

# THE 55 YEARS OF ASEAN – UNITY IN DIVERSITY

Editors:

György Iván Neszmélyi  
Marianna Kovács-Gergely



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**The 55 Years of ASEAN**  
**– Unity in Diversity**

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Oriental Business  
and Innovation Center  
Budapest Business School





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– UNITY IN DIVERSITY

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Marianna Kovács-Gergely

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## About the Authors

**Aigner, Ivan:** Doctoral student, Keleti Károly Faculty of Business and Management, Óbuda University

**Garai-Fodor, Mónika PhD:** Associate Professor, Dean, Keleti Károly Faculty of Business and Management, Óbuda University

**Goreczky, Péter:** Senior Analyst, Manager of Asia-Pacific Research Program, Institute for Foreign Affairs and Trade

**Gosztonyi, Márton PhD:** Research Fellow, Budapest Business School, University of Applied Sciences, Office for Entrepreneurship Development

**Kuznetsov, Denis PhD:** Associate Professor, Department of World Politics, MGIMO University, Russia

**Maryina, Anastasia:** Student, MGIMO University, Russia

**Páldi, Zoltán:** Ministry of Foreign Affairs and Trade of Hungary

**Rhisan Mae E. Morales:** Director at the Ateneo Center for Politics and International Affairs (CPIA), Ateneo de Davao University, Davao City, Philippines

**Szemere, Tibor Pál PhD:** Assistant Professor, Keleti Károly Faculty of Business and Management, Óbuda University

**Teh, Benny Cheng Guan PhD:** Associate Professor, School of Social Sciences at Universiti Sains Malaysia







## Foreword

This year marks the 55th anniversary of the establishment of the Association of Southeast Asian Nations (ASEAN)—on August 8—when five developing countries of Southeast Asia (the Philippines, Indonesia, Malaysia, Singapore, and Thailand) signed the Bangkok Declaration, which launched an alliance of governments. The Association later was enlarged by Brunei Darussalam (1984), Vietnam (1995), Laos and Myanmar in 1997, and at last, Cambodia joined the Association in 1999. Thus, by now, the 10 member states of ASEAN comprise nearly the entire Southeast Asian geographic region. The significance and importance of this regional co-operation initiative can be seen now even better than before. The world nowadays witnesses a global crisis deriving from the SARS-CoV-2 (coronavirus) pandemic and its implications on the one hand, and on the other hand, from the conflict between Russia and Ukraine that multiplied the effect of the soaring energy prices and disrupted the formerly existing international supply chains generating a turmoil on the global markets. Besides the Asian “Giants”, namely China, India, Japan and South Korea, in terms of population, purchasing power and economic performance, ASEAN—with its population of almost 700 million people—can be considered as another important economic hub, moreover, the weight of 10 independent countries represent a significant political power as well. Therefore, ASEAN may provide promising partnership including market and business opportunities not only for Asian partners, but also for overseas, e.g. European, countries.

In the present book of studies—*The 55 Years of ASEAN – Unity in Diversity*—the esteemed Reader may find a collection of seven studies being authored by professors and scholars from European and Asian countries. The scope of these studies is merely broad, from the issues of economic collaboration till security and political co-operation. The core concepts of these studies are sustainability and regionalism. The main goal of the book is to broaden the readers' scope about this challenging and very interesting region of Asia by providing up-to-date information and analyses which can be interesting—besides economists and other professionals—for students and for all those who are fascinated by Southeast Asia. Besides comprehensive and analytical studies: “ASEAN 55 Years after Its Establishment”, “The Potential and



Limits of ASEAN Interregionalism”, and “The Ecosystem of Social or Impact-driven Enterprises in Southeast Asia”, the book contains a number of case studies focusing on more concrete issues or fields, such as “Singapore Once More: A Vital Alignment of Interests and Goals within the ASEAN Framework”, “Environmental Geopolitics – Competing Infrastructure Development Visions in the Mekong Subregion”, “Between the Middle Kingdom and the Rising Sun: Davao City as a New Frontier in Japan vs. China Regional Rivalry”, and “Digital Connectivity in ASEAN Integration”.

I trust these valuable studies will be not only interesting, but also useful, giving ideas and further impetus for professionals and scholars. I wish to express my gratitude for the financial and moral support received from the Budapest Business School, University of Applied Sciences (BBS) and the Magyar Nemzeti Bank (MNB, the Central Bank of Hungary), without which the present book of studies could not have been published.

Budapest, June 2022

György Iván Neszmélyi PhD  
Head of Research  
Oriental Business and Innovation Center  
Budapest Business School University of Applied Sciences

## ASEAN 55 Years after Its Establishment: Challenges and Opportunities

Zoltán Páldi<sup>1</sup>

### 1. Introduction

Since its establishment 55 years ago, the economic and political role of the Association of Southeast Asian Nations (ASEAN) has increased considerably both within its region and beyond, as the growth center of the global economy shifted eastwards and the attention surrounding Southeast Asia saw an immense increase. However, besides the obvious gains of being in the spotlight, currently, ASEAN also has to face a number of internal and external challenges. ASEAN needs to endure an increasing pressure, as the organization resides in the heart of the Indo-Pacific, an area with rapidly growing significance in recent geopolitics, and an important scene in the ever-sharpening great power rivalry between China and the United States of America (US). In the meantime, the military conflict in Myanmar, that has been dragging on for over a year, undermines the internal unity of ASEAN, too, also carrying the growing risk of the organization losing its credibility in the international arena.

Analyzing official policy documents and previous research in related fields, this article attempts to give an outline on ASEAN's current role and position in the broader regional structure. In doing so, the first section following the introduction gives an overview on the history, and most important development and integration milestones ASEAN had reached since its inception five and a half decades ago, along with certain important guiding principles of the organization. Subsequently, ASEAN's external relations and foreign policy positions are depicted, followed by a description of the state of play of the bloc's economic integration as well as its trade and investment affairs. The penultimate section outlines ASEAN's responses to the Myanmar crisis, the most pressing current internal issue the organization needs to deal with. The last section summarizes the main findings and concludes the paper.

<sup>1</sup> This article presents the author's own findings and does not represent the standpoint of the Government of Hungary.

## 2. A Brief Overview of the History of ASEAN

In order to gain a better understanding on how much ASEAN has contributed to the advancement and architecture of Southeast Asia, one needs to have a closer look at some of the most important milestones and achievements in the organization's history of five and a half decades.

Nine out of the ten current ASEAN member states are former colonies.<sup>2</sup> Most of them gained independence not long after World War II, and soon, they had to face the growing pressure of having to choose sides in the bipolar world order. Forming regional alliances seemed to be a useful strategy for safekeeping the recently achieved sovereignty: 1961 saw the establishment of the Association of Southeast Asia (ASA), ASEAN's quasi predecessor, by the Federation of Malaya<sup>3</sup>, the Philippines and Thailand, and in 1963, Malaysia, the Philippines and Indonesia formed MAPHILINDO. These early initiatives led to a failure though, mainly due to ongoing territorial disputes between Indonesia, Malaysia, and the Philippines (Koman, 1992).

Soon, however, another opportunity presented itself. When Suharto took over the power in Jakarta, the anti-communist sentiment in Indonesia also got amplified which fell in line with the political outlook of the other perspective partner countries in the closer region (Balogh, 2016, pp. 111-121). This gave a stimulus to restart the talks, and eventually, disputes were set aside, and with the signing of the Bangkok Declaration on August 8, 1967 by the five founding states (Indonesia, Malaysia, the Philippines, Thailand, and the newly independent Singapore), ASEAN came into existence. Although the founding document says that ASEAN's aim is "to promote regional cooperation" in Southeast Asia and "thereby contribute towards peace, progress and prosperity in the region" (ASEAN Declaration, 1967), practically, it also served to fend off attempts of foreign interference, particularly the spread of communism which was seen as a common security threat by the founding states (Ayoob, 1985). The security sentiment was also emphasized in the 1971 Zone of Peace, Freedom and Neutrality Declaration (ZOPFAN), signed by the ASEAN foreign ministers, which states that Southeast Asia shall be "free from any form or manner of interference by outside Powers" (ZOPFAN, 1971).

