returning home is minimal. For example, case study of foreign students undertaking education in the leading economies of the United Kingdom, America, and Australia reveals that “only 30.5% of the foreign students intend to return to their home countries after the completion of their studies.”²⁹ The economies of ASEAN are already facing shrinking working age populations resulting from demographic trends. They also have to compete with the much more advanced western economies that are attracting their skilled workers and talent.

In the light of the shrinking ASEAN working age population, especially in the more-developed economies, their economies are under threat of contraction since labour supply is an imperative input of production, particularly in the labour-intensive sectors of agriculture, manufacturing and services.³⁰ Consequently, in the absence of skilled

²⁶ D. G. Papademetriou, *et al.*, *Achieving Skill Mobility in the ASEAN Economic Community: Challenges, Opportunities, and Policy Implications*, Asian Development Bank, Manila, 2015, p. 1.

²⁷ S. Chemsripong, ‘Skilled Labour Mobility in the ASEAN Economic Community (AEC): Experience from Thailand Labour Market,’ *Journal of Economics and Political Economy*, vol. 3, no. 4, 2016, p. 773.

²⁸ C. Gribble, ‘Policy options for managing international student migration: the sending country’s perspective,’ *Journal of Higher Education Policy and Management*, vol. 30, no. 1, 2008, p. 25.

²⁹ Y. Baruch and P. S. Budhwar and N. Khatri, ‘Brain drain: Inclination to stay abroad after studies,’ *Journal of world business*, vol. 42, no. 1, 2007, p. 107.

³⁰ E. R. Berndt and L. R. Christensen, ‘Testing for the existence of a consistent aggregate index of labour inputs,’ *The American economic review*, vol. 64, no. 3, 1974, p. 399. pp. 391-404.

migrant inflow, developed economies with a decreasing working age population will have to accept diminishing growth rates and lower incomes. For this reason, some ASEAN countries – specifically Singapore, Brunei, Malaysia, and Thailand – have policies designed to attract the inward migration of skilled professionals in order to compensate for labour decline.³¹ The introduction of ASEAN provisions for the freer movement of skilled labour and professionals, especially MRAs, are designed to promote intraregional migration of skilled labour in order to handle a long-term shrinking of the working age population in the more developed economies of ASEAN. Skilled migrant workers can play an essential role in replacing aged and retired workers and skills outflows.³² For example, based on a simulation studying the impacts of the freer movement of skilled labour in the Thai economy, the emergence of MRAs concerning the mutual recognition of the qualifications of eight skilled professions, namely doctors, dentists, nurses, engineers, architects, accountants, surveyors, and tourism professionals, helped stimulate an increase in Gross Domestic Products (GDP), household incomes, income distribution, and exports.³³ The availability of labour migration can even play a significant role in determining growth in the global economy. According to a Boston Consulting Group study estimation, the global economy could lose US\$10 trillion by 2030, equivalent to 10 percent of global GDP, due to labour shortages. Further, the World Bank has projected that the global economy would gain

³¹ S. Chemsripong, p. 773.

³² ‘Replacement Migration: Is it a Solution to Declining and ageing populations?’, *UN Population Division*, 2000, <www.un.org/esa/population/publications/migration/execsum.pdf>, consulted 11 September 2017.

³³ U. Sanglaoid and S. Santipolvut and L. Phuwanich, ‘The impacts of ASEAN labour migration to Thailand upon the Thai economy,’ *International Journal of Economics and Finance*, vol. 6, no. 8, 2014, p. 124.

US\$356 billion if there was a 3 percent increase in migrant labour moving from the less- to more-developed countries by 2025.³⁴

Another aspect indicating the benefits of the free flow of skilled migrant workers is that the more-developed economies, encountering a labour shortage due to the decrease in working age participants, can provide decent jobs for the less-developed economies of a structural excess of skilled labour supply. Many developing countries of ASEAN currently have higher total fertility rates than the more-developed member states. For instance, the total fertility rates of Cambodia, Indonesia, Laos, Myanmar, the Philippines, and Vietnam range from two to above three children per woman, while the total fertility rates of Singapore and Thailand are currently around one child per woman.³⁵ In the less-developed economies this leads to an oversupply of labour, unemployment, and demands for job creation. Indonesia and the Philippines in particular have the highest unemployment rates in ASEAN, (above 6 percent in 2015), and most of the unemployed are youths and woman.³⁶ Even though the skilled labour force has university degrees, job creation programs are not sufficient to keep up with the jobs required by the rapidly growing young workforce.³⁷ In the absence of provisions for intraregional mobility of skilled labour and professionals, their unemployment status will remain, and their potential unrealized.

The issue of surplus labour in the less-developed economies of ASEAN, however, can be handled by exporting that skilled work force to the more-developed economies in

³⁴ D. G. Papademetriou, *et al.*, p. 2.

³⁵ M. Bruni, p. 14.

³⁶ *Philippine Employment Trends 2015 Accelerating inclusive growth through decent jobs*, International Labour Organization Country Office for the Philippines, 2015, p. 10. pp. 1-15.

³⁷ 'PH has highest Asean unemployment rate — ILO report *Trade Union Congress of the Philippines*, 15 May 2015, <<http://tucp.org.ph/2015/05/ph-has-highest-asean-unemployment-rate-ilo-report-2/>>, consulted 31 August 2017.

the region that need extra labour. It seems sensible that the unemployed skilled workers of the less-developed economies be employed where they are needed and in demand - in the more developed economies of the region. For example, The Philippines, having the highest unemployment rate, actively promotes labour outflows in order to respond to labour supply excesses at home. As outlined below, the economic benefits derived from exporting labour are considerable.³⁸ Therefore, opening borders for the freer mobility of skilled labour offers mutual benefits to both labour-sending and labour-receiving countries.

The introduction of ASEAN provisions for facilitating the movement of skilled labour help not only to reduce unemployment rates in the developing economies, and fill skill gaps in the more-developed economies, but they also help to narrow regional economic disparities through remittances and the development of a 'brain bank'. Remittances can play a significant role in sustaining poverty reduction³⁹ and economic development in the labour-sending countries.⁴⁰ For example, in The Philippines, outflows of both skilled and low-skilled migrant labour bring benefits to the country. The households of migrant workers enjoy an increasing flow of income and better economic well-being because "the remittances are often used to combat poverty and to overcome economic hardships in place of origin and help family members to raise standard of living and to improve quality of life."⁴¹ The Philippines economy has relied heavily on overseas remittances for decades. Even during the Asian Financial Crisis (AFC), remittances are

³⁸ G. O. Pasadilla, *Social Security and Labour Migration in ASEAN*, Asian Development Bank Institute, 2014, p. 5.

³⁹ R. H. Adams and J. Page, 'Do international migration and remittances reduce poverty in developing countries?', *World development*, vol. 33, no. 10, 2005, p. 1646.

⁴⁰ S. S. Russell, 'Remittances from International Migration: A Review in Perspective,' *World Development*, vol. 14, no. 6, 1986, p. 677.

⁴¹ M. Semyonov and A. Gorodzeisky, 'Labour migration, remittances and economic well-being of households in the Philippines,' *Population Research and Policy Review*, vol. 27, no. 5, 2008, p. 620.

believed to have played a role in stabilizing household expenditure.⁴² According to a calculation regarding the contribution of remittances, the welfare of the labour-sending countries would increase by 200 billion US dollars if there were a 3 percent increase in the skilled labour supplied by the less-developed economies to the more-developed countries.⁴³ Many empirical studies also indicate that there is a positive link between remittances and economic growth in developing countries. Even though remittances are often sent in small amounts in an unofficial manner by individuals, they are large in aggregate. Consequently, remittances from labour migrants in the more-developed countries are increasingly important to developing countries as an alternative source of financing economic transactions and development.⁴⁴

The quality of political and economic policies and institutions of the labour-sending countries can influence how much remittances contribute to economic growth.⁴⁵ This model should be applied to the ASEAN labour-sending countries. The developing economies can recall their skilled emigrant workers by creating a pro-business environment. India provides a good example of how economic liberalisation and rapid growth can attract some diaspora professionals.⁴⁶ It is also evident that “if the investment climate and legal security show structural improvements, migrants are far more likely to remain actively involved, to invest and to travel and return to sending

⁴² R. Burgess and V. Haksar, *Migration and foreign remittances in the Philippines*, International Monetary Fund working paper, 2005, p. 3.

⁴³ *Philippine Labour Migration and the ASEAN Economic Community Project*, Center for Migrant Advocacy, Quezon City, Philippines, 2014, p. 3.

⁴⁴ G. Pradhan and M. Upadhyay and K. Upadhyaya, ‘Remittances and economic growth in developing countries,’ *The European journal of development research*, vol. 20, no. 3, 2008, p. 497.

⁴⁵ N. Catrinescu, *et al.*, ‘Remittances, institutions, and economic growth,’ *World Development*, vol. 37, no. 1, 2009, p. 90.

⁴⁶ A. Agrawal, ‘Brain drain or brain bank? The impact of skilled emigration on poor-country innovation,’ *Journal of Urban Economics*, vol. 69, no.1, 2011, p. 54.

countries.”⁴⁷ If similar conditions also exist in ASEAN labour-sending countries, the possibility of narrowing the regional economic divide between the more-developed and the less-developed economies is promising. Freer movement of skilled migrant workers will offer the labour-sending states with higher skills in a form of brain gain. Those emigrant workers have the opportunities to increase their knowledge stock during their stay abroad through better access to resources, colleagues, and incentives. When they return home, skilled migrant workers do not just return with capital, but they also bring with them enhanced skills, experiences, international connections, and ideas for innovations, all useful for further economic development in the labour-sending economies.⁴⁸ The reason for believing that the migrant labourer’s acquired skills would be useful to the home countries is that those developed countries are equivalent to learning centres where migrant workers can absorb skills. The acquired skills that are applicable to their home countries seem to be of more value than they are in those more-developed economies.⁴⁹ Therefore, the freer movement of skilled labour and professionals facilitated by ASEAN instruments should not be perceived as permanent outflows for the labour-sending countries, but as circulatory flows of skills and knowledge. The countries of origin also benefits from increased remittances from their skilled migrants. Further, the return of expatriate Diasporas will bring home knowledge, experiences, e-business and professional linkages.⁵⁰

⁴⁷ H. De Haas, ‘International migration, remittances and development: myths and facts,’ *Third World Quarterly*, vol. 26, no. 8, 2005, p. 1278.

⁴⁸ W. Kerr, ‘Ethnic scientific communities and international technology diffusion,’ *The Review of Economics and Statistics*, vol. 90, no. 3, 2008, p. 525.

