Development in Southeast Asia's lagging Regions: Comparing Papua, Southern Thailand and Mindanao

Budy P. Resosudarmo
Acram Latiph
Saran Sarntisart
Isra Sarntisart

Indonesia Project
Arndt-Corden Department of Economics
Crawford School of Public Policy
ANU College of Asia & the Pacific
Main objectives

• To improve our understanding on national and regional policies that could accelerate economic development in several persistently lagging regions,
  – by identifying successful national and regional policies
  – by understanding the channels through which these policies affect economic development in Papua, three Southern border provinces of Thailand and the Autonomous Region of Muslim Mindanao
## Southeast in comparison

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>600 million</td>
<td>9%</td>
<td>3%</td>
<td>1980s economic reform</td>
<td>Ave. annual growth of 5.5%</td>
<td>$2.4 trillion</td>
<td>$500 (1980) to $3,500 (2013)</td>
</tr>
<tr>
<td>Latin America</td>
<td>600 million</td>
<td>9%</td>
<td>4%</td>
<td>1980s economic reform</td>
<td>Ave. annual growth of 3.5%</td>
<td>$6 trillion</td>
<td>$2,000 (1980) to $10,000 (2013)</td>
</tr>
</tbody>
</table>
Indonesia in Southeast Asia

2013

- **Southeast Asia (SEA)**
  - 600 million people or 9% of world population
  - 3% of total land area in the world
  - $2.4 trillion or 3% of the world’s GDP
  - Ave. annual growth of 5.5% since 1980

- **Indonesia**
  - 250 million people or 42% of SEA population
  - 42% of total land area in SEA
  - $870 billion or 36% of the SEA’s GDP
  - Ave. annual growth of 5.5% since 1980
Within Southeast Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>1983</th>
<th>1993</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>548</td>
<td>840</td>
<td>3,475</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2,056</td>
<td>3,395</td>
<td>10,538</td>
</tr>
<tr>
<td>Philippines</td>
<td>645</td>
<td>817</td>
<td>2,765</td>
</tr>
<tr>
<td>Singapore</td>
<td>6,714</td>
<td>18,302</td>
<td>55,182</td>
</tr>
<tr>
<td>Thailand</td>
<td>798</td>
<td>2,153</td>
<td>5,779</td>
</tr>
<tr>
<td>Vietnam</td>
<td>n.a.</td>
<td>189</td>
<td>1,911</td>
</tr>
</tbody>
</table>
Variations within a country

- Relatively large, for example:
  - in Indonesia, the percentage of poor people in Papua in 2012 was 31%, while it was only 4% in Bali
  - In Thailand, the percentage of poor people in the three Southern border provinces was 23.9% in 2011, while the national percentage was 13.1%.
Lagging regions of SEA

• Share some similarities:
  – Isolation from the capital/mainstream development of the country
  – Controversial circumstances of incorporation within the nation state
  – Ethnic/religious minorities
  – Conflicts
  – Resource abundance
  – Unsympathetic rule from the centre
Isolation from the main econ. activities
## Lagging behind

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Eastern Indonesia</td>
<td>29.9</td>
<td>59.2</td>
<td>65</td>
<td>6.4</td>
</tr>
<tr>
<td>- East Nusa Tenggara</td>
<td>27.7</td>
<td>57.0</td>
<td>64</td>
<td>5.8</td>
</tr>
<tr>
<td>- Maluku</td>
<td>23.9</td>
<td>66.2</td>
<td>66</td>
<td>8.0</td>
</tr>
<tr>
<td>- Papua</td>
<td>38.4</td>
<td>57.0</td>
<td>65</td>
<td>6.0</td>
</tr>
<tr>
<td>Java</td>
<td>15.9</td>
<td>48.6</td>
<td>67</td>
<td>7.1</td>
</tr>
<tr>
<td>- Java w/o Jakarta</td>
<td>16.8</td>
<td>50.4</td>
<td>66</td>
<td>6.8</td>
</tr>
<tr>
<td>Bali</td>
<td>6.8</td>
<td>36.0</td>
<td>70</td>
<td>7.6</td>
</tr>
<tr>
<td>West Nusa Tenggara</td>
<td>25.3</td>
<td>89.0</td>
<td>59</td>
<td>5.8</td>
</tr>
<tr>
<td>Sumatra</td>
<td>17.4</td>
<td>48.0</td>
<td>67</td>
<td>7.8</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>10.9</td>
<td>55.3</td>
<td>66</td>
<td>7.2</td>
</tr>
<tr>
<td>Sulawesi</td>
<td>16.7</td>
<td>53.9</td>
<td>68</td>
<td>7.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>16.6</td>
<td>47.0</td>
<td>66</td>
<td>7.1</td>
</tr>
</tbody>
</table>
Controversial history

