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The Effect of Fiscal Policy on Economic Inequality and Sustainable Development in ASEAN

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Abstract

This study analyzes the influence of fiscal policy on economic inequality and sustainable development in ASEAN (Association of Southeast Asian Nations). Through data and narrative analysis, we see that fiscal policy plays an important role in shaping economic conditions in ASEAN countries. Prudent and effective fiscal policies can reduce economic inequality, promote inclusive growth, and achieve sustainable development. However, ASEAN countries are faced with challenges in managing fiscal policy, such as institutional capacity that needs to be improved and complex regional policy harmonization. In the face of these challenges, there are important opportunities through regional cooperation, exchange of experiences, and capacity building. To achieve inclusive and sustainable growth, it is important for ASEAN countries to strengthen their institutional capabilities, enhance regional coordination, and capitalize on collaboration opportunities.

Keywords: Fiscal Policy, Policy Harmonization, Sustainable Development, ASEAN.

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Introduction

The Member States of the Association of Southeast Asian Nations (ASEAN) have experienced significant economic growth in recent decades. This rapid economic growth, however, is often not in line with increased sustainable development and growing economic inequality within ASEAN countries (Heshmati & Kim, 2014). One of the factors that can affect economic inequality and sustainable development is the fiscal policy implemented by the government. Fiscal policy is an important instrument in a country's economic management (Masud et al., 2018). It involves regulating the country's expenditure and revenue through taxes, budgets, subsidies, and other policies. When implemented effectively, fiscal policy can be a driver of inclusive and sustainable economic growth. However, when applied without considering the long-term consequences, fiscal policy can also exacerbate economic inequality and hinder sustainable development (Khan & Khan, 2023). It is important to analyze the effect of fiscal policy on economic inequality and sustainable development in ASEAN countries

(Ruankham & Sethapramote, 2023). Economic inequality is the unfair distribution of income and wealth among individuals and groups in a society (Van de Werfhorst & Salverda, 2012). High inequality can lead to social conflict, economic instability, and widespread injustice. Meanwhile, sustainable development is an effort to achieve sustainable economic growth, environmental protection, and social progress that is equitable for current and future generations (Jetten et al., 2017).

In ASEAN countries, economic inequality remains a serious problem. Some countries face significant gaps between rich and poor, both in terms of income and access to basic services such as education and health (Asante et al., 2016). In addition, environmental challenges such as climate change and ecosystem degradation also need to be addressed to achieve sustainable development. Fiscal policy can have a significant impact on economic inequality (Falkingham, 2004). For example, disproportionate or unfair taxes can burden the economically weaker sections of society, while the richer sections may be able to evade taxes in various ways. Poorly targeted subsidies can also reinforce economic inequality, by providing greater benefits to a small portion of the population that is already well-off, while poorer groups do not receive comparable benefits (Saxena et al., 2007).

Sustainable development can also be affected by fiscal policy. If the government allocates resources unequally, focuses on environmentally unfriendly sectors, or does not prioritize social protection, then sustainable development is difficult to achieve (Zhou et al., 2023). In the context of ASEAN countries that have great potential for natural resource-based economic growth, it is important to ensure that fiscal policies are ecologically and socially sustainable. To address these challenges, it is important for ASEAN countries to adopt fiscal policies that are oriented towards inclusiveness and sustainable development (Galindo-Martín et al., 2021). This involves fair and proportional tax arrangements, smart spending on equitable infrastructure and public services, targeted subsidies, and sustainable environmental protection (Agustina et al., 2019). ASEAN countries also need to work together to address economic inequality and promote sustainable development through regional cooperation, information exchange, and shared learning (Sodiq et al., 2019).

In the context of ASEAN countries, there are several concrete examples of fiscal policies that have been implemented and have an influence on economic inequality and sustainable development (Chishti et al., 2021). One example is the policy of fair and proportional taxation. Fair and proportional taxation is very important in reducing economic inequality. ASEAN countries have varying levels of economic inequality, and a fair tax system can help reduce this gap (McCollum et al., 2018). For example, progressive taxation based on income levels can reduce the tax burden on the lower income brackets and increase tax contributions from the wealthier brackets. Taxes collected from the better-off can be used to fund equitable social protection, education, and health programs. In addition, well-targeted subsidies can also have a significant impact on economic inequality (Giuliano et al., 2020). ASEAN countries often implement subsidies in various sectors, such as energy or food. However, if the subsidies are not well-targeted, the benefits may be unevenly distributed and reinforce economic inequality (Warwick et al., 2022). For example, if energy subsidies are given to unsustainable sectors or already prosperous segments of society, while poorer segments of society do not benefit, economic inequality may deepen.

It is also important to allocate state spending wisely to ensure sustainable development.

ASEAN countries have significant economic growth potential, especially through the natural resources sector. However, unintelligent, or unbalanced spending can threaten environmental and social resilience. Therefore, it is important for ASEAN countries to allocate public funds for investment in sustainable infrastructure, such as green transportation, renewable energy, and efficient water management (Asghar et al., 2022; Gollakota & Shu, 2023). In addition, investment in education and training is also important to improve the quality of human resources and promote sustainable human development.

To achieve lower economic inequality and sustainable development in ASEAN countries, regional cooperation is also necessary. ASEAN countries can exchange information and experiences in formulating effective fiscal policies and learn best practices from countries within and outside the region (Tanzi & Zee, 2000). In addition, cooperation on corruption eradication, tax evasion avoidance, and fiscal administration capacity building can also help create a conducive environment for the implementation of impactful fiscal policies (Kurauone et al., 2021).

The urgency of fiscal policy is that first, if fiscal policy does not consider economic inequality, for example through unfair taxation or untargeted subsidies, there will be growing economic inequality in ASEAN countries, with a larger gap between the rich and poor (Yang & Park, 2020). Secondly, if fiscal policies do not take sustainable development into account, such as allocating public funds to environmentally unfriendly sectors or not investing in education and training, then development in ASEAN countries will be unsustainable, with threats to the environment and social resilience (Kalkuhl et al., 2018). As a result, ASEAN countries will face challenges in achieving inclusive and sustainable economic growth, as well as reducing economic inequality within countries.