⁴⁹ C. Dustmann and I. Fadlon and Y. Weiss, ‘Return migration, human capital accumulation and the brain drain,’ *Journal of Development Economics*, vol. 95, no. 1, 2011, p. 66.

⁵⁰ S. V. Siar, ‘Prospects and Challenges of Brain Gain from ASEAN Integration,’ *Philippine Institute for Development Studies*, Discussion Paper Series, 2014, p. 3.

The returned migrants are valuable human resources for upgrading developing economies. Economic development, however, needs to move faster. Simply waiting for skilled returnees is not enough. ASEAN can stimulate regional economic integration by lubricating skilled labour migration and lifting both physical and non-physical barriers. Accelerating the movement of skilled migrant workers in ASEAN from developed to developing countries is vital to Foreign Direct Investment (FDI). The growth of FDI depends on access to appropriate labour. Multinational corporations may need access to highly skilled labour and professionals from more developed economies to work in developing economies, and alternatively MNCs may require, to some extent, labour from developing economies to work in developed countries. For example, in the first stages of FDI operations, local workers in the less-developed countries might not have the specific skills required. Suh Jeon-in, South Korean Ambassador to ASEAN, said that Korean companies find it hard to pick up skilled labour matching their requirements from the available sources in the ASEAN countries where they have invested.⁵¹ Therefore, a shortage of skilled labour could disrupt FDI opportunities flowing to ASEAN. Another example is that the sale of complex goods from the more- to less-developed countries such as heavy machinery, production equipment, and aeroplanes requires specialized skills. The sellers have to educate the buyers regarding usage to ensure that the buyers properly handle the complex equipment. There is also a need for after sale service in case heavy machinery breaks down.⁵² The ASEAN region currently has one of the world's highest foreign investment inflows – attracted by its workforce of 300 million people, growing consumer markets, and expanding networks of

⁵¹ T. Salim, 'Mobility of Skilled labour needed for successful AEC,' *The Jakarta Post*, 25 November 2016, <<https://global-factiva-com.ezproxy.flinders.edu.au/ga/default.aspx>>, consulted 25 May 2017.

⁵² S. Chemsripong, p. 768.

infrastructure.⁵³ Therefore, ASEAN management of labour supply is critical in order to maintain FDI inflows. If ASEAN is to succeed in attracting FDI, each member state has to support ASEAN's region-wide initiatives for opening the door and welcoming ASEAN skilled labour and professionals. This is preferable to employing foreign workers from outside ASEAN and leaving ASEAN nationals unemployed. Even though some member states might have a sufficient labour force, liberal labour mobility is still essential for economic efficiency and fair competition in the labour market, which would lead to a better quality ASEAN workforce in general.

The formation of the AEC is expected to bring benefits to the whole region and be a key engine for achieving regional economic integration.⁵⁴ If ASEAN member states successfully integrate into the AEC, the ASEAN regional economic development process would gain momentum, and the region would achieve prosperity faster.⁵⁵ Other models of regional free trade have taken shape in the form of the European Union (EU), the North America Free Trade Agreement (NAFTA), and the Caribbean Community (CARICOM), where a single internal market is created through standard laws that apply in all member states.⁵⁶ This is similar to the goals and pillars of the AEC - a highly integrated and cohesive economy, which entails facilitation of the movement of goods, services, investment, capital, and skilled labour mobility.⁵⁷ Therefore, the freer movement of skilled labour and professionals should be evident in the ASEAN single

⁵³ *ASEAN Community 2015: Managing integration for better jobs and shared prosperity*, P. 3.

⁵⁴ R. B. Guerrero, 'Regional integration: the ASEAN vision in 2020,' *IFC Bulletin*, vol. 32, 2008, p. 52.

⁵⁵ M. Palatino, 'Who will benefit from ASEAN Economic Community?,' *The Diplomat*, 5 May 2015, <<http://thediplomat.com/2015/05/who-will-benefit-from-the-asean-economic-community/>>, consulted 20 May 2017.

⁵⁶ 'One market without borders,' *European Union*, <https://europa.eu/european-union/topics/single-market_en>, consulted 20 May 2017.

⁵⁷ 'Benefits of ASEAN Economic Community - AEC,' *ASEANUP*, <<https://aseanup.com/benefits-asean-economic-community-aec/>>, consulted 21 May 2017.

market and production base, and would help to manage demographic change, reduce the regional economic divide, while also maintaining GDP growth and ensuring international competitiveness. The success of regional economic integration depends heavily on progress towards skilled labour mobility.⁵⁸

⁵⁸ G. Battistella, 'Unauthorized Migrants as Global Workers in the ASEAN Region,' *Southeast Asian Studies*, vol. 40, no. 3, 2002, p. 370.

Chapter 3

ASEAN-wide obstacles

The previous chapter argued that regional economic benefits are achievable through the reduction of physical and non-physical barriers to the movement of services, investment, capital, and especially skilled labour, which stands at the heart of successful regional economic integration. The facilitation of freer movement of skilled labour and professionals is expected to fill labour shortages in the more-developed countries and release surplus labour in the less-developed countries, while also helping to narrow the regional economic divide through remittances and ‘brain gain’. In the light of the decreasing rates of working age population due to a rise in the aging population in the more-developed economies, and the ‘brain drain’ rates in the less-developed economies, the need for skilled labour mobility is clear.. In particular, skilled surplus labour in the less-developed economies inevitably leads to the export of labour.

In the light of current regional demographic and economic disparities, solutions based on the concept of freer movement of skilled labour seem to be unrealistic in the current ASEAN context. Even though ASEAN provisions for facilitating the movement of skilled labour and professionals exist, this does not mean that individual professionals are necessarily able to find jobs freely in other ASEAN states.⁵⁹ ASEAN applicants must first meet the host country’s requirements based on domestic laws, regulations, and national policies regarding labour migration in order to gain employment passes and work permits. Furthermore, MRAs, by their nature, cover only eight professional skills

⁵⁹ Y. Fukunaga, p. 14.

representing only one in ten of the total ASEAN workforce.⁶⁰ Consequently, MRAs do not seem to have a strong influence in promoting the ASEAN labour market and labour mobility.

Beside technical barriers, there are other reasons indicating that the ASEAN provisions on the freer movement of skilled labour and professionals might not gain strong political and public support. The first reason is that ASEAN member states may want to maintain control over a specific amount of skilled labour inflows and outflows. Further, the more-developed countries of ASEAN may not wish to include semi- and low-skilled labour in MRAs because there is already an overwhelming influx of such labour into their countries. At the same time, the less-developed countries of ASEAN are concerned that a further expansion of skilled labour and professionals in MRAs may lead to a brain drain. Thus, the full implementation of MRA provisions presents political and economic concerns for both more-developed and less-developed countries.

Many economic groups namely the European Union (EU), the North American Free Trade Area (NAFTA), the African Union (AU), and the Economic Community of West African States (ECOWAS) have also formed regional economic zones because they appreciate the expected economic benefits in the long-term. ASEAN also wishes to lift its economic bargaining power through the AEC, formed in 2015, and scheduled to be complete by 2025. The AEC is expected to transform ASEAN into a region with freer flows of goods, services, investment, capital, and skilled labour and professionals. The benefits of AEC and other similar regional economic integrations have been elaborated in academic literature, where labour mobility is considered a significant determinant of

⁶⁰ D. G. Papademetriou, *et al.*, p. 3.

the success or failure of integration.⁶¹ The development and implementation of processes and activities relating to the promotion of the freer flow of skilled labour and professionals in ASEAN, however, seem far behind those of comparable economic integrations such as those mentioned above.

In order to stimulate labour mobility, ASEAN member states signed three agreements, namely the ASEAN Framework Agreement on Services (AFAS), the ASEAN Agreement on the Movement of Natural Persons (MNP), and the Mutual Recognition Arrangements (MRAs). However, these agreements seem to have a limited impact on the movement of labour in general. For example, AFAS and MNP can only help to facilitate the temporary movement of foreign providers of services, and skilled labour and professionals of ASEAN companies investing in other ASEAN countries.⁶²

MRAs were first introduced in 1998 and their implementation was further proposed at the 9th ASEAN Summit in 2003. MRAs are expected to promote the broader movement of skilled labour and professionals ASEAN-wide, but they currently cover only eight specific skilled professions, and each has been dealt with at different times. The MRAs on engineering services was signed in 2005; nursing services in 2006; architecture services and surveying qualifications in 2007; medical, dental practitioners, and accounting services in 2009; and tourism professionals in 2012.⁶³ ASEAN plans to improve the existing MRAs and introduce new MRAs to facilitate the movement of

⁶¹ *ASEAN Community 2015: Managing integration for better jobs and shared prosperity*, P. 15.

⁶² 'ASEAN Agreement on the Movement of Natural Persons,' *Invest in ASEAN*, 14 September 2017, <<http://investasean.asean.org/index.php/page/view/asean-free-trade-area-agreements/view/757/newsid/869/asean-agreement-on-the-movement-of-natural-persons.html>>, consulted 14 Sept 2017.

'ASEAN Agreement on the Movement of Natural Persons,' *ASEAN*, p. 3.

⁶³ 'ASEAN Mutual Recognition Arrangement,' *Invest in ASEAN*, 14 September 2017, <<http://investasean.asean.org/index.php/page/view/asean-free-trade-area-agreements/view/757/newsid/868>>, consulted 14 Sep 2017.

other categories of skilled labour and professionals.⁶⁴ The extension of MRAs, however, depends on the willingness of the ASEAN member states to implement them. Even though the ASEAN member states agreed to the AEC instruments, in practical terms, implementation depends on the conditions the labour-receiving states placed on recognising the qualifications of the skilled migrants. These conditions mainly include:

possessing appropriate qualifications, possessing professional registration/license, having the requisite minimum work experience, completing the education requirements, lacking professional or ethical standard violations, and being not currently involved in an investigation or legal proceeding pending.⁶⁵

In other words, the movement of each skilled migrant worker will be dependent on the conditions placed on such movement by the receiving country. MRAs seem to have a slight impact on the promotion of skilled labour mobility within ASEAN.

By the nature and scope, the MRAs focus solely on skilled labour, ignoring the large semi- and low-skilled workforce in the region. The unskilled labour alone covers 87 percent of total migrant labour force in ASEAN indicating that MRAs do not address this component of the current labour market supply.⁶⁶ Neither do the MRAs respond properly to labour market demand. The more-developed economies still need low-skilled workers to fill domestic labour demand for childcare workers, housekeeping, drivers, delivery personnel, and cleaners and maintenance workers because the working age population is no longer interested in low paid jobs due to more employment

⁶⁴ *ASEAN Economic Community Blueprint 2025*, ASEAN Secretariat, Jakarta, 2015, p. 11, <http://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf>, consulted 14 October 2017.