<sup>2</sup> The only exception is Thailand.

<sup>3</sup> The Federation of Malaya was a British protectorate between 1948 and 1957, then an independent monarchy and a member of the Commonwealth of Nations until 1963, when Malaysia was officially formed.

The year 1976 saw the first-ever head-of-government level summit of ASEAN: henceforth, the ASEAN Summit replaced the Ministerial Meeting as the highest-level convention of the organization. Besides the above, the first summit brought along other significant changes as well. As a vital step in the institutional development of ASEAN, it was decided that a permanent headquarter would be set up for the organization in Jakarta, in the form of a Secretariat, headed by a Secretary General (1976 Declaration of ASEAN Concorde, 1976). Another important outcome of the 1976 Summit was the signing of the so-called Treaty of Amity and Cooperation in Southeast Asia (TAC), which laid down what later became some of the most important core guidelines of ASEAN, including the respect of national identity and territorial integrity of one another, and non-interference into each other's internal affairs (Treaty of Amity and Cooperation in Southeast Asia, 1976). Later on, the TAC was amended to also enable foreign states and organizations outside Southeast Asia to sign it, and to date, as many as 43 signatories acceded to it (ASEAN Secretariat [ASEC] 1., n.d.).

1984 marked another important milestone, namely the first expansion of the grouping by taking in Brunei as the sixth member state. ASEAN was the first international organization Brunei formally joined, a mere week after gaining independence from the United Kingdom. This was followed by Vietnam's accession in 1995, hence "formally burying" the Cold War in Southeast Asia. It is of historical importance that a communist country was accepted into an organization that was de facto anti-communist when it started off. This change marked that ASEAN had matured into becoming an alliance that wished to fulfil a significant role in upholding stability and security in the wider region, free of outer interferences (Frost, 1995). Vietnam's accession paved the way for the remaining Southeast Asian countries, and eventually, Laos and Myanmar joined in 1997, and finally, Cambodia in 1999. As a result, in a slightly less than three and a half decades after its establishment, the number of ASEAN members rose to ten.

In the 21<sup>st</sup> century, the grouping underwent significant integrational developments. In December 2008, the ASEAN Charter entered into force. The Charter not only reiterated the common goals and principles, but also summed up the organization's legal and institutional framework and structure, general policy guidelines and even determined certain identity elements such as ASEAN's logo, anthem, and motto. Remarkably, the document also endowed ASEAN with legal personality (ASEC, 2008).

Another important stepping stone was the realization of the ASEAN Communities in 2015, originally envisaged in 1997, further deepening the integrational process between member states under three community pillars, each headed by a deputy



secretary-general, namely the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC) (ASEC, 2015a). The aim of APSC is to ensure peace and security in the region, AEC is working towards the bloc's economic integration, whereas the goal of ASCC, among others, is to foster sustainable and resilient communities, including the achievement of the UN Sustainable Development Goals (SDGs). The ASEAN region is one of the most disaster-prone areas of the world, hence the issue of sustainability and climate resilience are particularly important. The current guidelines regarding the continued enhancement of the three ASEAN community pillars are enshrined in the document called ASEAN 2025: Forging Ahead Together (ASEC, 2015b).

Though initially many were skeptical, ASEAN turned out to be what is often referred to as the most successful regional grouping in the developing world (Hill – Menon, 2010). Throughout the years, the organization expanded in terms of membership, deepened the integration amongst its members, and underwent a number of structural reforms. Still, certain characteristics of the group have not changed since its inception. Unlike the European Union (EU), for instance, which is a supranational entity and has its own parliament, ASEAN is best described as a relatively loose intergovernmental organization. Non-interference into each other's affairs is paramount, decisions are made with consensus via lengthy consultations, in a strictly non-confrontational manner. This principle is even enshrined in the ASEAN Charter, and it is often referred to as the ASEAN Way. Although some claim that the secret to the organization's long life and success is the ASEAN Way itself, the lengthy decision-making process and the potential limitations stemming from the non-interference and non-confrontation policies may pose the question whether, in its current form, ASEAN is streamlined enough to handle the current internal and external challenges efficiently.

### **3. ASEAN's External Relations**

This section aims to provide an outline on ASEAN's main foreign policy principles, its network of external relations and the organization's position in the wider regional geopolitical structure.

The ASEAN Charter stipulates that the group shall conduct an active foreign policy by developing "friendly relations and mutually beneficial dialogue, cooperation and partnerships with countries and sub-regional, regional and international organizations and institutions". More importantly, it outlines the organization's main foreign policy cornerstone, the so-called ASEAN centrality, which means that "ASEAN shall

be the primary driving force in regional arrangements that it initiates and maintain its centrality in regional cooperation and community building” (ASEC, 2008).

In line with the above, ASEAN initiated a number of platforms and formations for multilateral discussion. In 1994, the ASEAN Regional Forum (ARF) was established as the first Asia-Pacific regional forum for political and security dialogue. The ARF currently has 27 members.<sup>4</sup> In 2005, ASEAN initiated another high-level platform, the East Asia Summit (EAS), where leaders from the current 18 members<sup>5</sup> from East Asia and beyond can discuss key issues related to environment, education, finance, health, disaster management, and connectivity, at the heads of government level. Apart from this, ASEAN’s external partnership mechanisms also involve formations like the ASEAN Plus Three (the ASEAN member states plus China, Japan, and the Republic of Korea) as well as certain sectoral platforms such as the ASEAN Defense Ministers Meeting Plus (ADMM+).

In terms of bilateral ties, currently, ASEAN has formalized full Dialogue Partnerships with eleven entities, namely Australia, Canada, China, the EU, India, Japan, the Republic of Korea, New Zealand, Russia, the US, and, since 2021 (following Brexit), the United Kingdom. Besides the above, Norway, Pakistan, Switzerland and Türkiye are engaged in a Sectoral Dialogue Partnership, whereas Chile, France, Germany and Italy are in a Development Partnership with the organization (ASEC 2., n.d.). All the above partnerships have their own significance, however, due to limitations in length, this paper only attempts to provide a short summary of the association’s ties with China, the EU, and the US.

Although the EU and ASEAN have been dialogue partners since as early as 1977, it was a long and winding road that eventually led to the two signing a Strategic Partnership deal in December 2020. Although in the first couple of decades, relation between the EU and ASEAN centered around trade, from 2010s onwards, the EU took significant steps to strengthen its diplomatic relations with the Southeast Asian bloc. In 2012, the EU signed the TAC (being the first foreign regional organization to do so) and in 2015, opened a new mission in Jakarta specifically delegated to ASEAN only.

<sup>4</sup> Australia, Bangladesh, Brunei Darussalam, Cambodia, Canada, China, the Democratic People’s Republic of Korea, the European Union, India, Indonesia, Japan, Lao People’s Democratic Republic, Malaysia, Mongolia, Myanmar, New Zealand, Pakistan, Papua New Guinea, the Philippines, the Republic of Korea, Russia, Singapore, Sri Lanka, Thailand, Timor-Leste, the US, and Vietnam.

<sup>5</sup> The founding members of the EAS are the ten ASEAN countries and Australia, China, India, Japan, New Zealand, and the Republic of Korea. Russia and the US gained membership in 2011. The EU signaled its interest to join, though has not been granted membership yet.