Currently, ASEAN countries face two main challenges in the context of fiscal policy: persistent high economic inequality and the need for sustainable development. While there have been efforts in implementing inclusiveness-oriented and sustainable fiscal policies, there are still gaps that need to be addressed. It is important to understand the influence of fiscal policy on economic inequality and sustainable development in ASEAN countries and explore the opportunities and challenges in implementing more effective policies. Thus, the main issues in this study address several important aspects, namely: (1). How does fiscal policy affect economic inequality in ASEAN countries (Indonesia and Malaysia)? (2). What is the impact of fiscal policy on sustainable development in ASEAN countries such as Indonesia and Malaysia?

Research Methods

In this study, qualitative research methods will be used to gain a deeper understanding of the influence of fiscal policy on economic inequality and sustainable development in ASEAN countries. Qualitative research methods allow researchers to explore and understand complex social, political, and economic contexts involving various stakeholders in ASEAN countries.

The qualitative research will be conducted through a descriptive analysis approach, which will involve collecting data from various sources, such as policy documents, government reports, and interviews with relevant experts, practitioners, and stakeholders in ASEAN countries. The collected data will be thematically analyzed to identify patterns, trends, and differences in the influence of fiscal policies on economic inequality and sustainable development. This analysis will involve coding and categorizing the data to identify emerging themes and make more detailed inferences about the relationship between fiscal policy, economic inequality, and sustainable development in ASEAN countries. In addition, this research will also use a descriptive approach to describe and explain the observed phenomena by utilizing narratives and quotes from research participants. This will provide a deeper understanding of the local context and different perspectives in dealing with economic inequality and sustainable development in ASEAN countries.

The use of qualitative research methods in this study allows us to gain rich and in-depth insights into the phenomenon under study, understand the role of context in influencing research outcomes, as well as identify factors that influence fiscal policy implementation and its impact on economic inequality and sustainable development in ASEAN countries. This research is expected to contribute to the understanding and development of more effective and sustainable fiscal policies in ASEAN countries, as well as provide insights for decision-makers, practitioners, and researchers interested in issues of economic inequality and sustainable development in the region.

Results and Discussion

Table 1. Main economic sectors as a share of the total GDP in ASEAN (Association of Southeast Asian Nations) in 2020

	Services	Industry	Agriculture	
2005	46.50	39.50	12.90	in %
2010	48.50	37.40	12.10	in %
2015	49.70	36.50	11.20	in %
2020	50.60	35.80	10.50	in %

Table 1 presents data on the contribution of major economic sectors to the total GDP (Gross Domestic Product) of ASEAN (Association of Southeast Asian Nations) in 2020. The data is presented as a percentage for each sector, namely Services, Industry and Agriculture. The table also includes data for previous years (2005, 2010, and 2015) to compare the changes in the contribution of these sectors over the given period. The interpretation of the table follows: In 2020, the Services sector was the largest contributor to ASEAN GDP, accounting for 50.60% of total GDP. This shows that the services sector has a significant role in the ASEAN economy in that year. The industry sector is the second largest contributor to ASEAN GDP in 2020, with a percentage of 35.80%. Although lower than the services sector, the industry sector still has an important contribution to the ASEAN economy. The agriculture sector has the lowest contribution to ASEAN GDP in 2020, with a percentage of 10.50%. This percentage shows that the agriculture sector has a smaller role in the ASEAN economy compared to the services and industry sectors. Over the period 2005 to 2020, there was an increase in the share of services sector in ASEAN GDP. In 2005, the services sector accounted for 46.50% of GDP, while in 2020, the percentage increased to 50.60%. This represents a significant increase in the role of the services sector in the ASEAN economy over the period.

Along with the increase in the services sector, there has been a decline in the proportion of the industrial sector in ASEAN's GDP from year to year. In 2005, the industrial sector accounted for 39.50% of GDP, while in 2020, the percentage decreased to 35.80%. This indicates a structural shift in the ASEAN economy with a relative decline in the role of the industrial sector. The role of the agricultural sector in ASEAN GDP has remained relatively stable over the given period, contributing around 10-12% of total GDP. Nonetheless, the percentage of the agricultural sector experienced a small decline from 2005 to 2020. This data provides an overview of ASEAN's economic structure and changes in the contribution of key sectors to GDP over the given period. This information can be used to understand economic sector shifts in ASEAN, identify sectors that may require more attention in economic development, and track trends and patterns in regional economic development.

3.2. Main economic sectors as a share of the GDP in Southeast Asia

Table 2. Main economic sectors as a share of the GDP in Southeast Asia in 2020, by country

	Services	Industry	Agriculture	
Brunei	36.80	64.20	0.80	in %
Cambodia	37.70	37.30	17.30	in %
Indonesia	44.10	39.40	12.40	in %
Laos	40.20	35.70	13.90	in %
Malaysia	54.90	36.80	7.10	in %
Myanmar	41.80	36.30	22	in %
Philippines	60.70	29.20	10.20	in %
Singapore	74.10	25.90		in %
Thailand	59.80	34.30	6.30	in %
Vietnam	38.70	36.60	13.60	in %

The table 2 provides the distribution of the main economic sectors as a share of the GDP in Southeast Asian countries for the year 2020. The sectors considered are Services, Industry, and Agriculture. Here is the interpretation of the data:

1. Brunei: In Brunei, the industry sector dominates the economy with a significant share of 64.20% of the GDP in 2020. This indicates a heavy reliance on industries such as oil and gas, which are major contributors to the country's economy. The services sector plays a relatively smaller role, while agriculture has the smallest share.
2. Cambodia: The services sector and industry sector in Cambodia have relatively balanced contributions to the GDP, with shares of 37.70% and 37.30% respectively in 2020. The agricultural sector also plays a significant role, contributing 17.30% to the GDP. This suggests that Cambodia's economy is diversified, with services, industry, and agriculture all contributing substantially.
3. Indonesia: Indonesia's economy is driven by the services sector, which contributed 44.10% to the GDP in 2020. The industry sector also plays a significant role, contributing 39.40%. Agriculture has a smaller share compared to the other two sectors but still contributes 12.40% to the GDP.
4. Laos: The services sector has the highest share in Laos, contributing 40.20% to the GDP in 2020. The industry sector follows closely behind with a share of 35.70%. The agricultural sector has a significant share as well, contributing 13.90% to the GDP. This indicates a relatively balanced economic structure in Laos.