⁶⁵ P. Pruksacholavit, 'Advancing the Right to Freedom of Movement in the AEC Framework; What the AEC Can Learn from the EU,' *The Indonesian Journal of International & Comparative Law*, vol. 1, 2014, p. 479.

⁶⁶ A. Orbeta Jr, p. 4.

opportunities for decent jobs, the increasing participation of female skilled labour, and a growing affluent middle class.⁶⁷ These low-skilled workers can still productively contribute to advanced economies.⁶⁸ In other words, the more-developed economies still need semi- and low-skilled labour mobility. In the contrary, ASEAN does not even include the movement of semi- and low-skilled migrant workforce in MRAs. In the light of ASEAN economic expansion and the growth in FDI, it is necessary to expand the flow of human resources *including* skilled, semi-, and low-skilled labour. In contrast, even the provision for freer regional labour mobility on only eight professions is subject to restriction because national legal systems in many ASEAN member states have not yet been adjusted in line with the ASEAN MRAs policy.⁶⁹ This is because such adjustments would need to be made by the host countries - by changing the conditions placed on recognising the qualifications of skilled migrant workers.

Despite the goal of regional economic integration, ASEAN does not seem to put great efforts into fully materialising the freer flow of labour forces. ASEAN only focuses on that small share of skilled labour associated with cross-border trade and investment. Current AEC provisions on labour mobility mainly facilitate the transfer of ASEAN companies' employees to production bases in investing countries. It does not intend to allow individual professionals to seek work freely in other ASEAN countries.⁷⁰ Such ASEAN applicants must first meet conditions required by domestic laws, regulations,

⁶⁷ C. S. Yue, 'Foreign labor in Singapore: Trends, policies, impacts, and challenges,' *Philippine Institute for Development Studies*, Discussion Paper Series, 2011, pp. 15-16.

⁶⁸ H. Egger and P. Egger, 'International outsourcing and the productivity of low-skilled labour in the EU,' *Economic Inquiry*, vol. 44, no. 1, 2006, p. 107.

⁶⁹ U. Sanglaoid and S. Santipolvtut and L. Phuwanich, p. 123.

⁷⁰ Y. Fukunaga, p. 14.

and national policies on labour migration to be able to work in the host countries.⁷¹ This minor proportion of skilled labour movement accounts for only 1.5 percent of total labour force in ASEAN.⁷² Full regional economic integration requires broader participation of the labour force covering more than just eight professional skills. ASEAN should also include semi- and low-skilled workforce in the MRAs in order to effectively realize ASEAN's vision of transforming the region into a highly integrated and cohesive economy, where people are oriented and centred.

The hesitation and unwillingness of ASEAN member states, however, reflects a lack of political and public support for such integration.⁷³ This leads to scepticism as to why ASEAN provisions on freer labour movement focus specifically on only eight professional skills categories representing a small proportion of regional migrant labour. Can the MRAs bring the regional mutual benefits claimed? Can the freer flow of labour actually help to address the demographic disparities and reduce the economic divisions between the more- and less-developed countries, as discussed in the previous chapter? Is the hesitation and caution displayed by the ASEAN member states based on concerns about the 'dark side' of the freer flow of all types of migrant labour? Does mobile labour threaten national economies? In order to answer these questions it is first necessary to examine the reasons why at the initial stage the ASEAN MRAs cover only eight professional skills; and then explore the possible adverse effects to both labour

⁷¹ R. M. Aldaba, 'ASEAN Economic Community 2015: Labour mobility and mutual recognition arrangements on professional services,' *Philippine Institute for Development Studies*, Discussion Paper Series, 2013, p. 2.

⁷² M. Faisal, 'AEC and congested labor mobility,' *The Jakarta Post*, 18 January 2016, <<http://www.thejakartapost.com/news/2016/01/18/aec-and-congested-labor-mobility.html>>, consulted 17 October 2017.

⁷³ G. Sugiyarto and D. R. Agunias, p. 1.

sending and receiving countries if these ASEAN MRAs instruments were to cover other skilled labour, and semi-, and low-skilled labour.

One compelling reason why ASEAN initially facilitates only the movement of eight professional skills and not semi- and low-skilled labour, is that ASEAN member states wish to retain control over the amount of skilled labour inflows and outflows. Both more- and less-developed countries in fact are not willing to achieve full liberalization of labour market. Focusing on only a minor share of skilled labour would allow the more-developed economies to limit skilled labour inflows into their countries, while less-developed economies are able to control the outflows of their local skilled labour in order to avoid a dramatic brain drain.

Advanced countries have low population growth and inevitably have to import skilled migrants in order to replace a shrinking working population. The amount of skills inflows, however, should be in accordance with national labour demand. Australia, for instance, is an immigrant nation that thrives politically and economically due to a selective immigration policy. Australia's Department of Immigration and Border Protection allocates an increasing number of migration places to skilled migrants who can help address Australia's labour market skill shortages.⁷⁴ According to the 2015-2016 Australian Migration Programme Report, there were 189,770 permanent migrants within the planning level of 190,000 people, where the majority were from targeted countries of Commonwealth⁷⁵. Most of them have professional skills and English

⁷⁴ J. Phillips, 'Skilled migration to Australia,' *Parliament of Australia*, 5 June 2006, <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/Skilledmigration>, consulted 19 September 2017.

⁷⁵ '2015-2016 Migration Programme Report,' *Department of Immigration and Border Protection*, <<https://www.border.gov.au/ReportsandPublications/Documents/statistics/2015-16-migration-programme-report.pdf>>, consulted 19 September 2017.

proficiency. International students who wish to stay after graduation are also welcome.⁷⁶

Australia is an immigrant nation, but it does not necessarily liberalize labour inflows. It is similar to ASEAN nations that only need a sufficient amount of yearly migrant professionals to replace a decreasing labour force in order to maintain and grow the working age population. Like Australia, ASEAN nations focus on skilled labour and professionals because those skills can immediately contribute to national economic development. Thus states and businesses do not have to waste time and resources on training skilled workers and professionals. On the contrary, training skilled workers to fill the gap in supply would instead hinder economic productivity, put more pressure on social security and infrastructure spending, and even threaten job security and wages of domestic workers.⁷⁷

Furthermore, an oversupply of skilled migrant labour and professionals can lead to political backlash and social discontent in the host countries. Singapore is a leading nation that cannot allow an unrestricted inward free flow of regional labour, even though by and large Singaporeans are more open to inter-ethnic and inter-religious differences.⁷⁸ The public would not accept the resulting unemployment of Singaporean nationals, rising house prices, and overstretched public services. Such social discontent was evident during the economic downturn of the 2008-2009 Global Financial Crisis when there was a low increase in domestic employment of 2.7 percent, but an increase in migrant employment of 21.4 percent. Migrant workers tend to get employed because

⁷⁶ J. Blackmore, *et al.*, *Australian international graduates and the transition to employment: Final report*, Deakin University, Melbourne, 2014, p. 17.

⁷⁷ T. S. Tullao Jr and M. A. A. Cortez, 'Enhancing the movement of natural persons in the ASEAN region: Opportunities and constraints,' *Asia-Pacific Research and Training Network on Trade*, Working Paper, no. 23, 2006, p. n/a.

⁷⁸ C. S. Yue, 'Foreign labor in Singapore: Trends, policies, impacts, and challenges,' P. 18.

they can offer the equivalent skills at lower wages. Saving costs on production means a lot to entrepreneurs. Currently, even though the economy is booming, Singaporeans are still opposed to any policy of progressive immigration inflows. The dominant People's Action Party for example lost a few parliamentary seats in general election in 2011 because the government allowed rapid migrant inflows in order to increase the working age population.⁷⁹ Skilled migrant labour is still essential to sustain population growth and economic restructuring in Singapore. The government, however, has to balance the economic need and social acceptance. For these sensitive reasons, Singapore has to maintain foreign skilled labour and professionals at about 30 percent of the labour force, and Singapore could not continue to import foreign workers as liberally as before due to space constraints.⁸⁰

This might help explain the reasons why ASEAN's more advanced economies do not rush to embrace full liberalisation of regional labour markets - national economic and political considerations are in play. The limitation of MRAs to a handful of professions is perhaps a reflection of political concerns regarding national economic benefits and social discontent. ASEAN has not yet fully liberalized the regional movement of skilled labour and professionals because controls over skilled labour inflows are still in the hands of the labour-receiving countries. For this reason, ASEAN's advanced economies, such as Singapore, are able to import only preferable and relevant skills, especially highly skilled labour based on demand and social acceptance, while a number of low-skilled labourers encounter heavy levies.⁸¹

⁷⁹ J. S. Fetzer, and B. A. Millan, 'The causes of emigration from Singapore: How much is still political?,' *Critical Asian Studies*, vol. 47, no. 3, 2015, p. 464.

⁸⁰ C. S. Yue, 'Foreign labor in Singapore: Trends, policies, impacts, and challenges,' p. 18.

⁸¹ C. S. Yue, 'Foreign labor in Singapore: Trends, policies, impacts, and challenges,' p. 16.

Highly skilled labour and professionals are in demand in less-developed countries as well. In the light of high unemployment rates in the developing economies, exporting skilled professional surplus to more advanced economies is inevitable. The developing economies, however, need retain a sufficient number of highly skilled professionals in their countries in order to maintain economic development because professional skills can determine productivity and economic competitiveness.⁸²

ASEAN, however, appears to have an insufficient supply of highly skilled migrant labour. According to the migrant labour records, there is more semi- and low-skilled manpower in the region amounting to nearly ninety percent of the total workforce, and mostly located in the less-developed economies.⁸³ The tiny proportion of the highly skilled labour supply from both more- and less-developed countries willing to move does not seem to have a significant impact on regional economic integration.⁸⁴ Moreover, ASEAN MRAs relate to only eight skilled professions making skilled labour mobility and supply more limited. State-based barriers to migrant labour also restrict mobility and supply. This leads to a question - should ASEAN increase the number of professions included in MRAs, and/or include the semi- and low-skilled workforce. This has implications for labour mobility, economic integration and regional growth.

The reason that ASEAN's more-developed countries are not in a hurry to include the movement of semi- and low-skilled labour, and concentrates instead on the small amount of skilled labour supply, is because member states do not wish to risk losing

⁸² B. L. Lowell and A. Findlay, *Migration of highly skilled persons from developing countries: impact and policy responses*, International migration papers, International Labour Office, UK, 2011, p. 18.

⁸³ A. Orbeta Jr, p. 4.