Indonesia Administrative, 1949
Controversial history

- The three Southern border provinces of Thailand formerly constituted the Sultanate of Pattani
- Pattani had been in and out of Siam Kingdom → “semi” autonomous state
- Annexed to the Siam Kingdom in the 20th century → Thaiification
Controversial history

- Used to be part of Maguindanao Sultanate (and Sulu Sultanate)
- During Spanish colonization: Spanish converted all part of the Philippines into Christianity (demolished the sultanate system), except Sultanates of Maguindanao (Moro people)
- Sultanate's sovereignty was dissolved in early 20th century
- In 1898, Spain ceded the Philippines to the Americans, including Mindanao
- Americans further integrated Mindanao into the Philippines
Ethnic/religious minorities

• Papua: Majority are Christian-Melanesia & Indonesia: Majority are Muslim-Malay
• Three Southern Provinces: Majority are Muslim Malay & Thailand: Majority are Buddhist-Thai
• Mindanao: Majority are Muslim-Moro & Philippines: Christian
History of conflicts

• Independent movements
  – Papua Independent Movement (OPM)
  – Pattani United Liberation Organisation (PULO)
  – Mindanao Independence Movement (MIM)

• Armed conflicts

• Violence

• Arrests & deaths
Major Development Programs: Papua

• Previously:
  – Some development fund
  – Migration into Papua (Transmigration)

• More recent (since 2001)
  – Special autonomy
  – Special development fund (2% of DAU)
  – Much higher revenue sharing
  – Some affirmative policies
## Population

<table>
<thead>
<tr>
<th></th>
<th>Growth rate (% p.a.)</th>
<th>Share of total, 2010 (%)</th>
<th>Population (thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>3.5</td>
<td>3.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Lifetime migrant</td>
<td>10.6</td>
<td>3.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Recent migrant</td>
<td>8.2</td>
<td>0.2</td>
<td>4.8</td>
</tr>
<tr>
<td>Non-migrant</td>
<td>2.3</td>
<td>3.1</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Papua government budget per capita

- 2006: 6 million IDR
- 2011: 8 million IDR
- 2013: 12 million IDR
Some comparison

- Papua
- West Papua
- Maluku
- Sulawesi
- Kalimantan
- Nusa Tenggara
- Java-Bali w/o Jakarta
- Sumatra

2011 (Planned) vs 2011 (Actual)

Rp million
Level of economic development

GDP

- Both Papua
- Indonesia
Household expenditure and poverty

[Graph showing monthly expenditure per capita and poverty levels for Papua and Indonesia from 2004 to 2012.]
Literacy and unemployment
### Rural Area

<table>
<thead>
<tr>
<th></th>
<th>HH Expenditure per capita</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>(Rp 000/year)</td>
</tr>
</tbody>
</table>

#### West Papua
- **Sorong Greater Area***: 8,450
- **Manokwari district**: 8,128
- **Teluk Bintuni district**: 11,555
- **Other districts**: 6,634

#### Papua
- **Jayapura Greater Area***: 9,960
- **Mimika district**: 10,354
- **Merauke district**: 7,135
- **Other districts**: 5,315

How to accelerate development in rural areas of Papua?
- Remote and geographically challenging
- Low initial development status
Village Strategic Development Program

- RESPEK (or PNPM RESPEK) means to “drop” grants to all villages to develop capital needed to develop rural areas:
  - Rp 100 million (US$10,000) annually to all villages in Papua and West Papua*; starting 2008
  - Gives village people considerable freedom, through village meetings (musyawarah desa), to make their own decisions about the areas in which they want to build capital; though government expectation is that the areas they choose will be:
    - nutrition and food security, education, primary health care, village infrastructure, and economic livelihood.
  - Also gear up toward community driven development
Major Development Programs: Southern Thailand

• More recent (since 2004)
  – Special development fund for the three provinces
    • THB 13.5 billion in 2004
    • THB 27 billion in 2009
    • THB 16 billion in 2010
    • THB 24 billion > 2010
  – Affirmative action for the Muslim population
    • strengthen the Islamic banking system
    • strengthen the Halal industry and tourism
Level of economic development

GDP

- Thailand
- Three Southern Border Provinces

Year: 2004 to 2011
Household income and poverty

![Monthly Income and Poverty Graphs]

- **Monthly Income**
  - Income measured in Thousand (current) THB.