5. Malaysia: Malaysia has a strong services sector, which accounted for 54.90% of the GDP in 2020. The industry sector also has a substantial share of 36.80%. The agricultural sector has the smallest share among the three sectors, contributing 7.10% to the GDP.
6. Myanmar: Myanmar's economy is characterized by a significant contribution from the services sector, which accounted for 41.80% of the GDP in 2020. The industry sector and agricultural sector have relatively similar shares, with 36.30% and 22% respectively.
7. Philippines: The services sector dominates the economy in the Philippines, contributing 60.70% to the GDP in 2020. The industry sector has a smaller share of 29.20%, while agriculture contributes 10.20%. This indicates a services-oriented economy with a smaller industrial sector.
8. Singapore: The data for Singapore indicates that the services sector is the main driver of its economy, as it has a dominant share of 74.10% in 2020. The industry sector has a smaller share of 25.90%. The data does not provide information on the agricultural sector for Singapore.
9. Thailand: Thailand's economy is characterized by a significant contribution from the services sector, which accounted for 59.80% of the GDP in 2020. The industry sector has a substantial share of 34.30%, while agriculture has the smallest share of 6.30%.
10. Vietnam: The services sector and the industry sector in Vietnam have relatively similar shares, contributing 38.70% and 36.60% respectively to the GDP in 2020. The agricultural sector has a significant share as well, contributing 13.60%.

The data highlights the varying economic structures among Southeast Asian countries. Some countries have a dominant services sector, while others have a significant share from the industry or agricultural sectors. Understanding these sectoral compositions can provide insights into the sources of economic growth, employment opportunities, and areas for potential development within each country's economy.

Southeast Asia, a region known for its diverse cultures, breathtaking landscapes, and vibrant economies, boasts a dynamic mix of main economic sectors that contribute significantly to its Gross Domestic Product (GDP). As the region continues to develop and embrace globalization, each country within Southeast Asia has carved its unique economic landscape while also participating in regional cooperation and trade agreements. Let's delve into the main economic sectors and their respective contributions to the GDP in Southeast Asia. Manufacturing and Industry: The manufacturing sector plays a vital role in the economic growth of Southeast Asian countries. With its skilled workforce and strategic geographic location, the region has become a manufacturing hub for various industries, including electronics, automobiles, textiles, and chemicals. Countries like Thailand, Malaysia, and Vietnam have emerged as prominent manufacturing destinations, attracted foreign direct investments and drove export-oriented growth.

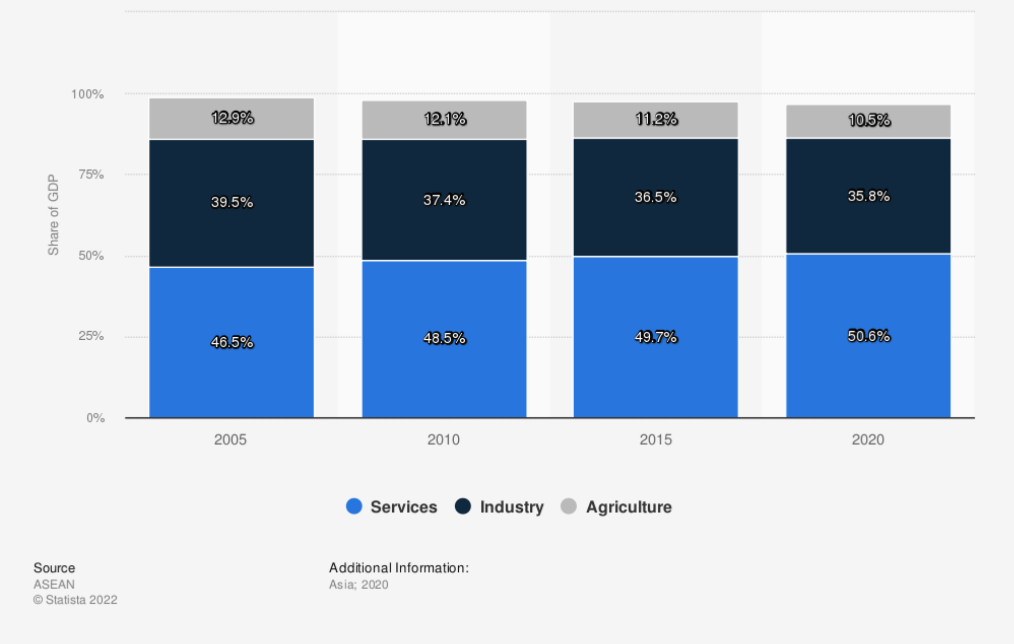

Figure 1. Main economic sectors as a share of the GDP in Southeast Asia in 2020, by country

Services and Tourism: The services sector is a significant contributor to the GDP of many Southeast Asian nations. Tourism has experienced remarkable growth, fueled by the region's rich cultural heritage, pristine beaches, and historic landmarks. Countries like Thailand, Indonesia, and the Philippines have developed thriving tourism industries (Kaosa-ard, 2002), attracting millions of visitors each year, and generating substantial revenue through hospitality, transportation, entertainment, and other related services.