To further emphasize the support towards “an ASEAN-led regional security architecture” as voiced in the EU’s 2016 global strategy (European External Action Service, 2016), the mission was given a full-fledged EU Delegation status in 2021. The EU’s 2021 Indo-Pacific strategy also puts great emphasis on ASEAN, pledges support for ASEAN centrality, and expresses interest for further enhancing the cooperation with the bloc (European Commission, 2021). Despite the efforts for diversifying the ties, however, the EU is still mainly regarded in the Southeast Asian region as a trading partner and development aid provider<sup>6</sup>, and only secondarily as a political and security actor (Páldi, 2020).

The formalized Dialogue Partnership between ASEAN and the US started in 1977, similar to the partnership with the EU, though the ASEAN-US ties got elevated to the strategic level much earlier, in 2015 (White House, 2015). Although during the first couple of decades, the ties mainly focused on economic and development cooperation, the Obama administration, in line with its Asian rebalancing strategy, started to put efforts into strengthening political ties with ASEAN, too. Of all the non-ASEAN countries, the US was the first to appoint an ambassador specifically dedicated to ASEAN in 2008, and the first to open a dedicated Mission to ASEAN in 2010 in Jakarta (U.S. Mission to ASEAN, n.d.). The trajectory shifted during the Trump presidency, which placed a relatively low emphasis on the ties with Southeast Asia, and especially with ASEAN. After the assignment of the previous head of mission was over in 2017, Donald Trump never appointed a new ambassador to helm the US Mission to ASEAN in Jakarta. What is more, this ambassadorial seat was still vacant in the second year of the Biden administration. Nonetheless, Washington’s latest Indo-Pacific strategy, published in February 2022, seems to put ASEAN back into the spotlight. The document refers to ASEAN as the “region’s premier organization.” It underlines the similarities in regional policy values between the US and ASEAN, stating that “like ASEAN, we see Southeast Asia as central to the regional architecture” (White House, 2022), though one also has to take into account that triumphing over China in the great power rivalry is still one of the main goals of the strategy. The action plan enshrined in the document also says that a US-ASEAN Special Summit is to be convened, which was supposed to be held at the end of March 2022, however, the event eventually was postponed to a later date.

<sup>6</sup> During the period of 2014-2020, the EU, in a bid to help achieve the SDGs, supported ASEAN regional development with over €200 million and dedicated €2 billion to individual ASEAN countries (European Commission, 2020).

ASEAN and China only became official dialogue partners in 1991, however, ties were upgraded to the strategic level as early as 2003, and in 2021, on the occasion of the 30<sup>th</sup> anniversary of establishing the ASEAN-China Dialogue Partnership, the relation was elevated to a Comprehensive Strategic Partnership, covering a wide range of areas from security to sustainable development (ASEC, 2021a). The perception of China by ASEAN and its member states is mixed. On the one hand, China, the “big and close neighbor” is the top trading partner of the bloc. On the other hand, the geographical proximity of an assertive and increasingly influential China can also be viewed as a security threat for the ASEAN countries, especially for those who are engaged in the territorial disputes in the South China Sea, namely Brunei, Indonesia, Malaysia, the Philippines, and Vietnam.

As a result of the rapidly growing geopolitical significance of the Indo-Pacific, ASEAN and its member states, situated in the very heart of this region, have also been put under increasing pressure lately. The Indo-Pacific is one of the most important scenarios in the great power rivalry between China and the US. Besides, political and security alliances with a special focus on the region such as AUKUS (Australia, the United Kingdom, the US) or the QUAD (Australia, India, Japan, the US) were also (re)established lately. To counterbalance this, in 2019, ASEAN countries adopted the ASEAN Outlook on the Indo-Pacific (AOIP), which, besides emphasizing the need of cooperation instead of rivalry, also fortifies the principle of ASEAN centrality by reiterating that ASEAN is “playing a central and strategic role” in the wider region (ASEC, 2019).

To sum up, ASEAN has been fostering an extensive network of external partnerships for decades, ranging from bilateral cooperation to a number of multilateral platforms. Guided by the principle of ASEAN centrality, the organization aims to take the initiative and be the centerpiece of regional arrangements. However, with the emerging significance of the Indo-Pacific and the intensifying China-US rivalry, lately it has become increasingly challenging for ASEAN to have its own voice heard.

#### **4. The State of Play of the Economy**

With a total population of 660 million people, ASEAN makes up a huge market and is home to some of the fastest growing economies of the world. However, it is important to point out that ASEAN's diversity also translates into considerable development gaps between its member states, which becomes obvious if one compares the hyper-modern city state of Singapore with Cambodia, Laos or Myanmar that are classified by the UN as Least Developed Countries. Nonetheless, between 2000 and 2020,



the combined Gross Domestic Product (GDP) of the ten ASEAN countries increased fivefold from US\$0.6 trillion to US\$3 trillion. This means that if ASEAN were a single country, it would currently be the fifth largest economy in the world (ASEC, 2021b).

Even though national sovereignty is at the forefront of the member states' agenda, ASEAN has nonetheless made significant steps towards integrating the economy of Southeast Asia. In 1992, the ASEAN Free Trade Agreement (AFTA) was signed, which introduced the Common Effective Preferential Tariff (CEPT) scheme, meaning that for goods that originate from within ASEAN, fellow member states should apply a 0-5 percent tariff rate (ASEC, 1992). In 1997, the 30<sup>th</sup> anniversary of the establishment of the organization, the ASEAN Vision 2020 was published which, among other things, also emphasized the importance to advance the economic integration of the bloc (ASEC, 1997). To make the integration goals enshrined in the ASEAN Vision 2020 a reality, in 2003, the ASEAN Concorde II was accepted, which stipulated the establishment of the so-called ASEAN Communities by 2020, resting on three pillars: the ASEAN Political-Security Community, the ASEAN Socio-Cultural Community and the ASEAN Economic Community (AEC). One of the key purposes of the latter is to create an economically integrated single market and production base where there is "free flow of goods, services and investment" (ASEC, 2003). Eventually, the process of establishment was sped up and the ASEAN Communities, including the AEC, were inceptioned in 2015, five years earlier than initially planned.

The current goals to be achieved in terms of economic integration are enshrined in the ASEAN Economic Community Blueprint 2025. The document emphasizes the narrowing of the development gap between member states, and although it states that by 2025, the AEC "shall be highly integrated and cohesive", it still leaves the fulfilment of the ultimate goal of establishing a region-wide single market in the blur (ASEC, 2015c).

Nonetheless, efforts towards regional integration definitely contributed to the fact that over the period of 2000-2020, the bloc had registered a 5 percent average annual economic growth. The effects of Covid-19 hit ASEAN hard, and as a result, in 2020, the region's economy receded by 3.3 percent, however, four member states still managed to uphold growth, namely Brunei (1.1 percent), Laos (3.3 percent), Myanmar and Vietnam (2.9 percent) (ASEC, 2021b). In December 2021, the Asian Development Bank (ADB) forecasts Southeast Asia's full-year economic growth at 3 percent for 2021, and 5.1 percent for 2022, signaling a healthy recovery from the effects of the pandemic (ADB, 2021).

At the time of writing, it is still too early to assess how the Russia-Ukraine conflict will affect ASEAN. However, during the 28<sup>th</sup> ASEAN Economic Ministers Retreat on March

16, 2022 in Cambodia, it was concluded that member states should work together to curb the possible negative impacts. A moderate impact on the economy of ASEAN is expected, since despite trade being minimal, the bloc still relies on raw materials from both Russia and Ukraine, and the lack of these may disrupt the supply chain and hence, slow down the economic recovery of the region (Khmer Times, 2022).