⁸⁴ S. Dasgupta and S. Basu Das, 'The limited impact of the ASEAN economic community on skilled labour migration,' *Institute of Southeast Asian Studies Perspective*, no. 48, 2014, p. 7, <https://www.academia.edu/16341850/The_Limited_Impact_of_the_ASEAN_Economic_Community_on_Skilled_Labour_Migration>, consulted 9 September 2017.

control of labour mobility, supply and markets. If there were no longer barriers to labour movements, there would immediately be a flux of migrant workers moving from the less-developed countries to the more-developed economies. Demographic disparities and economic divides are already problems in the ASEAN region.⁸⁵ Therefore, there is a high possibility that labour migration from the less- to more-developed economies will increase if barriers to semi- and low-skilled labour are removed.

Normally, there are too many people of working age population in poor economies, and unemployment is high. At the same time, opportunities for better-paid jobs are clearly available in less crowded and wealthier economies. These advanced countries often lack domestic labour supply due to an aging population rates, decreasing in fertility rates, and an increasing emigration of workers and new graduates to much more-developed countries outside of ASEAN. The less-developed economies need to release surplus labour while the advanced countries need labour supplements. These two factors together lead to labour movements across borders.

Even though the ASEAN MRA provisions currently exclude semi- and low-skilled labour force, regional disparities in terms of demography and economy already drive the movement of low-skilled labour from the less- to more-developed economies of ASEAN. This kind of labour mobility often takes place through irregular channels, and a number of these migrant workers are often undertake illegal and low paid jobs. Based on Thai immigration data “there are still thrice as many irregular migrants (900 thousand) as there are legal migrants (300 thousand) in the CML (*Cambodia, Myanmar,*

⁸⁵ ‘ASEAN infographic: economy and demography,’ *ASEANUP*, 15 March 2015, <
<https://aseanup.com/asean-infographic-economy-demography/>>, consulted 21 September 2017.

and Laos) border”⁸⁶ coming to Thailand. Under the scenario of free regional labour migration, this low-skilled migrant labour, escaping from poverty and unemployment, would not hesitate to take the opportunities of becoming the legal workers in the more-developed countries. Border crossings by immigrants and emigrants would rise dramatically in ASEAN. On one hand, the AEC labour mobility provisions might help to fill labour shortages in the labour-receiving countries. On the other hand, those very provisions may also lead to labour oversupply in the more-developed economies. From the perspective of the more-developed countries, an oversupply of low-skilled migrant labour is believed to lead to higher job competition and lower wages, especially in the low-skilled labour market. Businesses would definitely benefit from job competition in the low-skilled labour market such migrant workers are willing to receive lower wages in order to get employed, but local low-skilled labour might find it harder to get employed in their own countries. As a result, national workers may become unemployed or receive lower or equivalent wages to low-skilled migrant workers.⁸⁷

The increasing presence of low-skilled migrant labour can also result in income inequality in developed economies. Jobs available for low-skilled labour in the more-developed countries are often dirty, dangerous, and de-meaning - jobs usually ignored by the locals.⁸⁸ Migrant workers are willing to do these jobs even though they may receive lower wages. Allowing an influx of low-skilled labour into the more-developed

⁸⁶ A. Orbeta Jr and K. G Gonzales, p. 11.

⁸⁷ D. Card, ‘Immigrant inflows, native outflows, and the local labour market impacts of higher immigration,’ *Journal of Labour Economics*, vol. 19, no. 1, 2001, p. 23.

⁸⁸ C. S. Yue, ‘Foreign labor in Singapore: Trends, policies, impacts, and challenges,’ p. 15.

economies without any restriction and levy is equal to importing inequality into society.⁸⁹

Once the ASEAN provisions for labour mobility come into force, migrant workers can enter any ASEAN with greater ease. This raises the question: Will the more-developed economies of ASEAN accept the entry of those low-skilled migrant workers which their economies do not need? It seems unlikely. In reality, those migrant labours will be forced to leave the countries when it is found that they are no longer significant to the economic development of the hosts. For example, Malaysia had an inward labour migration policy during a period of economic dynamism, and turned a blind eye to the entry of illegal unskilled workers desperately needed in agriculture, manufacturing, and construction. However, when there is no further need for them, there was a crackdown.⁹⁰ If the ASEAN provisions on the free movement of labour are fully ratified and come into force, it would mean that ASEAN nationals would have full rights to freer movement and more opportunities to attain permanent residency. Migrant workers will be able to work and live in any ASEAN country. Advanced economies would no longer be in a position to expatriate the low-skilled migrant workers from other ASEAN nations. In reality, the more-developed ASEAN countries are unlikely to implement the provisions on the movement of low-skilled labour.

What is the attitude of the less-developed countries to AEC labour mobility provisions and MRAs? It is not only more-developed countries that need highly skilled labour,

⁸⁹ P. Xu and J. C. Garand and L. Zhu, 'Imported Inequality? Immigration and Income Inequality in the American States,' *State Politics & Policy Quarterly*, vol. 16, no.2, 2015, p. 167.

⁹⁰ S. Yuen, 'Hundreds of thousands could be arrested in crackdown on Malaysia's undocumented migrants,' *CNBC*, 21 July 2017, <<https://www.cnbc.com/2017/07/21/hundreds-of-thousands-could-be-arrested-in-crackdown-on-malysias-undocumented-migrants.html>>, consulted 30 September 2017.

less-developed countries are also in desperate need of a qualified workforce. If ASEAN fully adopted the provisions on the freer flow of labour, both the skilled and unskilled labour force in less developed countries might prefer to seek better jobs and higher wages abroad. Even though the AEC provisions can help to decrease unemployment in the less-developed economies, they can also draw valuable human resources to the more-developed economies. Developing countries normally have less skilled labour and professionals than advanced countries. Highly skilled labour is more likely to emigrate from less-developed economies because they believe their skills and qualifications will lead to employment.⁹¹ The highly skilled migrant workers will travel abroad confident of getting jobs overseas easily and quickly since they are willing to receive lower wages. On the other hand, many semi- and low-skilled labourers, and unskilled labourers, one who are not confident of getting job opportunities abroad are forced to maintain their low-skilled careers at home. The low quality of labour inputs inevitably results in low production outputs. The Philippines, for example, may be able to solve its unemployment issue by promoting the export of its surplus labour including qualified doctors, medical practitioners, and nurses to overseas labour markets. The national economy could benefit from remittances and the expected 'brain gain'. Health services in the Philippines, however, currently suffer from shortages of qualified doctors and medical practitioners.⁹² For decades, the Philippines has supplied the international community with qualified professionals, while at the same time keeping the semi- and low-skilled workforce in the domestic economy. This has not helped to turn the

⁹¹ T. L. Walmsley and A. Ahmed and C. R. Parsons, 'A global bilateral migration data base: skilled labor, wages and remittances,' *West Lafayette, IN: Center for Global Trade Analysis*, 2007, p. 30.

⁹² 'Philippine Medical Brain Drain Leaves Public Health System in Crisis,' *Voice of America*, 31 October 2009, <<https://www.voanews.com/a/a-13-2006-05-03-voa38/315213.html>>, consulted 29 September 2017.

Philippines into a developed economy. Is it because the state exports the wrong human resources? Many development scholars insist that the success of economic development of the four Asian Tigers - Hong Kong, Singapore, South Korea, and Taiwan – is largely attributed to education. Before the 1980s, the Philippines had achieved a high level of education, earlier than the Asian Tigers. The Philippines’ development potential was promising, but it failed to integrate those highly educated talents into the domestic economy.⁹³

The Philippines’ experience should remind the ASEAN member states that exporting highly educated labour and professionals is not beneficial to their domestic economies. It is better to develop their domestic economies to create job opportunities for young graduates. This leads to the question of what strategies ASEAN member states might implement in order to integrate their working age population into their domestic economies if they lack domestic investment capital. Perhaps ASEAN could learn from the Chinese model. China realized that it had plenty of labour ready for intensive-manufacturing. China, however, lacked investment capital and advanced technology. In order to attract Foreign Direct Investment (FDI), China established several Special Economic Zones (SEZs) and created a pro-investment environment in coastal and Southern provinces deemed closest to international engagement.⁹⁴ As a result, the SEZs helped the domestic economy to increase both productivity and workers’ earnings.⁹⁵ The Chinese economic development model of Export Orientated Industrialisation (EOI)

⁹³ N. G. Ruiz, *Made for export: labour migration, state power, and higher education in a developing Philippine economy*, Massachusetts Institute of Technology, Thesis, 2014, p. 247.

⁹⁴ K.I. McKenney, *An Assessment of China’s Special Economic Zones*, The Industrial College of the Armed Forces, National Defense University, Fort McNair, Washington, D.C. 1993, p. 7.

⁹⁵ J. Wang, ‘The economic impact of special economic zones: Evidence from Chinese municipalities,’ *Journal of Development Economics*, vol. 101, 2013, p. 146.

has inspired ASEAN member states. Laos, for instance, actively supports the establishment of SEZs in order to attract foreign capital and advanced technology. Laos currently has ten SEZs, and all of them located near borders to facilitate easier and faster international engagement.⁹⁶ More importantly, SEZ's need a ready labour supply in order to induce FDI inflows. In contrast, a lack of skilled labour supply directly and indirectly hinders FDI inflows from both inside and outside ASEAN. FDI does not just need natural resources but also skilled human resources. China, for instance, became the second leading FDI destination in the world because it has plenty of cheap and reliable human resources.⁹⁷ Some types of FDI must adhere to strict national regulations regarding the life of on project operations. They need to accomplish their projects in time to avoid penalties. Dam construction and road building projects, for example, require a skilled labour force that can complete projects punctually.⁹⁸ In the absence of highly skilled labour supply projects have no choice but to employ unskilled and unreliable workers. The projects might not be able to meet the deadline and the quality of work may be substandard.⁹⁹ Direct foreign investors are aware of the importance of skilled labour supply for successful investment. Therefore, highly developed skills are an important factor in attracting FDI inflows to developing countries. A lack of

⁹⁶ 'Special Economic Zones (SEZ),' *Investment Promotion Department*, <<http://www.investlaos.gov.la/index.php/where-to-invest/special-economic-zone>>, consulted 19 October 2017.

⁹⁷ S. Ali and W. Guo, 'Determinants of FDI in China,' *Journal of Global Business and Technology*, vol. 1, no. 2, 2005. p. 26.

⁹⁸ M. Sambasivan, and Y. W. Soon 'Causes and effects of delays in Malaysian construction industry,' *International Journal of Project Management*, vol. 25, no. 5, 2007, p. 524.