Agriculture and Food Production: Agriculture remains a crucial economic sector in Southeast Asia, providing employment for a significant portion of the population and contributing to food security. Countries like Indonesia, Vietnam, and the Philippines are known for their agricultural productivity (Gregorioa & Ancog, 2020), with commodities such as rice, palm oil, coffee, and rubber being major exports. Moreover, the region has witnessed an increasing focus on sustainable agriculture and organic farming practices to meet the demands of both domestic and international markets (Hishamunda et al., 2009).

Information Technology and Communication: The rapid advancement of information technology and the digital revolution have propelled Southeast Asia's IT and communication sectors forward. Countries like Singapore, Malaysia, and the Philippines have emerged as technology hubs, attracting investments in software development, telecommunications, e-commerce, and digital services (Enzmann & Moesli, 2022). This sector has not only boosted GDP growth but also contributed to job creation and innovation, driving entrepreneurship and digital inclusion (Tay et al., 2021).

Energy and Natural Resources: Southeast Asia is rich in natural resources, including oil, gas, minerals, and timber. Several countries in the region, such as Indonesia, Malaysia, and Brunei, have significant reserves of oil and gas, making them major players in the global energy market. Renewable energy sources like hydropower, solar, and wind energy are also gaining traction as countries prioritize sustainability and reduce their reliance on fossil fuels.

Financial Services and Banking: As the region's economies continue to grow, the demand for financial services has increased substantially. Countries like Singapore, Malaysia, and Thailand have established robust financial sectors, offering a wide range of services such as banking, insurance, asset management, and capital markets. These financial centers serve as hubs for investment, trade, and cross-border transactions, facilitating economic growth and regional integration.

It is important to note that the contributions of these economic sectors to the GDP may vary among Southeast Asian countries, as each nation possesses its own unique strengths, resources, and development priorities. Nonetheless, the collective efforts within these sectors have played a pivotal role in shaping the economic landscape of Southeast Asia, promoting regional cooperation, and driving the region's progress on the global stage.

Data shows that Indonesia has a diverse economic structure. The services sector has the largest contribution to GDP, followed by the industrial and agricultural sectors. In recent years, the services sector has become the mainstay of economic growth, reflecting the shift towards a service-based economy. However, it should be noted that the industrial sector also plays an important role in creating jobs and driving technological innovation. In this context, it is important for Indonesia to continue to boost the growth of the services sector while strengthening the competitiveness of the industrial sector. In addition, it is also important to pay attention to the agricultural sector which still has great potential to improve productivity, product diversification, and sustainable rural development. Malaysia shows a high reliance on the services sector, which accounts for a large portion of the country's GDP. The strong presence of the services sector reflects the transition to a knowledge-based and high-service economy. However, it should be recognized that the industrial sector also has a significant contribution to Malaysia's GDP. In this context, Malaysia should remain focused on developing an innovative and high-quality services sector, while continuing to strengthen a competitive industrial sector. In addition, attention should also be given to the agricultural sector to ensure food security and empowerment of farmers. The Philippines is a services-dominated economy. The high contribution of the services sector indicates a shift towards a service-centered economy. Although the industrial sector has a smaller share, it is important to note that it continues to play an important role in creating jobs and promoting inclusive economic growth. In this context, the Philippines needs to continue to improve the competitiveness of the services sector and develop a more resilient and export-oriented industrial sector. In addition, greater attention to the agricultural sector will help promote rural growth, increased productivity, and diversification of agricultural products. Data shows that Singapore has a services-dominated economy, with a very high contribution to the country's GDP. The strong presence of the services sector reflects Singapore's status as the world's leading financial and services center. However, it should be recognized that the industrial sector also plays an important role in Singapore's economy. While no data is provided for the agriculture sector, Singapore has faced challenges in terms of food security due to the limited land available. In this context, Singapore needs to continue to develop its competitive advantage in the services sector while strengthening the industrial sector and seeking innovative solutions to support food security.

Data shows that Brunei has a high dependence on the industrial sector, especially the oil and gas sector. This is reflected in the industry sector's contribution of 64.20% to the country's GDP. Although the services sector also has a share, the agriculture sector has a very small contribution. Brunei's dependence on the industrial sector shows the importance of economic diversification to mitigate the risks associated with oil price fluctuations. Therefore, Brunei needs to encourage the development of a more diversified services sector, such as tourism and financial services, and increase efforts to diversify the economy into non-oil sectors. Cambodia shows a diverse economic structure with a significant contribution from the agricultural sector. Although the services sector and the industrial sector have a sizable share, agriculture remains the leading sector in terms of its contribution to the country's GDP.

Through analyzing the economic structure mapping in Southeast Asian countries, we can see the variation in the contribution of services, industry, and agriculture to economic growth in each country. Understanding these differences helps us identify potentials, challenges, and opportunities. Countries such as Indonesia, Malaysia, the Philippines, and Singapore are trending towards a service-based economy, while the industrial and agricultural sectors continue to play an important role. Considering these characteristics, it is important for Southeast Asian countries to continue to strengthen the sectors that have become their competitive advantage while paying attention to other sectors that may need further development. Regional collaboration can also enhance shared economic strengths and facilitate the exchange of knowledge and experience to foster sustainable and inclusive economic growth in Southeast Asia.