- **Poverty**
  - Poverty percentage.
Education and unemployment

**Education**
- Year
- 2006: 7.8
- 2009: 8.2
- 2012: 8.2

**Unemployment**
- Year
- 2004: 2
- 2009: 2.5
- 2013: 1.5

*Thailand vs Three Southern Border Provinces*
Major Development Programs: Mindanao

• Previously
  – Migration into Mindanao

• After Marcos (since 1987)
  – Slow process of autonomy for some part of Mindanao (ARMM region)
  – 2014 Bangsamoro Basic Law: much larger autonomy
  – Some development fund and affirmative actions
# Population

<table>
<thead>
<tr>
<th>Area</th>
<th>2007</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>National Capital Region</td>
<td>11,566</td>
<td>11,856</td>
</tr>
<tr>
<td>ARMM</td>
<td>4,121</td>
<td>3,256</td>
</tr>
<tr>
<td>Philippines</td>
<td>88,567</td>
<td>92,338</td>
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</tbody>
</table>

Thousand people
## Investment

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</thead>
<tbody>
<tr>
<td>Zamboanga Peninsula</td>
<td>11.2</td>
<td>5.3</td>
<td>15.1</td>
<td>1.0</td>
<td>1.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Northern Mindanao</td>
<td>82.4</td>
<td>14.5</td>
<td>3.0</td>
<td>7.5</td>
<td>11.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Davao Region</td>
<td>11.3</td>
<td>19.4</td>
<td>1.7</td>
<td>2.3</td>
<td>9.9</td>
<td>38.5</td>
</tr>
<tr>
<td>Soccsksargen</td>
<td>15.6</td>
<td>3.7</td>
<td>0.3</td>
<td>2.2</td>
<td>4.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Caraga</td>
<td>4.1</td>
<td>2.2</td>
<td>2.3</td>
<td>1.7</td>
<td>2.4</td>
<td>49.6</td>
</tr>
<tr>
<td>ARMM</td>
<td>1.5</td>
<td>1.2</td>
<td>0.6</td>
<td>0.3</td>
<td>0.1</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Billion PHP
Level of economic development and poverty

![Graph showing GDP and Poverty levels over time with data for Philippines, Rest of Mindanao, and ARMM.](image)
Literacy and unemployment

**Literacy**

- 2000
  - Philippines: 90%
  - Western Mindanao: 85%
  - Northern Mindanao: 80%
  - Southern Mindanao: 75%
  - Central Mindanao: 70%
  - Caraga: 65%
  - ARMM: 60%

- 2003
  - Philippines: 95%
  - Western Mindanao: 90%
  - Northern Mindanao: 85%
  - Southern Mindanao: 80%
  - Central Mindanao: 75%
  - Caraga: 70%
  - ARMM: 65%

- 2008
  - Philippines: 100%
  - Western Mindanao: 95%
  - Northern Mindanao: 90%
  - Southern Mindanao: 85%
  - Central Mindanao: 80%
  - Caraga: 75%
  - ARMM: 70%

**Unemployment**

- 1994
  - Philippines: 8%
  - Rest of Mindanao: 6%
  - ARMM: 4%

- 2004
  - Philippines: 12%
  - Rest of Mindanao: 10%
  - ARMM: 8%

- 2014
  - Philippines: 6%
  - Rest of Mindanao: 4%
  - ARMM: 2%
Some comparisons: Policies

<table>
<thead>
<tr>
<th></th>
<th>Additional Development Fund</th>
<th>Special Region</th>
<th>Creating Autonomous Region</th>
<th>Allowing Policies</th>
<th>Affirmative Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>Yes</td>
<td></td>
<td>No</td>
<td>Some</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Some</td>
<td></td>
<td>Yes</td>
<td>Some</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Some</td>
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</table>
## Some comparisons: Outcomes

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Papua</th>
<th>Southern Thai</th>
<th>ARMM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic growth (GDP)</td>
<td>Keep up/slightly lower</td>
<td>Slightly lower</td>
<td>Lower</td>
</tr>
<tr>
<td>Average hh. expenditure</td>
<td>Keep up (?if count f. inf.)</td>
<td>Keep up (?if count f. inf.)</td>
<td>?Most likely stable</td>
</tr>
<tr>
<td>Poverty</td>
<td>Decline but large gap</td>
<td>Decline but large gap</td>
<td>Increase</td>
</tr>
<tr>
<td>Education</td>
<td>Improving but some gap</td>
<td>Improving but some gap</td>
<td>Improving but some gap</td>
</tr>
<tr>
<td>Unemployment</td>
<td>Decline</td>
<td>Decline but large gap</td>
<td>Increase</td>
</tr>
<tr>
<td>Rural-urban gap</td>
<td>Significant</td>
<td>?Most likely significant</td>
<td>?Most likely significant</td>
</tr>
</tbody>
</table>
Final remarks

• History, ethnic/religion and development gap matter
• Autonomy and special development fund are important
• Not harmful affirmative action seems necessary, particularly on the issue of rural-urban gap
• Papua’s progress seems dominant, but more is needed
  – Rural-urban gap? (Papuans vs non-Papuan?)
  – Resolving conflicts?