In a broader context, ASEAN is also part of the Regional Comprehensive Economic Partnership (RCEP), which came into effect on January 1, 2022. Often dubbed as the largest-ever trade bloc in history, it accounts for approximately one third of the world's total population and GDP. All of the ten member states are signatories<sup>7</sup> of the pact, although, as per March 2022, Indonesia, ASEAN's largest economy, has still not ratified the deal yet.

According to ASEANstats, in 2020, ASEAN's total trade in goods accounted for US\$2.6 trillion. This marks an 8 percent decrease compared to 2019, mainly due to the effects of the Covid-19 pandemic. Still, the figure is 3.5 times higher than in 2000. Intra-ASEAN merchandise trade (US\$549 billion) gave 21.3 percent of the bloc's total trade, slightly down from 22.5 percent in 2019 (ASEC, 2021b). In 2020, ASEAN's top external trading partner was China with US\$503.3 billion (accounting for 19.4 percent of total trade), followed by the US (US\$301.1 billion, 11.6 percent), the EU (US\$202.9 billion, 7.8 percent), Japan (US\$194.9 billion, 7.5 percent), and the Republic of Korea (US\$152.5 billion, 5.9 percent) (ASEC, 2021c). Having a closer look at how ASEAN's total trade figures changed between 2011-2020, the growing proportion of China clearly shows, as seen in the table<sup>8</sup> and diagram below.

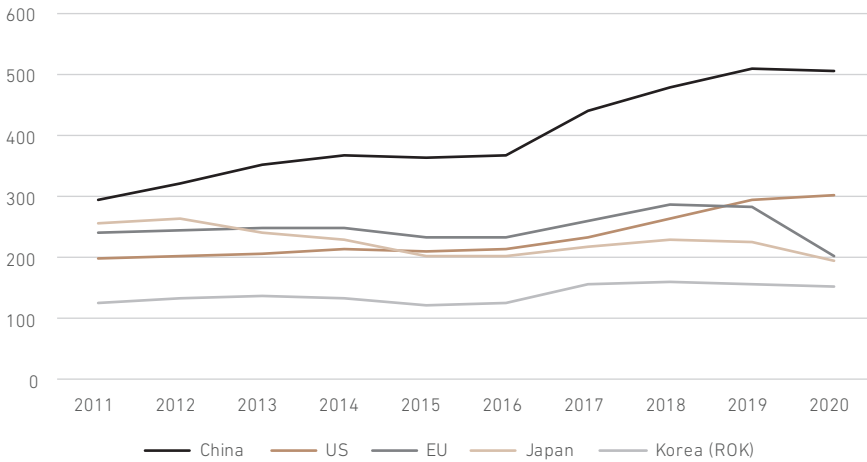
### Table and Diagram 1

**Total trade between ASEAN and its top external trading partners between 2011-2020, in billion US\$**

|             | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| China       | 294.9 | 319.4 | 351.6 | 366.7 | 363.5 | 368.6 | 440.9 | 478.5 | 507.9 | 503.3 |
| US          | 198.1 | 199.8 | 205.3 | 211.5 | 210.6 | 211.8 | 233.8 | 262.1 | 294.8 | 301.1 |
| EU          | 240.1 | 242.7 | 246.5 | 248.2 | 230.7 | 233.6 | 260.8 | 286.9 | 280.9 | 202.9 |
| Japan       | 256.4 | 264.5 | 240.4 | 229.1 | 202.8 | 202.4 | 218.8 | 230.1 | 226.1 | 194.9 |
| Korea (ROK) | 124.8 | 131.5 | 134.9 | 131.4 | 120.6 | 124.5 | 154.8 | 160.7 | 156.5 | 152.5 |

<sup>7</sup> Besides the ten ASEAN members, the other signatories of the RCEP are Australia, China, Japan, the Republic of Korea, and New Zealand.

<sup>8</sup> Data for 2011-2019 covers EU28 while for 2020, it covers EU27, hence the large drop in the ASEAN-EU trade figures between 2019 and 2020.



Source: ASEANstats

Foreign Direct Investment (FDI) influx reached US\$137.3 billion in 2020 (a steep decline of 24.6 percent from US\$182 billion in 2019), of which US\$22.8 billion (16.6 percent) accounted for intra-ASEAN FDI. The biggest extra-ASEAN source of FDI in 2020 was the US (US\$35 billion, 25.5 percent of the overall FDI), followed by Hong Kong (US\$11.6 billion, 8.5 percent), the EU (US\$10 billion, 7.3 percent), and Japan (US\$8.5 billion, 6.2 percent). China only came in fifth (US\$7.7 billion, 5.6 percent), however, if combined with Hong Kong, it jumps to the second position (ASEC, 2021c).

To sum up, it can be concluded that although not nearly as unified as, for instance, the European Single Market, ASEAN and their member states are making a considerable, albeit rather slow-paced progress to integrate their economies. The bloc can boast impressive growth statistics, and despite recent hardships caused by the pandemic, the economy seems to be on a recovering track. With regard to trade, China's increasingly important role can be observed as the region's top trading partner, whereas in terms of FDI influx, the US and the EU are the most significant sources.

## 5. Current Internal Challenges

The 2021 military coup in Myanmar and the impasse that ensued turned out to be one of the most pressing challenges ASEAN had to face in a long time. Because of the organization's strict non-interference policy, ASEAN seems to have an extraordinarily hard time handling the issue. This section aims to shed some light on how

the organization attempted to deal with the situation so far, under the rolling annual chairmanship of Brunei in 2021 and Cambodia in 2022, respectively, and the possible effects the conflict in Myanmar may have on ASEAN.

Over alleged election frauds, the armed forces (Tatmadaw) took over the power in Myanmar with a coup on February 1, 2021, putting President U Win Myint and State Councilor Aung San Suu Kyi under arrest. According to the Assistant Association of Political Prisoners (AAPP), in the ensuing protests, approximately 10,000 people were arrested, and a further 1700 lost their lives as of March 2022 (AAPP, 2022). Ousted lawmakers founded the National Unity Government (NUG), a government in exile, which was soon declared a terrorist organization by the military's currently ruling State Administration Council (SAC), itself unrecognized by the international community. At the time of writing, the conflict seems to drag on with no end in sight.

ASEAN itself is also avoiding the recognition of the SAC. More than a year after the 2021 coup, the ASEAN Secretariat's website still lists U Win Myint as Myanmar's head of state. This, of course, does not mean that the organization and its member states are indifferent to the crisis in Myanmar. On the contrary, the enduring conflict potentially undermines ASEAN's integrity and overall stability. Maintaining peace, security and stability, and promoting human rights are amongst the main purposes enshrined in the ASEAN Charter. At the same time, however, strict non-interference into each other's internal affairs is also set down in the very same document as one of the main guiding principles (ASEC, 2008). This leaves the organization with very limited tools to intervene in the situation currently unfolding in Myanmar.

As the bloc's first official reaction to the coup, Brunei, the 2021 annual ASEAN Chair, issued a rather mild statement urging Myanmar to "return to normalcy" (ASEC, 2021d). A month later, in March 2021, when ASEAN ministers convened for the first time to discuss the Myanmar issue, it was already clear that the conflict might also affect ASEAN as a whole. As Singaporean Foreign Minister Vivian Balakrishnan pointed out, the way ASEAN approaches the situation would also be a test of the organization's unity, credibility and relevance (Ministry of Foreign Affairs of Singapore, 2021).