3.3. Fiscal Policy Realization in ASEAN

Table 3. Fiscal balance as a percentage of GDP in Asia Pacific 2014 by region

Hong Kong	3.60	in %
Bangladesh	3.50	in %
New Zealand	1.20	in %
South Korea	0.50	in %
Nepal	-0.10	in %
Philippines	-0.60	in %
Brunei	-0.70	in %
Cambodia	-1.40	in %
China	-1.80	in %
Indonesia	-2.10	in %
Australia	-2.20	in %
Thailand	-2.40	in %
Laos	-2.40	in %
Malaysia	-3.40	in %
Mongolia	-3.70	in %
Myanmar	-3.90	in %
India	-4.10	in %
Vietnam	-4.40	in %
Pakistan	-4.80	in %
Sri Lanka	-6.10	in %

Table 2 shows the percentage economic growth (or negative growth rate) of several countries or regions in Asia, including Hong Kong, Bangladesh, New Zealand, South Korea, Nepal, Philippines, Brunei, Cambodia, China, Indonesia, Australia, Thailand, Laos, Malaysia, Mongolia, Myanmar, India, Vietnam, Pakistan, and Sri Lanka. Here is the interpretation of the table 3:

1. Hong Kong had an economic growth of 3.60%, which shows growth.
2. Bangladesh also had a positive economic growth of 3.50%.
3. New Zealand had an economic growth of 1.20%, which also showed growth, although lower than Hong Kong and Bangladesh.
4. South Korea had an economic growth of 0.50%, showing relatively low growth.
5. Nepal had a slightly negative economic growth of -0.10%, indicating a slight economic contraction.
6. The Philippines experienced an economic contraction of -0.60%.
7. Brunei and Cambodia experienced more significant economic contractions of -0.70% and -1.40% respectively.
8. China, Indonesia, Australia, Thailand, Laos, Malaysia, Mongolia, Myanmar, India, Vietnam, Pakistan, and Sri Lanka all experienced deeper economic contractions, with negative growth rates from -1.80% to -6.10%.

This interpretation of Table 2 illustrates the economic growth conditions in several countries and regions in Asia. Countries such as Hong Kong, Bangladesh, and New Zealand show relatively growth, albeit at different rates. However, most countries in this table are experiencing economic contraction, which may be related to various factors such as the impact of the COVID-19 pandemic, political instability, or internal economic conditions. This suggests the need for a more in-depth analysis to understand the factors affecting economic growth in each country, as well as the policy measures that can be taken to address the economic challenges faced. In the context of fiscal policy, countries may need to evaluate and implement appropriate policies to accelerate economic recovery, such as fiscal stimulus, tax reform, and support for affected economic sectors.

In facing the challenges of post-crisis economic recovery, countries around the world find themselves facing the complex task of designing and implementing appropriate fiscal policies (Young, 2013). To overcome this challenge, thoughtful policy evaluation and implementation are key to accelerating economic recovery. One of the measures that countries can take is through fiscal stimulus (Balajee et al., 2020; Corsetti et al., 2009; Pilinkienė et al., 2021). Fiscal stimulus involves increasing government spending or reducing taxes to stimulate economic activity. By encouraging consumption and investment, fiscal stimulus can create higher demand and boost economic growth. However, in implementing fiscal stimulus, it is important for countries to ensure that these policies are tailored to specific economic needs and conditions, to maximize their effects (Balajee et al., 2020).

In addition to fiscal stimulus, tax reform is also an important part of fiscal policy needed to accelerate economic recovery. Countries need to evaluate their tax policies to ensure that the existing tax system supports sustainable economic growth. Tax reform may involve reviewing tax rates, simplifying the tax system, removing unnecessary tax barriers, or providing better tax incentives to encourage investment and innovation.

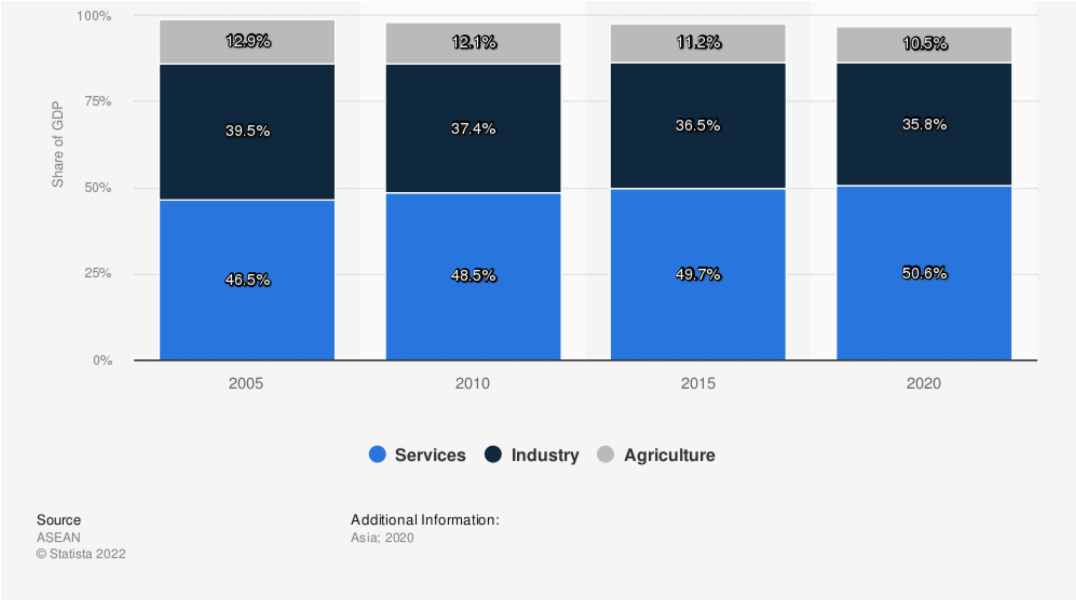

Figure 2. Main economic sectors as a share of the total GDP in ASEAN (Association of Southeast Asian Nations) in 2020

In addition, support to affected economic sectors should also be a focus in fiscal policy. During an economic crisis, some sectors such as tourism, hospitality, and creative industries may be hit harder. In implementing fiscal policy, it is important for countries to provide appropriate support to these sectors, whether through direct stimulus, tax incentives, financial assistance, or other relevant policies. This support can help affected sectors to recover faster and contribute to the overall economic recovery.