⁹⁹ 'Vietnam urged to deny low-quality FDI projects,' *Asia Pulse*, 23 September 2010, <<https://search.proquest.com/docview/759371081?accountid=10910>>, consulted 26 September 2017.

domestic skills means a lack of opportunities to draw capital for upgrading domestic industries in the long-term.¹⁰⁰

The outflows of FDI from more- to less-developed countries might be no longer be necessary once ASEAN labour can move freely in the region. In the light of a free regional labour movement scheme, the channels of labour migration will be faster and easier. Migrant labour can conveniently travel by plane, boat, or car. The frequencies of border crossings by migrant workers can be yearly, monthly, weekly, or even daily depending on the distance between locations of labour-sending and receiving countries, and how strict the border checkpoints are. When physical and non-physical barriers to movement of physical goods and human resources no longer exist, there is a high possibility that more-developed economies do not find it necessary to set up businesses or manufacturing in less-developed countries because they do not have any difficulties in finding migrant labour supply across borders. Migrant workers from Laos crossing the Thai border, for example, demonstrates how the freer movement of Lao labour can determine FDI destinations. The Thai government has established free economic zones along the Lao-Thai border.¹⁰¹ The location of the Thai free economic areas are just a few kilometres from the border, and the majority of Lao cities are located along the Lao-Thai Border (the Mekong River). Private and public cross-border transport use the Friendship bridges. Currently, many Lao labourers migrate regularly to work in Thailand because there are more jobs and of higher wages.¹⁰² It takes a few hours in order to complete the current border crossing procedure. In the future, if a fully freer

¹⁰⁰ D. G. Papademetriou, *et al.*, p. 1.

¹⁰¹ T. Tsuneishi, 'Development of border economic zones in Thailand: Expansion of border trade and formation of border economic zones,' *Institution of Developing Economies*, 2008, pp. 15-17.

¹⁰² K. Barney, 'Land, livelihoods, and remittances: A political ecology of youth out-migration across the Lao-Thai Mekong border,' *Critical Asian Studies*, vol. 44, no. 1, 2012. p. 61.

flow of migrant labour does emerge, the Lao workforce would not have to waste time in queues and presenting their passports or border passes. Therefore, it is possible that labour migration from Laos to Thailand can take place daily with ease, as it does between Malaysia and Singapore. If such easy labour migration from Laos to Thailand emerges, the Thai entrepreneurs would find it unnecessary to invest in Laos. In fact, the more-developed economies do not want to relocate the industries out of their countries because they want to remain a key node of regional production and distribution networks.¹⁰³

The less-developed countries encountering high unemployment rates might benefit from releasing surplus labour, which in turn can lead to remittances and a ‘brain bank’. However, they may lose the opportunity cost associated with FDI inflows. No FDI means less investment and growth, and lower tax revenues for public expenditures. The regional economic divide would remain or even get wider if less-developed countries are not able to compete with the more advanced countries for FDI in the long-term.

Many observers argue that labour sending countries are expected to benefit from remittances sent by migrant labour working in developed countries. Remittances are an important source of capital for the less-developed countries having difficulties with trade deficits, and difficulties borrowing money and attracting foreign aid.¹⁰⁴ In reality, the amount of remittances is determined by the lower wages received in the more advanced industries.¹⁰⁵ Furthermore, the higher living expenditures in these advanced economies might also reduce their savings capacity. There are some ASEAN countries

¹⁰³ C. S. Yue, ‘Foreign labor in Singapore: Trends, policies, impacts, and challenges,’ p. 25

¹⁰⁴ N. P. Glytsos, ‘The role of migrant remittances in development: Evidence from Mediterranean countries,’ *International Migration*, vol. 40, no. 1, 2002, p. 6.

¹⁰⁵ ‘Migration of health workers: country case study Philippines,’ *University of the Philippines, National Institutes of Health, Institute of Health Policy Development Studies*, working paper, 2005, P. 34.

namely Indonesia, Myanmar, and Laos, who have a high population of working emigrants, but obtained low remittances than the rest of more-developed ASEAN member states who have low emigrants but receive higher remittances.¹⁰⁶ High remittances are essential to developing countries in terms of national economic development and poverty reduction. In contrast, if the costs of exporting skilled labour outweigh remittances, it would not be beneficial to domestic economic development in the long-term. The population living below poverty line may remain the same. Hence, the labour sending countries have to reconsider balancing the benefits from allowing their skills migrating to the more-developed economies in order to gain remittances, against maintaining domestic labour supplies in order to attract FDI inflows.

If some ASEAN member states did not benefit from remittances, would it nevertheless be possible to harness the skills and innovations of the returning ‘brain bank’ instead? Castles and Miller argue that labour sending states also gain benefits in terms of knowledge, skills, and technology transfers from migrants.¹⁰⁷ Nonetheless, the ability to call the expatriate professionals back home does not solely depend on labour-sending states. The labour-receiving states also play a significant role in maintaining highly skilled migrant workers in their countries. Singapore, for instance, provides valuable skilled migrant labour with preferential treatments such as permanent residency offer, health subsidies, and dependent allowances in order to encourage them to stay.¹⁰⁸ Global competitiveness rankings released by the World Economic Forum indicate that many less-developed economies of ASEAN, namely Cambodia, Laos, Myanmar, and

¹⁰⁶ D. Susilo, *et al.*, ‘ASEAN labour market integration and its social effects for unskilled labour migration,’ *Jurnal Economia*, vol. 12, no. 1. 2016, p. 5.

¹⁰⁷ S. Castles and H. De Haas and MJ. Miller, *The age of migration: International population movements in the modern world*, 5th edition, Palgrave Macmillan, New York, 2013, p. 30.

¹⁰⁸ D. Susilo, *et al.*, p. 3.

Vietnam, still suffer from low competitiveness. These states are not in the position to attract their skilled Diasporas. Additionally, there is actually limited research on the extent of brain gain in the ASEAN region.¹⁰⁹ This might reflect the fact that intraregional migrants hardly contribute to the economies of sending countries.

The less-developed countries of ASEAN have to reconsider whether or not it is a logical idea to support freer movement of their skilled workforce because it risks losing ‘brain gain’ and remittances. The main reason many more advanced countries award permanent residency and even citizen status to some highly skilled migrant labour is because they wish to retain these skills in their economies. There is also a high possibility that the very skilled migrant workers holding permanent residency and citizenship would bring their family dependants to the more-developed economies once they find themselves well settled. As a result, highly skilled migrant labours no longer have family motivation to return to the countries of origin and even send any more remittances. Instead, the migrant workers would spend most of their wages in the host economies.

The return migration of expatriate skills does not necessarily infer that they are willing to apply their knowledge, skills, experiences, and innovations to national economic development. Their return home may be due to motivations such as attending to family needs, reaching a pensionable age, difficulties of working abroad, and personal factors such as health or the feeling of nostalgia.¹¹⁰ In terms of knowledge, skills, experiences, and innovation, these returned migrants do not look like the hoped for ‘brain bank’. They might return home hoping to rely on public pensions instead.

¹⁰⁹ S. V. Siar, p. 16.

¹¹⁰ S. V. Siar, p. 16.

The economic contribution of the expatriate professionals largely relies on the ‘absorptive capacity’ of structures and institutions of the labour-sending countries.¹¹¹ South Korea and Taiwan, for example, succeeded in absorbing and utilizing the knowledge, skills, experiences, and innovations of their expatriate professionals because their countries were already well advanced as a result of government investment in high-tech incubators. The returning emigrants were easily slotted into key roles in local research and development initiatives.¹¹² Many ASEAN developing countries do not have such well-developed structures and institutions, which seem to lack the capacity to absorb the knowledge, skills, innovations, and experiences of their diaspora. As Hunger notes, The Philippines has the potential to benefit from its return migration, however it is unable to absorb its returning skilled labour due to its low attractiveness to investments.¹¹³

Even though some of the ASEAN member states have the structural and institutional readiness to absorb and utilize the skills, knowledge, experiences, and innovations of the return migrants, can the governments of each ASEAN country defuse their concerns? The Chinese experience in luring their diaspora professionals back to China is evident, where their contributions to the national economic development are remarkable.¹¹⁴ In order to attract more expatriates, China has a simple residency

¹¹¹ A. Parthasarathi, ‘Turning Brain Drain into Brain Circulation,’ *Science and Development Network*, 2006, n/a, <<http://www.scidev.net/global/migration/opinion/turning-brain-drain-into-brain-circulation.html>>, consulted 27 September 2017.

¹¹² L. R. Dawson, ‘First, Do No Harm: The Role and Responsibility of Canada as a Destination Country in South-North Migration,’ *Caribbean Paper No.5: Ontario, Centre for International Governance Innovation*, 2008, p. 9.

¹¹³ U. Hunger, ‘Indian IT Entrepreneurs in the US and in India: An Illustration of the “Brain Gain Hypothesis,”’ *Journal of Comparative Policy Analysis: Research and Practice*, vol. 6, no. 2, 2004, p. 108.

¹¹⁴ A. Smart and JY. Hsu, ‘The Chinese diaspora, foreign investment and economic development in China,’ *The Review of International Affairs*, vol. 3, no. 4, 2004, p. 550.

requirement and entry visa process, where three to five year multiple entry visas were granted to Chinese expatriate professionals.¹¹⁵ If ASEAN individual states wish to attract their diaspora skills, the concerns of the return migrants must be addressed. For example, as mentioned, many migrant labourers gain citizenship of host countries. Can they return home as a citizen of two countries? So far there are only three countries of ASEAN that recognize dual citizenship, namely Cambodia, The Philippines, and Vietnam. In contrast, dual citizenship is unacceptable in Singapore and Laos.¹¹⁶

The ASEAN provisions for labour mobility will offer wider opportunities for highly skilled labour to migrate to work in more advanced industries. This would certainly lead to a lack of highly skilled labour supply in the less-developed countries. As a result, slow and uneven national economic growth is expected because of a lack of qualified skills (managerial and technical expertise) in managing economic development. In order to maintain highly skilled labour in countries of origin, the less-developed economies have to offer higher wages to local skills. If local skills are not able to sufficiently respond to current requirements, developing countries might have to import foreign technical experts. The salary for foreign skilled migrant workers must be higher or at least equivalent to the wages they receive in their countries in order to convince them to work in the less-developed economies. At this point, income inequality between highly and low-skilled jobs, between local and foreign workers would get wider in the less-developed economies. Wider income inequality would deepen socio-economic

¹¹⁵ S. V. Siar, p. 19.