As a result of the initial efforts to commence dialogue, a special ASEAN Leaders' Meeting was convened on April 24, 2021 in Jakarta, with the participation of Tatmadaw chief Min Aung Hlaing. The most important deliverable of the summit was the so-called Five-Point Consensus (5PC) which included the cessation of violence, dialogue among all parties, provision of humanitarian aid, and the appointment of a special ASEAN envoy who would visit Myanmar to consult with all parties concerned



(ASEC, 2021e). The ASEAN Leaders' Meeting was regarded as an important step forward, although inviting Min Aung Hlaing to the summit could also be interpreted as a *de facto* recognition of the SAC. Besides, the 5PC did not lack in shortcomings either, as the document was not clear as to the timeline of its implementation and the means ASEAN would engage with "all parties concerned", specifically the NUG, Aung San Suu Kyi and other detained lawmakers.

Due to the vague nature of the 5PC, and the SAC's lack of cooperation, not much has been realized of it yet. In August 2021, Second Minister of Foreign Affairs of Brunei, Erywan Yusof was appointed ASEAN's special envoy, however, his long-planned visit to Myanmar in October was cancelled in the last minute as his request to meet with representatives of the NUG and other entities was deemed illegal and declined by the SAC. Subsequently, ASEAN foreign ministers held an emergency meeting on October 15, where it was decided that due to "insufficient progress in the implementation of the Five-Point Consensus", only non-political representatives would be invited from Myanmar to the upcoming ASEAN summits (Ministry of Foreign Affairs of Brunei Darussalam, 2021). This previously unprecedented decision practically barred Myanmar from high-level ASEAN forums.

In 2022, Cambodia took over ASEAN's rolling annual chairmanship, and in early January, Prime Minister Hun Sen paid an official visit to Nay Pyi Taw, being the first-ever foreign head of state to do so since the coup in February 2021. The Cambodian premier's meeting with Min Aung Hlaing, however, did not deliver many tangible results, besides promises of extending a ceasefire agreement (Ministry of Foreign Affairs and International Cooperation of the Kingdom of Cambodia, 2022a). ASEAN leaders were generally displeased with the visit, lambasting Cambodia for the lack of prior coordination. Indonesia's President Joko Widodo voiced strong criticism during a discussion with Hun Sen, emphasizing that the 5PC should not be considered as a form of ASEAN's support of the Tatmadaw. The Indonesian president also pointed out, that a mere two days after the visit, Aung San Suu Kyi was sentenced for another four years, which "was not a good gesture" from the SAC who "did not pay respect to the efforts" made towards settling the issue of Myanmar (Cabinet Secretariat of the Republic of Indonesia, 2022). Cambodia's foreign ministry lauded the visit of Hun Sen as an "icebreaking mission" that served to "re-engage Nay Pyi Taw", and dispelled criticism regarding lack of results by stating that the leader went to Myanmar "to plant a tree" and time is required "before anyone could harvest the fruits" (Ministry of Foreign Affairs and International Cooperation of the Kingdom of Cambodia, 2022b). In fact, the visit of Hun Sen to Myanmar was probably more wrong than right, as it further highlighted the fractures within the unity of ASEAN.

With Cambodia's annual chairmanship, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation, Prak Sokhonn assumed the role of the new ASEAN special envoy. In this quality, he made a visit to Myanmar between March 21-23, holding talks with Min Aung Hlaing, Foreign Minister Wunna Maung Lwin and other figures related to the current military rule. Similar to Hun Sen's earlier visit in January, the envoy's mission was also criticized for not succeeding in meeting with opponents of the military regime, the lack of delivering breakthrough results, and for creating the impression of lending legitimacy to the SAC. Upon returning to Phnom Penh, Prak Sokhonn toned down future expectations in an evaluation speech in which he underlined that Cambodia's one-year ASEAN chairmanship will in itself be not enough to tackle the deep-rooted issue of Myanmar, and suggested that the ASEAN Troika mechanism shall be activated (consisting of the previous, the current, and the upcoming chairs, this case Brunei, Cambodia, and Indonesia) which might achieve more success (Ministry of Foreign Affairs and International Cooperation of the Kingdom of Cambodia, 2022c).

Ever since the military takeover in February 2021, the international community has been voicing strong support and attributing a key role to ASEAN in handling the Myanmar issue (United Nations Security Council, 2022). Should ASEAN manage to effectively contribute to solving the situation, it could fortify the organization's central role in the wider regional architecture. On the flip side, the protracted conflict and the apparent lack of results may potentially wane the significance of ASEAN and taint its image as "the most successful regional organization of the developing world". According to The State of Southeast Asia 2022 survey report, more than 70 percent of Southeast Asian respondents opined that ASEAN is too slow and ineffective in responding to political and economic developments, and only 37 percent approved the organization's response to the Myanmar crisis. Thirty-two percent voiced concern that ASEAN is becoming irrelevant in the new world order, a significant jump from 22 percent the year before (ISEAS-Yusof Ishak Institute, 2022). If the current stalemate lasts, it might contribute to further loss of faith in ASEAN.

## 6. Conclusion

Since its inception five and a half decades ago, the number of ASEAN member states had doubled, and the organization itself underwent a remarkable structural development thanks to institutional reforms such as the setting up of a permanent ASEAN Secretariat in Jakarta, the adoption of the ASEAN Charter, and the establishment of the ASEAN Communities.

Steps towards integration, albeit a bit more modest, were also taken in the economic and trade domains, which contributed to the impressive growth over the last two decades, making ASEAN one of the fastest developing regions in the world. After the hardships caused by the Covid-19 pandemic, the economy seems to be recovering, with China being the most important foreign trade partner by far, and the US and the EU as the main sources of investment.

ASEAN has a large network of external ties, including certain multilateral platforms, such as the ASEAN Regional Forum and the East Asia Summit that were initiated by the organization itself. The bloc aims to be the main driver and architect of regional cooperation, in accordance with its main external policy guiding principle, the ASEAN centrality, enshrined in the ASEAN Charter and also emphasized in the 2019 ASEAN Outlook on the Indo-Pacific, with which the organization attempts to counterbalance the effects of the strengthening rivalry between the great powers in the area.

Despite its expansion, structural and economic development, and the growth of its overall significance, ASEAN's modus operandi, such as the consensus-based decision-making via long consultations, and the strict non-interference into each other's internal affairs, remained unchanged over the decades. This leaves the organization with little to no tools in handling the currently ongoing conflict in Myanmar effectively, which also endangers the cohesion of ASEAN. Even though the Five-Point Consensus was a promising start, its lack of implementation, the less than successful high-level visits that ensued, and fractures that surfaced between the member states as a result, put ASEAN's unity and credibility to test. Sluggish progress may also result in a decline of trust towards the organization from the international community. The unprecedented move of suspending Myanmar from participating at the ASEAN Summit in October 2022, shows that the patience of fellow member states is also waning, however, at the time of writing, it remains an open question whether or not the issue can be solved with the ASEAN Way.

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# The Potential and Limits of ASEAN Interregionalism

Denis A. Kuznetsov and Anastasia Maryina

## 1. Introduction

At the beginning of the 21<sup>st</sup> century, amid further transformation of the international system and deeper functional differentiation of the world fostered by mushrooming regional integration processes, transregionalism is gaining strength, affecting almost all the regions and involving the key centers of the international system evolving towards polycentricism.

At present, fierce academic debates are developing on the levels of regional differentiation. Traditionally, the researchers of international relations identify three levels of interaction, such as: the (inter)state one, the regional one and the global one. At the same time, the main array of studies overlooks the transregional level, which is probably the “youngest” one and, in this regard, represents insignificant empirical material (compared to the other levels of analysis). However, the emergence of large-scale macro-regional or even transcontinental projects (for instance, Trans-Pacific Partnership, Asia-Europe Meeting, BRICS, the Belt and Road, the EU’s interregional agreements etc.) indicate that the transregional level of international relations is gaining special importance, so the ignoring of this process by researchers and policy-makers alike is short-sighted, given the weight and potential of the actors involved.

