

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Based on the results of the analysis and discussion regarding economic convergence within the ASEAN-10 region during the 2001–2024 period, several main conclusions can be drawn as follows.

1. There is evidence of absolute income convergence among ASEAN countries during the 2001–2024 period, as confirmed by two approaches simultaneously. The estimation of absolute β -convergence produces a negative and statistically significant coefficient of initial income, indicating that countries with lower initial GDP per capita as variable X tend to grow faster in terms of GDP per capita growth as variable Y compared to countries with higher initial income levels. The speed of absolute convergence is estimated at 1.54 percent per year, with a half-life of approximately 45.1 years, which can be considered relatively slow and indicates that the process of narrowing income disparities within ASEAN would require a very long period if relying solely on market mechanisms and natural growth processes. This result is further reinforced by σ -convergence, reflected in the decline of income dispersion from 1.36 in 2001 to 0.99 in 2024, although the process was temporarily disrupted by the impact of the COVID-19 pandemic in 2020, which caused a temporary increase in dispersion and demonstrated that ASEAN countries possess differing levels of economic resilience in responding to global shocks.

2. The process of conditional income convergence among ASEAN countries is confirmed, as reflected by the negative and significant coefficient of initial GDP per capita after controlling for differences in structural characteristics across countries, including AFTA, FDI, trade openness, human capital, and institutional quality (WGI) as variables X on GDP per capita growth as variable Y. The speed of conditional convergence reaches 6.25 percent per year with a half-life of approximately 11.1 years, indicating that structural characteristics among ASEAN countries constitute substantive determinants of the trajectory and speed of income convergence within the region. Among the structural variables examined, FDI and institutional quality (WGI) are proven to have positive and significant effects on GDP per capita growth, suggesting that foreign investment and good governance represent the primary structural factors driving economic growth while simultaneously accelerating the convergence process. Meanwhile, regional economic integration through AFTA is not found to exert a statistically significant direct effect, indicating that tariff liberalization has not yet been capable of functioning as an independent driver of convergence as its benefits remain highly dependent on the structural readiness of each member country. Similarly, trade openness and human capital are not found to have significant short-run effects, indicating that their influence operates indirectly and requires a longer time horizon to be fully reflected in annual data.

Overall, this study concludes that the process of economic convergence within the ASEAN region does occur, both in absolute and conditional forms, but progresses relatively slowly and is strongly influenced by the structural characteristics of each country.

5.2 Recommendations

Based on the findings of this study, several recommendations can be proposed as follows.

1. For ASEAN governments, particularly the CLMV countries, it is important to continuously improve institutional quality and create a more conducive investment climate in order to attract greater inflows of Foreign Direct Investment (FDI). This is essential because FDI has been proven to promote economic growth and accelerate the convergence process.
2. Economic integration policies such as the ASEAN Free Trade Area (AFTA) should be optimized not only through trade liberalization, but also through strengthening domestic capacities, including infrastructure development, improvements in human capital quality, and industrial sector enhancement, so that the benefits of integration can be distributed more evenly across member countries.
3. For higher-income ASEAN countries, strategies aimed at promoting innovation and economic efficiency are necessary in order to sustain economic growth while simultaneously supporting the overall regional convergence process.
4. For future researchers, it is recommended to employ more diverse variable proxies, particularly in measuring human capital and trade openness, as well

as to consider more advanced estimation methods such as dynamic panel models (GMM) in order to obtain more robust findings. Furthermore, extending the observation period and incorporating additional variables such as technology or digitalization may provide a more comprehensive understanding of the convergence process within ASEAN.