¹¹⁶Law Committee of the National Assembly of the Lao PDR, 'Law on Lao Nationality,' *Vientiane Times*, 17 May 2014, <[http://www.vientianetimes.org.la/Laws%20in%20English/10.%20Law%20on%20Lao%20Nationality%20\(2004\)%20Eng.pdf](http://www.vientianetimes.org.la/Laws%20in%20English/10.%20Law%20on%20Lao%20Nationality%20(2004)%20Eng.pdf)>, consulted 3 October 2017.

C. S. Yue, 'Foreign labor in Singapore: Trends, policies, impacts, and challenges,' p. 15.

inequality, making it harder for low-income earners to escape from poverty, and impede economic growth.¹¹⁷

By the nature of the ASEAN provisions on the freer movement of labour, these instruments aim to facilitate ASEAN companies from the more advanced countries to transfer their skilled employees to relocated production bases in other ASEAN countries. Without careful consideration, the very instrument would also give opportunities for advanced countries to regain FDI benefits in terms of job generation for their nationals. The labour mobility provisions allow these companies to reserve the right to employ skilled migrant workers from investing countries.¹¹⁸ These kinds of jobs are often in high positions with high wages. It is also argued that foreign and local technicians holding the same positions and performing the same tasks receive unequal wages.¹¹⁹ It is clear that the net benefits flow back to the more advanced economies in terms of remittances, while the less-developed economies gain diminishing benefits from FDI in terms of wages, job creation, and career development for their domestic labour force.

These hidden reasons why ASEAN member states are not in hurry to accept the completely free flow of all types of migrant labour is because they have concerns about the adverse effects this may have regarding regional demographic disparity and economic divide. The introduction of MRAs on eight professional skills does not

¹¹⁷ S. C. Carr and I. McWha-Hermann, 'Expat wages up to 900% higher than for local employees, research shows,' *The Guardian*, 20 April 2016, <<https://www.theguardian.com/global-development-professionals-network/2016/apr/20/expat-wages-900-per-cent-higher-than-local-employees-study>>, consulted 17 October 2017.

¹¹⁸ 'ASEAN Agreement on the Movement of Natural Persons,' *ASEAN*, p. 2, <<http://asean.org/?s=agreement+on+movement+of+natural+persons>>, consulted 2 October 2017.

¹¹⁹ R. Finney, 'Lao Workers at Power Plant Resign After Raise is Denied,' *Radio Free Asia*, 5 May 2017, <<http://www.rfa.org/english/news/resign-05052017122800.html>>, consulted 4 October 2017.

represent the complete freer flow of all labour, but only a partial experiment of the ASEAN liberal labour market.¹²⁰ The ASEAN provisions on the freer flow of migrant labour do not seem to help solve the issues of labour shortages in the more-developed countries, and do not help solve labour problems in the less-developed economies. In fact the ASEAN provisions increase regional gaps in terms of demographic inequality and economic disparity. ASEAN member states might extend the timeframe for the implementation of the ASEAN labour mobility provisions to achieve regional economic integration. Overall, however, at the point, it can be said that national benefits outweigh regional gains.

The advanced economies focus on welcoming only skilled migrant workers. They also tend to take more advantage of the ASEAN provisions for facilitating the movement of skilled labour and professionals, since their affluent economies can offer higher wages and other benefits. On the other hand, the less-developed economies, who also wish to upgrade their economic development, might suffer shortages in valuable human resources due to the 'brain drain'. Thus, freer labour migration might actually exacerbate the regional economic gap.

¹²⁰ 'ASEAN: AEC will not end labour protectionism,' *Oxford Analytica Daily Brief Service*, 30 December 2014, <<https://search.proquest.com/docview/1640863369?accountid=10910>>, consulted 27 October 2017.

Chapter 4

The ASEAN Secretariat versus the ten member states

The ASEAN provisions for the freer movement of skilled labour and professionals seem too far reaching in the current context of ASEAN because regional benefits are distributed unequally to the individual countries. It is necessary to examine the role of the ASEAN Secretariat - the regional player regarding the labour mobility provisions, and the body that deals with reactions from the ten member states. The ASEAN member states are different in terms of demography, economies, political institutions, societies and cultures. Moreover, the regional demographic and economic differences and disparities between the more- and less-developed countries, challenge regional economic integration.¹²¹ In spite of regional differences and disparities, ASEAN still wants to realize the vision of an integrated, peaceful, and stable community, where goods, services, trade, investment, capital, and especially human resources can circulate smoothly in the region as it does in other regional economic zones like the European Union (EU). ASEAN aims to boost regional competitiveness and create economic development across the region.¹²² In order to successfully implement the collective missions, ASEAN needs to have a central mechanism managing and coordinating such collaboration. Therefore, the ASEAN Secretariat was set up in February 1976 to provide greater efficiency in coordinating ASEAN organs and implementing ASEAN projects and activities. The secretariat has a vision and mission as follows:

¹²¹ A. Orbeta Jr and K. G Gonzales, p. 4.

¹²² M. ZINK, 'Unleashing ASEAN's potential through AEC,' *Institutional Knowledge at Singapore Management University*, 2014, p. 57.

The ASEAN Secretariat's vision is that by 2015, it will be the nerve centre of a strong and confident ASEAN Community that is globally respected for acting in full compliance with its Charter and in the best interest of its people.

The ASEAN Secretariat's mission is to initiate, facilitate and coordinate ASEAN stakeholder collaboration in realising the purposes and principles of ASEAN as reflected in the ASEAN Charter.¹²³

The ASEAN Secretariat, therefore, holds an important role in ensuring the progress of the ASEAN economic community, especially facilitating the movement of skilled migrant labour, which is the most challenging area of regional economic integration. In order to achieve this goal, the ASEAN Secretariat needs to encourage all ten member states to actively adopt and implement the ASEAN provision on skilled labour mobility, especially the Mutual Recognition Arrangements (MRAs). The ASEAN Secretariat, however, is just a focal point acting as an assistant secretary, not a federal government, but nevertheless responsible for regional initiatives. It consequently has limited roles and power to enforce ASEAN plans and programs. The implementation of several initiatives adopted in principle by ASEAN member states largely depend on their willingness to do so.¹²⁴ However, ASEAN member states do not seem willing to 'play the game' the ASEAN secretariat has proposed. Dr. Surin Pitsuwan, former ASEAN Secretary General, in his final report to ASEAN, admitted that the power of the ASEAN Secretariat is limited due to insufficient financial support, trust, latitude personnel, and

¹²³ 'ASEAN Secretariat,' *ASEAN*, <<http://asean.org/asean/asean-secretariat/>>, consulted 2 October 2017.

¹²⁴ D. Hew and R. Sen, 'Towards an ASEAN Economic Community: Challenges and Prospects-Towards an ASEAN Economic Community: Challenges and Prospects,' *ISEAS Working Papers. Economics and Finance*, 2004, p. 20.

infrastructure.¹²⁵ Dr Pitsuwan's reflection infers that the success of ASEAN regional economic integration depends heavily on the efficiency and overall capacity of the ASEAN Secretariat.

While the ASEAN Secretariat is limited by a lack of resources and independent power, it is unlikely to be able to introduce the provisions on regional labour mobility, which should be reliable and fair to both more- and less-developed countries. The shape and content of MRAs, to some extent, seem to be influenced by the more-developed member states, resulting in unequal distribution of national benefits. The provision focuses solely on the regional movement of skilled migrant workers, and hence does not respond to the real nature of ASEAN labour supply, which is overwhelmingly semi- and low-skilled workforce.¹²⁶ As presented in previous chapters, the contribution of skilled labour is essential to economic development of both the more- and less-developed economies of ASEAN. However, neither of these categories of economy wish to lose their qualified human resources, and they need to maintain and even promote more inward movement of highly skilled labour. Based on economic competitiveness, the more advanced countries have well-developed infrastructure and dynamic economies, so they are in the position to attract skilled migrant workers from the less-developed countries, and, even though the skilled migrant labour is supposed to be lower paid than the locals, the wages in the more-developed industries are still more attractive than those in home countries. Furthermore, even ASEAN's less-developed countries are not able to supply sufficient highly skilled labour to the more-developed economies in

¹²⁵ K. Chongkittavor, 'Asean Secretariat must be empowered,' *The Nation*, 21 May 2012, <
<http://www.nationmultimedia.com/opinion/Asean-Secretariat-must-be-empowered-30182419.html> >, consulted 6 October 2017.

¹²⁶ A. Orbeta Jr, p. 4.

ASEAN due to a lack of qualified human resources, so ASEAN's more-developed countries still recruit needed skills from countries outside ASEAN including Australia, United States, France, Britain, India, South Korea, Japan, China, and India.¹²⁷ The existence of many non-ASEAN highly skilled workers in the more advanced economies, such as Singapore and Malaysia, indicates that some ASEAN member states do not have to rely on MRAs, or that the MRAs do not lead to sufficient supply.¹²⁸ Yet, the less-developed countries with insufficient supply of domestic skills still suffer a brain drain. To stem the potential outward flow of skilled labour, the less developed countries might have to offer higher than or equivalent wage rates as those offered in the more-developed economies.¹²⁹ However, the payment of higher wages by the less-developed countries does not seem realistic because of financial constraints. Under the ASEAN provision on facilitating the movement of skilled labour, developing countries are not in a position to compete with wage rates offered in advanced countries.¹³⁰

In fact, the more-developed economies of ASEAN do need to import some semi- and low-skilled migrant labour in order to supply their labour-intensive manufacturing sector, childcare, housekeeping, delivery services, cleaning, construction, and maintenance services.¹³¹ Therefore, promoting the export of semi- and low-skilled migrant labour would not much affect the less-developed economies in terms of a brain drain. On the contrary, the less-developed countries would benefit from the proposed labour migration scheme by releasing unemployed labour from their economies.

¹²⁷ S. A. B. Yeoh and W. Lin, 'Rapid growth in Singapore's immigrant population brings policy challenges,' *Migration Policy Institute*, 3 April 2012, <<https://www.migrationpolicy.org/article/rapid-growth-singapores-immigrant-population-brings-policy-challenges>>, consulted 16 October 2017.

¹²⁸ M. Yap, 'The employment of foreign workers in Singapore,' *Organisation for Economic Co-operation and Development (OECD), Labour migration and the recent financial crisis in Asia: 2000*, p. 206.

¹²⁹ S. C. Carr and I. McWha-Hermann,

¹³⁰ S. V. Siar, p. 16.

¹³¹ H. Egger and P. Egger, p. 106.