There is no consensus-approved approach to the phenomenon of transregionalism. Its nature and functions remain controversial. The participation of the state in transregional associations opens up new opportunities to realize its national interests, allows it to find new effective configurations in pooling resources and setting collective goals, and in ensuring economic prosperity and security, as well as new tools for reforming global institutions; for many of them are stagnating after the collapse of bipolarity, global economic shocks, as well as in the context of the transformation of the Westphalian international political system. The question about the transforming influence of transregionalism on the evolution of the world order, the rebalancing of power relations remains open.



Interregionalism as a transregional practice occupies a special place here, since it embraces the regional associations promoting new functional international spaces. And the ASEAN takes this strategy quite seriously to cement and even improve its international presence and positioning in today's world.

The purpose of the study is to assess what present and prospective significance the interregional policy of ASEAN has in its transformation into an influential global actor. The analysis is mostly based on the concept of interregionalism.

## 2. Interregionalism: A Theoretical Review

Nowadays several types of transregional ties are being formed—interregional ones (EU-ASEAN or ASEAN-EAEU), transregional forums (such as IBSA, BRICS or MIKTA) as well as transregional networks (Belt and Road Initiative, Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP), Indo-Pacific and Greater Eurasia projects) (Voskressenski – Koller, 2019; Kuznetsov, 2017).

Prominent researchers who have made a significant contribution to the development of the concept of “new regionalism”, Luk van Langenhove and Fredrik Söderbaum, define interregionalism as the condition or process whereby two regions interact as regions (Söderbaum – van Langenhove, 2006). They note that interregionalism has already become a distinctive feature of the third generation of regionalism, which is currently developing and is characterized by greater openness of regions to the outside world, orienting them towards broader and deeper external relations. Moreover, it is not exclusively intergovernmental in nature and implies interaction at all levels, including non-state actors and civil society.

Luk van Langenhove and Fredrik Söderbaum refer to the research of two other well-known authors, Vinod Aggarwal and Edward Fogarty, who substantiate the typology of interregional interaction (Aggarwal – Fogarty, 2004), and single out “pure interregionalism” as interaction between formally organized regional associations—free trade zones, customs unions, etc. (for example, EU-Mercosur)—and “hybrid interregionalism”, as the interaction of a formally organized regional association and a group of states from another region that do not form a free trade zone, customs union, etc. (e.g. Lomé Conventions).

Michael Reiterer also employs the term “interregionalism” to refer to the interaction of two regions or “two regionalisms”, which might rest on an agreement or established

de facto (Reiterer, 2005). Yeo Lay Hwee focuses on the highlights of the necessary “institutionalization” of such interactions (Hwee, 2007).

Ralf Roloff defines “interregionalism” as a process of expanding and deepening political, economic and societal ties between international regions (Roloff, 2006). Although the definition itself is broader in scope—since, firstly, it emphasizes the complex nature of such relations and, secondly, does not limit the circle of actors to only two regions—nevertheless, in his studies, the author considers precisely bilateral interregional relations within the framework of the triad of the world economy—North America, East Asia, Western Europe (Roloff, 2001). At the same time, this approach implies that the actors of “interregionalism” are regions consolidated in one form or another (united within the framework of a regional integration group, regional forum, etc.), for example, the EU, NAFTA, ASEAN and others.

Jürgen Rüländ identifies the following functions of interregional interaction: institution-building, rationalization, agenda-setting, identity-building, balancing and bandwagoning (Rüländ, 2010). We can also add that interregionalism might be a powerful tool to promote collective preferences to participate in globalization more beneficially.

At present, many regional integration institutions—the European Union, Mercosur, the Eurasian Union etc. —are developing interregional ties. ASEAN is also very pro-active in this respect. This regional integration group, which has a long history and professes the idea of open regionalism today, has long sought to play a greater role in world politics. It is evidenced not only by the growing resources of ASEAN soft power and the phenomenon of “ASEAN-centricity” of regional cooperation, but also by the group’s wider participation in international relations—whether it be the Asia-Europe Forum or bilateral relations with other regional associations, in other words, “interregionalism”.

### **3. European Venue of ASEAN Interregional Policy: the North-South Link**

Undoubtedly, the European Union remains the most active regional actor involved in interregional relations. The role of the EU in the development of transregional ties can hardly be overestimated. Throughout almost its entire history, the EU (earlier the EEC) remained a regional integration mechanism open to interaction with other regional structures and individual states. After the Treaty of Lisbon (Lisbon Treaty, 2007) entered into force in 2009, marking the new epoch in the history of the EU, in

accordance with the new principles of the EU, interregional relations were destined to be of special importance in the system of external priorities of the European regionalism.

The Asian direction of the EU's interregional policy dates back to the 1970s and is associated with the very emergence of the Association of Southeast Asian Nations. The idea of close cooperation with the EEC appeared in 1971 at the 4<sup>th</sup> meeting of ASEAN Foreign Ministers, and might be explained by a number of political and economic reasons. First of all, ASEAN countries found it attractive to acquire new markets and receive favorable conditions for participation in the European Generalized System of Preferences in trade with developing countries. What is more, deeper relations with the EEC would have balanced the traditional American and Japanese influence in Southeast Asia. To achieve the goals set, in 1972 a Special Coordinating Committee was established, starting the history of interregional cooperation between the two regional associations (Welfens et al., 2009).

After the end of the Cold War, cooperation acquired a pronounced political and ideological coloring. Western countries supported and promoted democratization, while the ASEAN countries perceived it as an imposition of new rules. After the accession of Myanmar and Laos to ASEAN in 1997 (recognized by the EU as authoritarian states that violated human rights), influenced by the European policy of conditionality, "pure" inter-regionalism on the Asian track was actually replaced by the practice of concluding agreements with individual states of the region and, later on, by interaction with ASEAN through the transregional Asia-Europe Meeting (ASEM).

The EU and ASEAN essentially became a structural axis of the Forum, although ASEM is a more complex networked format of relations between regional integration groups, individual states and groups of states representing different regions (more than 50 states now). The Forum works in accordance with three "pillars", namely political, economic and socio-cultural. However, taking into account the wide coverage of topics and participants, ASEM remains not more than an informal dialogue on development issues, global regulation and the search for formats for cooperation between Asia and Europe (Koldunova, 2010). Vugar Allahverdiyev notes that in the future, the possibilities of ASEM institutionalization will depend, first of all, on the ability of ASEAN to deepen integration and develop a common foreign policy (Allahverdiyev, 2009).

Only in 2003, the European Commission issued a new document entitled "A New Partnership with Southeast Asia" with a new approach to partnership. It assumed



more flexible relations, the use of multilateral and bilateral ties, taking into account differences in political and socio-economic development.

The deadlock of relations between the EU and ASEAN was resolved in 2015 by signing two breakthrough documents: the “EU and ASEAN: Partnership for Strategic Objectives” on bilateral strategy and the “Joint Action Plan 2018-2022”. The relations between the two regional actors were activated on a wide range of issues: promoting regional integration in Southeast Asia, economy and trade, dialogue on sustainable development and human rights, education, cultural exchange, security issues, etc. The conclusion of such a strategy became possible also in the context of internal transformations in the ASEAN countries aimed at democratization.

Joint Communication to the European Parliament and the Council “The EU and ASEAN: a Partnership with a Strategic Purpose 2015” by the European Commission says: “the EU has a strategic interest in strengthening its relationship with the Association of Southeast Asian Nations (ASEAN). A strong, cohesive and self-confident ASEAN proceeding with its own integration is good for regional stability, prosperity and security, and creates new opportunities for cooperation on regional and global challenges, “there is a new momentum in EU-ASEAN relations and both sides have an interest in sustaining it. Many in ASEAN have expressed a hope for greater EU engagement and a desire for a formal ‘Strategic Partnership’. For its part, the EU has compelling economic, sectoral and political interests in enhancing its cooperation with this pivotal player in a region of strategic importance (The EU and ASEAN, 2015).”