In the context of fiscal policy, it is important for countries to adopt a sustainable and long-term oriented approach. In addition to accelerating economic recovery, appropriate fiscal policies should also address structural issues, such as economic disparities, regional inequality, and climate change. By combining fiscal stimulus, tax reform, and support for affected economic sectors, countries can develop a strong narrative to achieve inclusive, sustainable, and equitable economic growth.

Main economic sectors as a share of the total GDP in ASEAN (Association of Southeast Asian Nations) reflect the composition and structure of the region's economy. The distribution of economic activities across sectors provides insights into the strengths, challenges, and opportunities within the ASEAN economies. Analyzing the data from the table, we can observe the following trends and implications: Services Sector: The services sector has consistently been the largest contributor to the GDP in ASEAN. Its share has gradually increased over the years, reaching 50.60% in 2020. This indicates the growing importance of services such as finance, tourism, transportation, and business services in the ASEAN economies. The dominance of the services sector signifies a shift towards a more service-oriented economy, driven by urbanization, rising consumer spending, and increased demand for professional services.

Industrial Sector: The industrial sector has been a significant contributor to the GDP in ASEAN, although its relative share has been declining. In 2020, the industrial sector accounted for 35.80% of the total GDP. This decline suggests a structural transformation within the ASEAN economies, with a gradual shift away from heavy manufacturing towards services and other high-value-added industries. Nonetheless, the industrial sector remains crucial for employment generation, technological advancement, and export-oriented activities within ASEAN.

Agricultural Sector: The agricultural sector, while having a smaller share compared to services and industry, still plays an important role in the ASEAN economies. In 2020, the agricultural sector contributed 10.50% to the total GDP. This sector provides employment opportunities, particularly in rural areas, and supports food security and rural development. However, the limited growth in its share indicates the need for diversification and modernization of the agricultural sector to enhance productivity, sustainability, and value-added activities Understanding the sectoral composition of the ASEAN economies is vital for policymakers, investors, and businesses. It helps identify areas for further development, policy interventions, and investment opportunities. Governments may focus on fostering innovation and productivity in the services sector, promoting sustainable industrial growth, and enhancing the competitiveness of the agricultural sector. Furthermore, recognizing the evolving economic structure allows ASEAN countries to align their policies and priorities to harness the region's potential and address challenges such as income inequality, job creation, and environmental sustainability. As ASEAN economies continue to integrate and adapt to global changes, monitoring the trends and dynamics of the main economic sectors will remain essential for effective policymaking, resource allocation, and sustainable economic development across the region.

3.3. Tax Revenue Realization

a. Tax Revenue in Indonesia

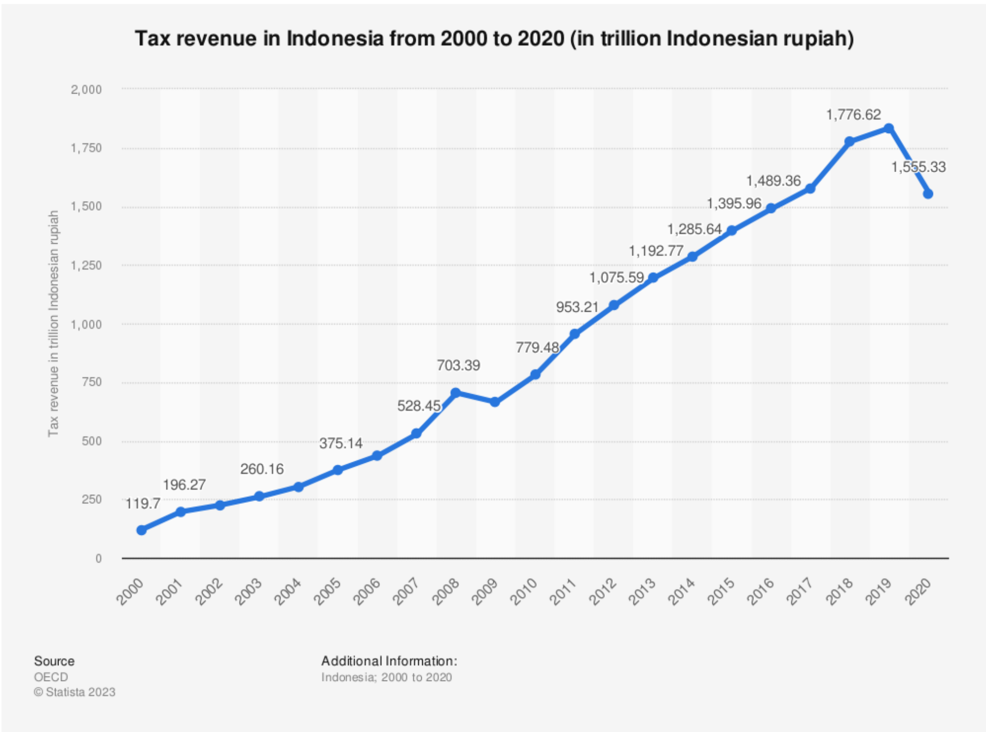

Figure 2. Tax revenue in Indonesia from 2000 to 2020 (in trillion Indonesian rupiah)

In looking at fiscal policy, the first thing presented in this study is tax revenue in Indonesia from 2020 to 2020. Where in Figure 1 shows tax revenue in Indonesia from 2000 to 2020 in trillion rupiah. The following is the interpretation of the table: In 2000, tax revenue in Indonesia reached 119.70 trillion rupiah. After that, tax revenue experienced a significant increase from year to year until it reached its peak in 2019 with a total of 1,834.71 trillion rupiah. However, in 2020, tax revenue decreased to 1,555.33 trillion rupiah. In the 2000-2020 period, there was a relatively stable trend of increasing tax revenue from year to year, albeit with certain fluctuations. A significant increase occurred especially between 2000 and 2010, where tax revenues almost doubled in that period. Despite the decline in 2020, tax revenue remained at a relatively high level compared to previous years.