Therefore, why does the ASEAN secretariat not include semi- and low-skilled migration in the MRAs? The answer lies with the more-developed economies, which hesitate to support the inclusion of semi- and low-skilled migrant workers in MRAs because ASEAN's less-developed countries have an excess supply of semi- and low-skilled labour.¹³² An influx of semi- and low-skilled migrant workers can cause a socio-economic burden for the more-developed economies, and this could lead to political backlash, happened in Singapore.¹³³ Even though ASEAN's more-developed states might be in desperate need of low-skilled labour, they will not risk allowing a great number of semi- and low-skilled workers into their countries. Once they are allowed to enter and stay in the countries legally, it is hard to get them to return during economic down turn.

Further, ASEAN's more-developed countries might have limited labour demand leading to the inability to absorb the labour surplus supplied by the less-developed countries. Nonetheless, individual states are able to find alternative labour demand outside ASEAN. The Philippines, for instance, has four decades of experience exporting labour, and it is currently one of the world's largest sources of temporary migrant workers. The majority of Filipinos find employment in the Middle East because borders have been opened to all workers in this region.¹³⁴ Additionally, the ASEAN labour market seems minimal to the Philippines because there were only 335,000 Filipino migrants moving within ASEAN countries in 2010, while an estimated four million were employed in the rest of the world. "Language, education and long-established networks have enabled most Filipinos to go to other destinations, notably the Gulf States, East Asia and the

¹³² A. Orbeta Jr, p. 4.

¹³³ C. S. Yue, 'Foreign labor in Singapore: Trends, policies, impacts, and challenges,' P. 3.

¹³⁴ D. G. Papademetriou, *et al.*, p. 3.

Economic Co-operation and Development (OECD) countries.”¹³⁵ Similarly, a larger share of excess labour of the ASEAN’s less-developed countries of Indonesia and Vietnam are able to get employed outside ASEAN, demonstrating that the ASEAN labour market is in fact less important to them.¹³⁶

Another factor indicating the weakness of the ASEAN Secretariat with regard to labour mobility policy is that ASEAN's more- and less-developed states can readily find alternative bilateral and sub-regional agreements and channels for the migration of temporary semi- and low-skilled labour. Thailand, for example, signed Memoranda of Understandings with Cambodia, Laos, and Myanmar regarding the employment of temporary labour. The primary goal of such agreements is to set up a framework to allow labour from these three countries to legally enter Thailand and work for up to four years.¹³⁷ The Thai government also authorized border provinces to negotiate cross-border agreements for the entry of daily and seasonal labourers.¹³⁸ Because it is called temporary employment, the control of these sources of labour is still in the hands of both more- and less-developed countries, so they are able to discontinue their contract during economic contraction in the more-developed economies, and during economic booms in the less-developed economies.

There are also sub-regional organizations involved in overseeing migrant labour, namely the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT),

¹³⁵ P. Martin and M. Abella, *Reaping the economic and social benefits of labour mobility: ASEAN 2015*, International Labour Organization, 2014, p 21.

¹³⁶ P. Martin and M. Abella, p. 18.

¹³⁷ S. Paitoonpong, ‘Different stream, different needs, and impact: Managing international labour migration in ASEAN: Thailand (immigration),’ *Philippine Institute for Development Studies*, Discussion Paper Series, 2011. p. 56.

¹³⁸ ‘Migration Information Note,’ *International Organization for Migration*, Issue 3, 2009.

Cambodia, Laos, Myanmar, and Vietnam (CLMV) Summit, and Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS).¹³⁹ These independent economic blocks are established in order to respond to specific characteristics of each sub-regional group that ASEAN fails to fix at the regional level. Their roles in the acceleration of economic and social transformation are remarkable. Even the ASEAN Secretariat has to recognize the regional benefits gained from these sub-regional organizations.¹⁴⁰ As they are independent groups, they are able to develop their own way and vision, including sub-regional cooperation on labour mobility. Since each group provides alternative methods of cooperation, the ASEAN provision for facilitation of the movement of skilled labour and professionals should be seen as one of a number of options available to ASEAN member states.

Since the ASEAN provision on skill migration does not reflect the contemporary needs of regional labour markets, and ASEAN member states are able to utilise these alternative local, flexible and responsive mechanisms for the management of migrant labour, member states do not necessarily thirst for the full enforcement of MRAs. They instead maintain their domestic laws, regulations, and policies regarding foreign workers. MRAs might be regionally agreed in principle, but it is not legally binding and contains no obligations for member states. The codes of practice, however, have to be aligned with domestic laws, regulations, and national policies of each member state.¹⁴¹ This allows the individual states to reserve the right to use their discretion when it comes to recognizing the eligibility of qualifications. This infers that it largely depends on the host to determine who can enter their country. In this regard, it appears necessary

¹³⁹ ‘Sub-Regional organisations’.

¹⁴⁰ ‘About IMT-GT,’ *IMG-GT*, < <http://imtgt.org/> >, consulted 11 October 2017.

¹⁴¹ Y. Fukunaga, p. 4.

to examine the characteristics of domestic laws, regulations, and national policies of each ASEAN member state that might hinder the entry of foreign workers, while also protecting the benefits of domestic labourers.

Domestic laws, regulations, and national policies on foreign workers

The existing laws, regulations, and policies on foreign workers of each ASEAN member state define different entry conditions based on their current economic necessities, but all aim to regulate migrant labour inflows to their countries in order to maximize the benefits to the hosts and at the same time minimize the risks caused by the influx of unneeded skills.

Brunei: The state only provides visa exceptions for skilled labour from Malaysia and Singapore. Other nationalities have to apply for an employment visa. Recruitment regulations and procedures for foreign workers apply to all categories of professions except those reserved for locals. In order to employ a migrant worker, an employer needs to receive a quota license from the Labour Department. A migrant worker who wishes to work more than three months needs to register for a Green Card, which can be renewed through an extension of employment. After two years of an employment contract, the employee is required to leave Brunei.¹⁴²

Cambodia: An employer can employ migrant workers, but they should not exceed 10 percent of total employees. If this percentage needs to be exceeded, there would need to be special approval from Ministry of Labour and Vocational Training.¹⁴³

¹⁴² 'Employ of Foreign Workers,' *ASEAN*, 27 June 2012, <http://asean.org/?static_post=employment-of-foreign-workers>, consulted 7 October 2017.

¹⁴³ C. S. Yue, 'Free Flow of Skilled Labor in the ASEAN Economic Community,' p. 242.

Indonesia: Since the unemployment rate is quite high compared to other ASEAN countries (around 6 percent)¹⁴⁴, the government has tightened the entry of foreign workers. It is the obligation of employers to obtain a written permit from the relevant government authority if they need to hire migrant labour. The employment of foreign workers must be aligned with national development requirements. A local company that needs to employ migrant workers must submit an expatriate placement plan to the Manpower Department, and the foreign owned company wishing to hire foreigners must submit the same plan to the Investment Coordinating Board. Foreign workers in senior positions in a foreign investment company normally receive three year work permits which can be renewed. Other positions are only for one year and can be renewed annually. Additionally, it is necessary to implement an economic needs test proving that hiring foreigners is essential.¹⁴⁵

Laos: Lao citizens will be prioritized in the recruitment and hiring of labour by foreign investors. Foreign employees can be hired when necessary, but they must receive work visas and permits. It is the obligation of foreign investors to develop the skills of Lao workers. Based on “the Decree on Business Law Annex III, certain professions are closed to foreign workers.”¹⁴⁶

Malaysia: In order to employ migrant workers, an employer has to prove that no local or permanent residents are qualified to fill the position. This is to ensure that foreign workers are recruited only when really necessary. Foreign workers are issued with an employment pass by the Malaysian Immigration Department. Foreign employees

¹⁴⁴ ‘Unemployment in Indonesia,’ *Indonesia-Investments*, <<https://www.indonesia-investments.com/finance/macroeconomic-indicators/unemployment/item255?>>, consulted 16 October 2017.

¹⁴⁵ ‘Employ of Foreign Workers’

¹⁴⁶ ‘Employ of Foreign Workers’

holding employment passes must work for the sponsoring employer, unless the employer notifies the Malaysian Immigration Department. In order to save sufficient jobs for local citizens, an annual levy is imposed foreign labour to minimize the influx of foreign workers, and foreign workers are “not allowed to work in 136 occupations including semi-skilled jobs including welders, fitters, taxi drivers, and the likes.”¹⁴⁷

Myanmar: It is not so easy to employ a foreign professional in Myanmar. Barriers to entry exist throughout the whole process, starting with high visa fees, long waiting periods for work permits, and multiple registration formalities. Myanmar citizens are first considered for available jobs.¹⁴⁸

Philippines: A foreign worker is not allowed to be hired where a Filipino is willing and able to perform the work.¹⁴⁹ The state does not officially encourage foreign employment, but according to the Philippines Labour Code on the employment permit of non-residents, a domestic or foreign employer who wishes to recruit a foreign worker has to gain an employment permit issued by the Department of Labour and Employment.¹⁵⁰

Singapore: Since Singapore is in favour of the migration of highly skilled professionals, it has proactive policy promoting the inward of such employees. Singapore, however, puts a heavy levy on unskilled migrant workers aimed at encouraging employers to seek local labour.¹⁵¹

¹⁴⁷ ‘Employ of Foreign Workers’

¹⁴⁸ ‘Employ of Foreign Workers’

¹⁴⁹ ‘Employ of Foreign Workers’

¹⁵⁰ C. S. Yue, ‘Free Flow of Skilled Labor in the ASEAN Economic Community,’ p. 255.

¹⁵¹ ‘Employ of Foreign Workers’

Thailand: Based on the Alien Occupation Law, all migrant workers are required to obtain a work permit, which is valid for one year, and subject to renewal and extension. The number of alien workers a company can employ depends on the amount of its registered capital. For example, a company with registered capital equivalent to 2 million Thai baths can hire up to 10 foreign workers.¹⁵²

Vietnam: Foreign owned enterprises have the right to recruit and employ foreign skilled professional based on business requirements, but it should also give priority to domestic labour. The foreign company is also required to train local workers in order fill positions that require a level of technical and management expertise.¹⁵³

Domestic laws, regulations, and national policies are considered as one of the main barriers to the successful implementation of MRAs.¹⁵⁴ The existence of these national policies and instruments ensures that national benefits are not threatened, and strengthen measures ensuring that local staff member will receive capacity building and skills-transfer in order to eventually replace foreigner workers.¹⁵⁵

¹⁵² C. S. Yue, 'Free Flow of Skilled Labor in the ASEAN Economic Community,' p. 259.

¹⁵³ 'Employ of Foreign Workers'

¹⁵⁴ R. M. Aldaba, p. 2.

¹⁵⁵ C. S. Yue, 'Free Flow of Skilled Labour in the ASEAN Economic Community,' p. 244.