Now there are several cooperation programs between the EU and ASEAN operating on a regular basis. For example, The ASEAN Regional Integration Support by the EU (ARISE PLUS), was implemented for five years (2017-2022) to promote economic integration, increase the transparency of trade regulations, raise health standards, improve environment for cross-border traffic, and monitor the dynamics of integration (ARISE Project, 2017). The Enhanced ASEAN Regional Integration Support from EU (E-READI, 2016-2024) aims not only at facilitating dialogue among policy makers, but also at expanding a dialogue with civil society, the private sector and other relevant stakeholders in various policy areas (E-READI, 2016).

The EU–ASEAN relations remain an important link for the EU within the global triad of the world economy in order to realize its presence in Asia, and vice versa. It should be noted that despite the active interaction and cooperation between the EU and ASEAN, due to a number of political and economic reasons, the parties failed to create a common free trade area, nevertheless, these attempts demonstrate the shared

desire to look for sources of development and growth. The relations between the EU and ASEAN are asymmetric in terms of the economic parity (developed-developing, North-South), but have a much more important political dimension of promoting a more peaceful and stable international system.

#### 4. ASEAN and the African Union: In Search of Post-Colonial Identity

ASEAN and the African Union are almost the same age. The Organization of African Unity (OAU), established in 1963, was renamed the African Union in 2002. ASEAN was established in 1967. It is worth noting that Asia-Africa (South-South) cooperation began even before the institutionalization of these two integration associations. Thus, the starting point can be considered the Bandung Conference (1955), the first Asia-Africa summit held in Indonesia, at which 29 states were represented, and which also became in many ways the starting point of the nascent Non-Aligned Movement (NAM). The Non-Aligned Movement had the potential to link the countries of various regions and become the first transregional association, but it quickly went into decline amid the policy of detente. It is interesting to note that from the very beginning, the initiative was considered critically by the collective West, which saw in it a threat to create an alternative UN organization, as well as the prospect of challenging the dominance of the United States. Richard Baldwin (Baldwin, 2016) claimed that such fears are fully justified, noting that the global dominance of the West in historical retrospect accounts for a very short period of time, which is coming to an end.

Along with the reduction of tensions in international relations and the end of the Cold War, NAM has become a thing of the past, and effective mechanisms for cooperation between ASEAN and the OAU within the framework of this movement have not been developed. Both international integration associations focused their attention on internal problems. There was also a consistent conceptualization of the role of these organizations in the regional space. For Africa, the problem of decolonization and the search for their own path of development was more acute than for Southeast Asia. Unlike ASEAN, there were several alternative centers of power within the OAU, and the severity of territorial conflicts hindered the search for dialogue. At that time, ASEAN was consistently expanding and making the first attempts to create sustainable regional practices, such as, for example, the ASEAN Regional Forum on Peace and Security established in 1994. Nevertheless, ASEAN's interregional ambitions were extremely limited.

An attempt to revise the prospects and opportunities for cooperation between Africa and Asia was made in the early 2000s as part of the creation of the New Asia-Africa Strategic Partnership (NAASP) in 2005. Fifty years after the momentous Bandung Conference, there was a “synchronizing of watches”. Interestingly, despite the global changes in world politics that occurred in the post-bipolar period, both regions remained peripheral and their fundamental role in global politics has not changed, but a number of common problems such as terrorism, ecology and sustainable development problems have been securitized (Dlamini, 2019).

The new partnership strategy largely reflects the UN Millennium Goals, which in turn, indicates both the actualization of the cooperation agenda and the NAASP’s commitment to cooperation with the UN. At the same time, it is interesting to note that most of the programs implemented within the NAASP were aimed at solving local problems: the Asian-African Forum on Genetic Resources, Traditional Knowledge and Folklore in 2007, the Training Program for Mozambican Farmers in 2010, conducted by Indonesia, a training course for diplomats in 2007 and a Training Course on Disaster Management in 2008, organized by Malaysia. A special role is also played by the participation of military contingents of ASEAN countries, in particular, Vietnam, in UN missions in South Sudan and the Central African Republic.

As part of the implementation of the new strategy, the more successful ASEAN countries acted as senior partners developing primarily the track of humanitarian cooperation, but, as it seems, their contribution to the development of the African continent went unnoticed due to the activation of such major players as China, which, in its turn, for example, launched the 5<sup>th</sup> Training Program for African Chambers staff in 2009, and in 2010, held the China-Zambia Trade and Investment Forum. Moreover, China is developing not only a line of humanitarian and economic cooperation with the region, but also involving the South African region in the Chinese “String of Pearls” strategy. Furthermore, there is reason to believe that Africa may, in the coming years, become a field of confrontation between China and Japan, which also has its own mechanism of interaction with the African continent, the Tokyo International Conference on African Development (TICAD).

The fact that the “new spirit of Bandung” did not meet the expectations, and the parties within the NAASP (Dlamini, 2019) were not able to develop a full-fledged partnership became clear soon enough, as evidenced by the fact that the second NAASP summit planned for 2013 was postponed, and took place only in 2015 due to the inconsistency of certain provisions of the strategic partnership with regard to the basic principles of international cooperation of the AU. As for the conference itself,

which took place in 2015 in Indonesia, under the slogan “Strengthening South-South Cooperation to Promote World Peace and Prosperity”, it did not contribute anything new to the relations between Africa and Asia, as the participants limited themselves to statements of solidarity and readiness for further development of contacts.

Against the background of some disappointment associated with the NAASP and the obvious conclusion that such alternative mechanisms of cooperation within the global South as the Forum on China-Africa Cooperation (FOCAC), India-Africa Forum Summit, and the Tokyo International Conference on African Development (TICAD) are more productive, the prevailing view has become that ASEAN should play a leading role in the NAASP (Kingah – Akong, 2015). It is obvious that the path of rapprochement lies precisely in the implementation of joint economic projects both at the state level and with the involvement of business. The first Africa-ASEAN Business Expo (AABE) held in 2017 can be considered a successful example of such cooperation, at which 10 ASEAN countries were represented as a successful example of industrialization under modern conditions. The readiness of African countries to borrow this experience is also evidenced by the statement of the Minister of Development of South Africa, Lindiwe Zulu: “We need to expose our own people to the advanced manufacturing and levels of skill and quality out there, in order to support our own industrialization programs.”

An alternative way to develop and deepen transregional relations between ASEAN and the African continent is to search for interface points with such primarily economic African organizations as the East African Community (EAC), the Common Market of Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), as well as the South African Customs Union (SACU). One of the possible negative consequences of such a development of events may be the problem of “spaghetti bowls” and the inability to build comprehensive cooperation at the regional level (Santikajaya – Abdurrohman, 2015). On the other hand, it is the network of transregional ties that can and should form the basis of new South-South cooperation.

To draw a conclusion about the current state of ASEAN’s relations with the African continent, we must admit that at the moment there are no fully developed effective formats of transregional cooperation. Despite the fact that their relationship has more than half a century of experience, ASEAN is forced to compete with stronger players in the region, in particular with China, but also, in the future, with Japan. Nevertheless, both sides consistently declare their readiness for their development, and the experience of many years of trusting relations, and the complementarity of

economies represent a powerful basis for building effective, primarily economic, platforms for cooperation.