Interpretation of Figure 1 shows that tax revenues in Indonesia have increased significantly over the past two decades. This increase may reflect economic growth, the expansion of the tax base, and the government's efforts in strengthening the tax system. However, the decline in tax revenue in 2020 may be related to the impact of the COVID-19 pandemic which resulted in a decline in economic activity and income for companies and individuals' Fiscal policy is the measures taken by the government to regulate state expenditure and revenue, including revenue from taxes. Interpretation of Figure 1 shows that tax revenue in Indonesia has increased significantly from 2000 to 2019. This increase may reflect the success of fiscal policies directed at increasing tax revenue. The Indonesian government may have implemented several fiscal policies to achieve the increase in tax revenue, such as:

1. Improving Tax Effectiveness: The government can undertake tax reforms to improve the effectiveness of tax collection, including improving tax compliance, combating tax evasion, and reducing tax irregularities (Bird, 2004).
2. Tax Bleaching: Fiscal policy can include tax bleaching programs that allow taxpayers to settle their tax liabilities under certain conditions, which can boost tax revenue collection (Sayidah & Assagaf, 2019).
3. Expansion of Tax Base: The government can take measures to broaden the tax base by including new sectors or increasing tax rates on potential sectors to increase tax revenue (Sayidah & Assagaf, 2019).
4. Strict Tax Monitoring and Enforcement: The government can improve supervision and enforcement of tax offenses to ensure taxpayer compliance and reduce leakage of state revenues.

However, the decline in tax revenue in 2020 may be attributed to the impact of the COVID-19 pandemic. Fiscal policies taken in the face of the pandemic may include tax relaxation, tax rate exemptions or reductions, and tax assistance to ease the economic burden on affected communities and businesses. The link is that fiscal policies implemented by the Indonesian government may affect the level of tax revenue reflected in the table. Efforts to improve tax effectiveness, broaden the tax base, tax holidays, and strict monitoring and enforcement can contribute to increased tax revenues. However, the economic situation and special circumstances, such as the COVID-19 pandemic, can also affect tax revenues and require an appropriate fiscal policy response.

b. Tax Revenue in Malaysia

Table 4. Tax revenue in Malaysia from 2011 to 2020 (in billion U.S. dollars)

2011	45.52
2012	50.60
2013	51.07
2014	51.83
2015	43.78
2016	42.36
2017	42.70
2018	44.90
2019	45.48
2020	38.44

Table 4 provides data on tax revenue in Malaysia from 2011 to 2020, measured in billion US dollars. Each year in the time span, the tax revenue figures are listed. The following is the interpretation of the table: In 2011, tax revenue in Malaysia was US$45.52 billion. Tax revenue increased significantly in 2012 to 50.60 billion US dollars. In 2013, tax revenue saw a slight increase to 51.07 billion US dollars. The upward trend in tax revenue continued in 2014, reaching US$51.83 billion. However, in 2015, there was a significant decline in tax revenue to US$43.78 billion. The decline continued in 2016, with tax revenue reaching US$42.36 billion. 2017 saw a small increase in tax revenue to US$42.70 billion. In 2018, tax revenue rose again to US$44.90 billion. 2019 showed a slight increase in tax revenue to US$45.48 billion. In 2020, there was a significant drop in tax revenue to 38.44 billion US dollars. From the data, tax revenue in Malaysia has fluctuated over the ten-year period. While there were increases in some years, there were also years where tax revenue experienced a significant decline. Further analysis is required to understand the factors underlying these fluctuations in tax revenue, such as changes in tax policy, economic conditions, or other factors that may affect tax collection.

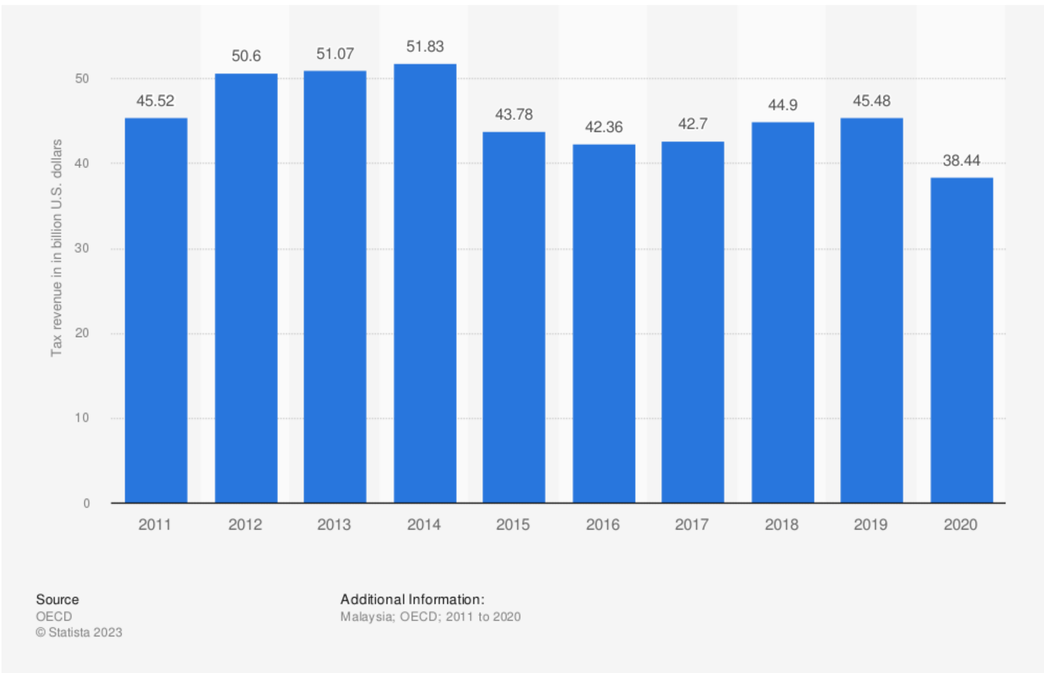

Figure 3. Tax revenue in Malaysia from 2001 to 2020 (in billion US Dollars)

The tax revenue data in the table may relate to fiscal realization. Fiscal realization refers to the implementation and achievement of fiscal policy targets in practice. In this context, the tax revenue recorded in the table reflects the realized fiscal revenue from the taxation sector in Malaysia over the given period. Fluctuations in tax revenue in the table can give an idea of the country's fiscal realization. For example, an increase in tax revenue from 2012 to 2014 may indicate that the realization of tax policies in that period successfully resulted in an increase in fiscal revenue. Conversely, a decrease in tax revenue from 2015 to 2016 and a significant decrease in 2020 may indicate challenges or factors affecting fiscal realization negatively.