Chapter 5

Conclusion

ASEAN wishes to turn itself in a region of “economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations.”¹⁵⁶ In order to achieve such an aspiration, regional economic integration needs to be realized. Consequently, ASEAN developed the concept of the ASEAN Economic Community (AEC) where all forms of physical and non-physical barriers hindering the regional movement of capital, investment, services, and especially human resources must be removed. The freer movement of skilled migrant labour within the region is essential to the success of regional economic integration.

Considering the importance of skilled labour mobility, Mutual Recognition Arrangements (MRAs) for eight professional skills are designed to facilitate labour mobility within ASEAN. This mechanism was designed to ensure a sufficient supply of qualified workers needed now and in the near future. ASEAN needs to take these steps toward the freer flow of skilled labour and professionals in order to respond to regional disparities in terms of demographic change and economic divide. It is important to develop labour migration policies that enable ASEAN labourers to gain decent employment opportunities. This is critical for regional economic growth and development. The region, especially the more-developed countries, is experiencing a decline in the working age population due to decreasing total fertility rates and

¹⁵⁶ ‘Overview,’

increasing life expectancy. ASEAN also suffers from the outflows of young ASEAN nationals who tend to stay overseas after completing their education. The introduction of MRAs is supposed to promote intraregional migration of skilled labour and professionals in order to manage the shrinking working age population in the more-developed economies, and in ASEAN in general. The ASEAN provision for facilitating the movement of skilled migrant workers provides the more-developed economies with an instrument to offer decent jobs for the less-developed economies experiencing a structural oversupply of labour. Furthermore, the provision also helps narrow the regional economic divide through remittances and the development of 'brain banks'. The remittances play a significant role in sustaining poverty reduction¹⁵⁷ and economic development in the labour sending countries. The welfare of the labour sending countries would increase if there were an increase in the skilled labour supplied by the less-developed economies to the more-developed countries.¹⁵⁸ The returned migrants are valuable human resources for upgrading the labour sending economies. Those emigrant workers have the opportunity to increase their knowledge stock during their stay abroad as they have access to resources, colleagues, and incentives. When they return home, skilled migrant workers bring with them enhanced skills, experiences, international connections, and ideas for innovation, all useful for further economic development in labour sending countries.¹⁵⁹ The freer movement of skilled migrant workers, especially skilled professionals from ASEAN's the more-developed to the less-developed countries, is also vital for attracting Foreign Direct Investment (FDI). FDI decisions are heavily determined by the availability of skilled professionals who are

¹⁵⁷ R. H. Adams and J. Page, p. 1646.

¹⁵⁸ *Philippine Labour Migration and the ASEAN Economic Community Project*, p. 3.

¹⁵⁹ W. Kerr, p. 525.

able to move across borders within the region.¹⁶⁰ If ASEAN member states successfully improve labour mobility through AEC mechanisms including the MRAs, then regional economic development and the drive to prosperity would gain momentum.

The processes and activities relating to the promotion of the freer flow of skilled migrant workers in ASEAN, however, seem to be failing to deliver on the promise, reflecting a lack of political and public supports from some ASEAN member states.¹⁶¹

The MRAs focus solely on skilled labour, ignoring the large semi-skilled and low-skilled workforce in the region. Hence, the MRAs do not respond to the entire current labour market supply and demand. Furthermore, the essence of the provisions on labour mobility mainly facilitates the transfer of ASEAN-based company employees to production bases in other ASEAN countries. This does not allow individual professionals the freedom to seek work in other ASEAN countries.¹⁶² The compelling reason that ASEAN initially facilitates the movement of only eight categories of professionals, and excludes semi- and low-skilled labour, is that ASEAN member states wish to retain control over skilled labour inflows and outflows. The advanced countries lacking domestic labour skills due to low population growth might need to import skilled migrants, but they only need a sufficient number. Incoming migrant labour is supposed to be skilful and able to make an immediate contribution to national economic development. On the contrary, however, the overwhelming labour supply would also hinder economic productivity, put more pressure on social security and infrastructure, and threaten job security and wages levels of domestic workers.¹⁶³ Highly skilled labour

¹⁶⁰ D. G. Papademetriou, *et al.*, p. 1.

¹⁶¹ G. Sugiyarto and D. R. Agunias, p. 1.

¹⁶² Y. Fukunaga, p. 14.

¹⁶³ T. S. Tullao Jr and M. A. A. Cortez,

is significantly in demand in the less-developed countries as well. The developing economies have to reserve a sufficient amount of highly skilled professionals in order to maintain national development because they can contribute to high productivity and economic competitiveness.¹⁶⁴ ASEAN, however, appears to have an insufficient supply of highly skilled migrant labour. According to the migrant labour records, there is more semi- and low-skilled labour in the region, amounting to ninety percent of the total workforce, mostly located in less-developed economies.¹⁶⁵ ASEAN, however, never takes semi- and low-skilled migrant labour into consideration, and has difficulty convincing member states to fully liberalize the movement of labour because the states do not wish to risk losing authority over migrant workers.¹⁶⁶ There is a high possibility that all types of labour migration from the less- to more-developed economies will dramatically increase if ASEAN is able to implement the scheme of free movement of labour to include all skilled, semi-, and low-skilled workers. Even without the effective ASEAN provisions on labour movement, regional disparities in terms of demography and economy may spark a huge amount of low-skilled labour movement from the less- to more-developed economies within ASEAN. A vast influx of foreign labour could lead to a number of negative consequences to the more-developed hosts such as income inequality, social and economic burdens, and political backlash. For these reasons, ASEAN's more advanced economies do not rush to fully liberalize regional labour markets because national economic and political benefits are at stake, but instead they introduce a framework of MRAs allowing the movement of a small proportion of the

¹⁶⁴ B. L. Lowell and A. Findlay, p. 18.

¹⁶⁵ A. Orbeta Jr, p. 4.

¹⁶⁶ 'ASEAN infographic: economy and demography'

total regional labour supply. Additionally, the conditions of qualification recognition still largely depend on the discretion of the receiving countries.

Neither do the less-developed countries seem to be willing to liberalize the movement of labour. They also are in desperate need of a qualified workforce. The provisions on the free flow of labour may provoke the migration of their highly skilled labour force, which the less-developed economies usually have less of. Many development scholars insist that education of the workforce is a key to successful economic development. In the absence of highly skilled labour supply as a main production factor, local industries in developing countries might find it difficult to develop economic competencies. Additionally, not all labour sending countries can benefit from remittances and the creation of a 'brain gain'. In reality, some ASEAN countries, namely Indonesia, Myanmar, and Laos, while they have a high population of emigrants, but they received lower remittances than the more-developed ASEAN states who have a lower number of emigrants but receive higher remittances.¹⁶⁷ Thus, the costs of exporting skilled labour and professionals, in terms of losing valuable skills needed to attract FDI, can outweigh the benefits gained from remittances. Furthermore, since the labour receiving states also need to maintain highly skilled migrant workers, the expectation of the economic contribution made by returning migrants might be minimal. Even the returned skilled labour might not apply their knowledge, skills, experiences, and innovations to national economic development. Their return home may be due to having reached a pensionable age, difficulties working abroad, and personal factors such as health or feelings of nostalgia.¹⁶⁸ The capacity of the returned professionals to

¹⁶⁷ D. Susilo, *et al.*, p. 5.

¹⁶⁸ S. V. Siar, p. 16.

contribute largely relies on the ‘absorptive capacity’ of the structures and institutions of the labour sending countries.¹⁶⁹ Many ASEAN developing countries do not have the well-developed structures and institutions, required to absorb the knowledge, skills, innovations and experiences of their diaspora. Even though some ASEAN states do have the capacity to absorb returning skilled labour, the governments of labour sending countries must be able to defuse their concerns regarding equivalent wages, political regime type, and recognition of dual citizenship. Instead, this might lead to more problems. A lack of skilled labour forces the less-developed economies to offer good wages and conditions to keep local, and attract foreign, skilled labour. This leads to income inequality. In fact, the ASEAN provision on the freer movement of labour makes it easier for ASEAN companies to transfer their skilled employees from the more advanced countries to relocated production bases in other countries of operation. As a result, the ASEAN companies can regain FDI benefits in terms of job generation and higher wages for their nationals. The net benefits flow back to the more advanced economies in terms of remittances while the less-developed economies gain diminishing benefits from FDI in terms of wages, job creations, and career development opportunities for their domestic labour force. For these reasons, ASEAN’s less-developed countries also are not inclined to liberalize the flow of migrant labour because they have concerns over the adverse effects it may have on labour supply national economic development. Therefore, the introduction of MRAs, limited to eight categories of professional skills, is regarded as an initial step toward the ultimate goal of free labour migration in an ASEAN liberal labour market.¹⁷⁰

¹⁶⁹ A. Parthasarathi,

¹⁷⁰ ‘ASEAN: AEC will not end labour protectionism,’

The ASEAN Secretariat, responsible for facilitating the gradual process of achieving regional skilled labour mobility, acknowledges the limited nature and focus of the MRAs. The MRAs do not respond to the real profile of the ASEAN migrant labour force, which is overwhelmingly semi- and low-skilled.¹⁷¹ The less-developed economies do not seem to benefit from the scheme due to a lack of economic competitiveness to attract highly skilled labour. Since MRAs does not include semi- and low-skilled labour, both more- and less-developed countries find alternative methods to manage their migration, including bilateral and sub-regional agreements. The current ASEAN provision on skilled migration is not able to manage the contemporary needs of the regional migration labour market, and ASEAN member states are able to find alternative agreements and management tools. Member states do not necessarily look to implementation of MRAs, but instead look to maintain their domestic laws, regulations, and policies on foreign workers in order to maximize the economic benefits to themselves. ASEAN member states seem not to favour the complete free movement of skilled and professional labour. They seem to prefer to focus on the flows of temporary semi- and low-skilled workers.

In order to achieve the best utilization of ASEAN MRAs framework, and to respond to the actual situation of regional labour supply and demand, the ASEAN Secretariat and the member states should include semi- and low-skilled labour into their scheme as a key to regional economic integration.¹⁷² Labour movement in ASEAN does not have to be totally free and mobile, and the reality is that nation states still exercise considerable

¹⁷¹ A. Orbeta Jr, p. 4.

¹⁷² V. Hing and P. Lun and D. Phann, 'Irregular Migration from Cambodia: Characteristics, Challenges, and Regulatory Approach,' *Philippine Institute for Development Studies*, Discussion Paper Series. p. 25.

power in the regulation of migrant labour through domestic laws, regulations, and national policies. As in other regional economic and trade blocs, the management of regional migrant labour mobility in the ASEAN region is conducted through an overlapping combination of ASEAN mechanisms on the one hand, and, on the other, nation states interested in preserving their power over national economic interests.

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