3.4. Discussion

Southeast Asia is a diverse region consisting of countries with different economic structures. Understanding the economic composition of each country is important to identify potentials, challenges, and opportunities. In this discussion, we will analyze previous data on the main economic structures in Southeast Asian countries and explore the implications and differences. Through this mapping, we can illustrate the economic trends in the region and understand what drives economic growth and development in each country. The analysis also provides insights into economic development needs, diversification efforts, and possible collaboration among countries in Southeast Asia.

Fiscal policy has the potential to influence economic inequality in ASEAN countries. One important factor affecting economic inequality is a fair and efficient taxation system. ASEAN countries need to ensure that their tax systems can raise sufficient revenue to support development needs, while ensuring that the tax burden is distributed fairly. Public spending also plays an important role in reducing economic inequality. Equitable investments in education, health and infrastructure can help reduce inequality and provide greater access to economic opportunities. In this regard, ASEAN countries need to make wise and effective budget allocations to ensure fairness and equality in access to services and economic opportunities.

Fiscal policy also has implications for achieving sustainable development in ASEAN countries. One important aspect is responsible and sustainable financial management. ASEAN countries need to ensure that their fiscal policies focus on deficit reduction and public debt control. In this regard, strengthening public revenue through tax reforms and improving spending efficiency are important. Sound financial management will help ASEAN countries maintain macroeconomic stability, encourage sustainable investment, and achieve sustainable development.

In addition, fiscal policy can also promote the transition to a greener and more environmentally friendly economy. ASEAN countries need to encourage fiscal incentives for investment in renewable energy, energy efficiency, and sustainable production practices. Increased sustainable use of natural resources and environmental protection should also be a focus in fiscal policy. Thus, ASEAN countries can achieve sustainable economic growth that considers not only economic, but also environmental and social aspects.

In managing fiscal policy to reduce economic inequality and promote sustainable development, ASEAN countries face complex challenges. First, there are challenges in terms of institutional capacity and capability. ASEAN countries need to strengthen their administrative and institutional capabilities to effectively manage fiscal policy. This includes improving public financial governance, enhancing the collection and use of quality data, and improving capabilities in fiscal policy planning and implementation.

In addition, ASEAN countries are also faced with the challenge of achieving regional consensus in managing fiscal policy. Despite collaboration efforts through the ASEAN Economic Community (AEC), fiscal policy harmonization among member countries remains a challenge. Different economic conditions, levels of development, and development priorities among ASEAN countries make it difficult to reach a uniform agreement in fiscal policy.

However, in the face of these challenges, there are important opportunities that ASEAN countries can capitalize on. Regional cooperation can be enhanced to promote experience exchange, capacity building, and mutual learning in managing fiscal policies. In addition, an ASEAN platform that facilitates dialog and collaboration between governments, the private sector, and civil society can strengthen partnerships and generate innovative solutions in managing fiscal policy. Fiscal policy plays an important role in shaping economic inequality and sustainable development in ASEAN countries. Through prudent and effective fiscal policies, ASEAN countries can reduce economic inequality, promote inclusive growth, and achieve sustainable development. However, challenges in managing fiscal policy and achieving regional consensus remain. Therefore, it is important for ASEAN countries to strengthen their institutional capacity, enhance regional cooperation, and capitalize on collaboration opportunities to achieve sustainable development goals. By doing so, ASEAN countries can build a more equitable, environmentally friendly, and sustainable society for all their citizens.

Conclusion

In the discussion on the influence of fiscal policy on economic inequality and sustainable development in ASEAN, it can be concluded that fiscal policy has a significant role in shaping economic conditions in ASEAN countries. Prudent and effective fiscal policy can reduce economic inequality, promote inclusive growth, and achieve sustainable development. Through the data analysis and the discussed narrative, we can see several important findings. First, fiscal policy influences economic inequality in ASEAN through a fair taxation system, proper budget allocation, and equitable public spending. Targeted public spending on important sectors such as education, health, and infrastructure can reduce inequality and provide wider economic opportunities. Furthermore, fiscal policy also plays an important role in achieving sustainable development in ASEAN. Responsible and sustainable financial management, including deficit reduction and public debt control, is crucial in maintaining macroeconomic stability and building a strong foundation for sustainable growth. In addition, fiscal policy can also promote the transition to a greener and environmentally friendly economy through incentives for investment in renewable energy, energy efficiency, and sustainable production practices. However, in managing fiscal policy, ASEAN countries are faced with complex challenges. Adequate institutional capacity, regional policy harmonization, and a collaborative role between the government, private sector, and civil society are key factors in overcoming these challenges. In facing these challenges, there are important opportunities that can be utilized through regional cooperation, exchange of experiences, and capacity building.

In concluding this discussion, it is important for ASEAN countries to strengthen their institutional capabilities in managing fiscal policy, enhance regional coordination and collaboration, and capitalize on opportunities to achieve inclusive and sustainable growth. By implementing the right fiscal policies, ASEAN countries can reduce economic inequality, steer growth towards sustainability, and build a more equitable, environmentally friendly, and sustainable future for all its people.

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