## 5. ASEAN and the Mosaic of Latin American Integration

Speaking about the relations between ASEAN and the Common Market of the South (MERCOSUR), it is worth noting that initially, since 1991, the association pursued exclusively economic goals and sought to increase the competitiveness of South American states. In this regard, the ideological and value potential of ASEAN, which is already recognized as a driver in the Asia-Pacific region, exceeds the Latin American one. In addition, despite the existence of a whole mosaic of integration associations in Latin America, we must not forget their instability. Positive assessments of the initial stage of MERCOSUR's functioning as a "Golden Age" were replaced by disappointment due to the fact that protectionist measures began to dominate against the background of the Asian crisis of 1997, and the crisis in Argentina in 2001-2002. In the same period of time for ASEAN, there was a stage of formation of such practices as the annual meetings of Foreign Ministers since 2001, which paved the way for the adoption of the ASEAN Security Community. In general, the MERCOSUR, unlike ASEAN, is more sensitive to internal political changes, and the phenomenon of Latin American Turns does not contribute to the creation of stable regional integration associations. In addition, the participation of Brazil, an important regional player, which stood together with Argentina at the origins of the creation of MERCOSUR, in the BRICS and the Group of 20, allows us to conclude that Brazil is increasingly directing its efforts to the development of cross-border ties.

In this context, the MERCOSUR bloc itself embarked on a course of open regionalism, which manifested itself in the involvement of a number of associate members in the organization (Peru, Chile, Ecuador, etc.) and observers (Mexico and New Zealand). In addition, the MERCOSUR actively concludes free trade agreements. Such agreements were concluded with India and Israel in 2009, with the South African Customs Union in 2016, with Egypt in 2017, which significantly expanded the geography of cooperation.

Naturally, the key priority for the MERCOSUR is the development of relations with the EU. The success was achieved by signing a free trade agreement in 2019, providing for exemption from customs duties over 90 percent of mutual trade turnover. Additionally, the Latin American region has traditionally been and remains a sphere of special interests for the United States, which might be a competing force against the development of relations between Latin American countries and Asia. At the same



time, China has become extremely active in the region and may replace the United States as a leading trade and economic partner in the near future. It is in this context that it is necessary to consider the potential for the development of relations with Latin American countries and, in particular, between the MERCOSUR and ASEAN.

The start of relations between ASEAN and MERCOSUR was associated with the initiative of the Prime Minister of Singapore Goh Chok Tong, implemented in 1998 by the Forum for East Asia-Latin America Cooperation (FEALAC), at which 36 countries of Latin America and Southeast Asia, including all ASEAN countries, were represented. The Forum is held annually, and a ministerial meeting is also organized on its sidelines. Singapore is actively interested in it, and, for example, also initiated the Journalist visit program under FEALAC. In addition, Singapore made a proposal to create a free trade zone with the MERCOSUR, but the proposal was postponed due to the spread of Covid-19. A further difficulty in the development of ASEAN relations with Latin American countries is the lack of knowledge about each other and the weakness of historical contacts. Another important factor hindering the development of trade, in addition to protectionist tariffs, is the lack of complete complementarity of the regions, which, with further building of economic ties, can lead to the emergence of competition in some, mainly agricultural, areas.

The desire to deepen cooperation was revealed by the organization of the first ASEAN-MERCOSUR Ministerial Meeting in Brazil in November 2008. Thus, an attempt was made to bring MERCOSUR-ASEAN relations from the FEALAC framework to a new level. However, it seems that the enthusiasm was quickly exhausted, as evidenced by the long pause between the first and second summit: instead of the agreed deadline as no later than 2010, the summit was held only in 2017.

Drawing a line of comparison between ASEAN's cooperation with the countries of the African continent and MERCOSUR, it is hardly possible to draw conclusions about greater prospects or success. Unlike the countries of Africa, ASEAN and Latin American countries started a dialogue not so long ago, which, on the one hand, opens up a wide space for creativity, and on the other, builds natural boundaries due to the lack of experience. The ASEAN-MERCOSUR Ministerial Meeting has every chance to become a full-fledged platform of dialogue between the two continents. At the same time, it would not be a mistake to conclude that certain ASEAN countries are particularly interested in developing relations with Latin America, as they are considering the prospects for investment in this region.

## 6. ASEAN and the EAEU: Prospects of Greater Eurasia

Compared to the ASEAN, the Eurasian Economic Union, established in 2015, is a young organization. Nevertheless, it is fair to note that integration within the EAEU initially developed more intensively and had more clearly formulated, primarily economic, goals. This is partly due to the fact that the EAEU countries, and before the EurAsEC, have a long experience of cooperation within the Commonwealth of Independent States (CIS).

Nevertheless, being one of the integration projects in the post-Soviet space, the EAEU strives to expand the number of participants, attracting non-regional actors to cooperate. Therefore, it is very symbolic that the first free trade agreement between the EAEU and a third country was concluded with Vietnam, an ASEAN member. Since 2019, the free trade zone between the EAEU and Singapore has been functioning properly. It is worth noting that the crisis caused by the Covid-19 pandemic has somewhat slowed down the integration processes in Eurasia, and may lead to a more intensive development of not only the economic, but also the political track of cooperation, which in the early years of integration was not in the focus of attention.

ASEAN has a rich experience of contacts and cooperation with Russia, which plays a leading role in the EAEU (Kanaev – Korolev, 2020). Being the legal successor of the Soviet Union, the Russian Federation inherited traditionally friendly relations with such countries of the Association as Vietnam, Laos, and Cambodia. In addition, Russia is a member of the ASEAN Regional Forum and actively participates in solving the security agenda in the region. The milestone of the Russia-ASEAN dialogue relations was Russia's accession to the Treaty of Amity and Cooperation in Southeast Asia in 2004. This reflects Russia's firm intention to preserve peace and stability in the region and act in line with the ASEAN values. Since 2005, the Russia-ASEAN Summit has been held regularly. Not only Russia, but also other EAEU countries are committed to developing contacts with ASEAN, for example, Kazakhstan actively cooperates with ASEAN in the framework of the Conference on Interaction and Confidence-building Measures in Asia (CICA) and the Dialogue of Cooperation in Asia as well as the Asia-Europe Meeting (ASEM).

Relations between the EAEU and ASEAN should be considered within the framework of Russian "pivot" to Asia, which plays a leading role in the EAEU, to the East and the initiative to create a Greater Eurasian Partnership. At this stage, Russia claims to be an ideological driver in the integration processes in Eurasia and is looking for ways to pair the EAEU with the Chinese Belt and Road project. In addition, Moscow pretends to

strengthen its positions in the Asia-Pacific region, which are currently weak. ASEAN is seen in this context as an important partner and a successful example of integration of developing countries. At the same time, there is a search for rapprochement both with individual countries (Vietnam, Singapore) and at the Association level. For example, within the framework of the economic forum in May 2018, the ASEAN-EAEU business dialogue was organized in St. Petersburg. In the same year, the Russia-ASEAN Summit was held in Singapore, at which the President of Russia outlined the prospects for further cooperation, which covered a wide range of issues from educational exchanges to the creation of a network of "smart cities". In addition, a Memorandum of Understanding was signed between the Eurasian Economic Commission and the ASEAN Secretariat at the meeting in Singapore. ASEAN has concluded a similar document only with the EU, which can be regarded as a special act of supporting cooperation with the EAEU.

The development of ASEAN's ties with the EAEU at the moment seems to be more value-ideologically oriented than with the MERCOSUR and the AU. It is also possible to conclude that the EAEU is more noticeable than other ASEAN partners, which shows its readiness to strengthen contacts. This cooperation is not based on the colonial past and the Non-Aligned Movement, but on the actual economic interests of the associations. The security agenda is another area where integrations can work together. At the same time, the ASEAN principle of separating the economy from politics is particularly attractive for the EAEU. Nevertheless, the question may arise whether ASEAN is ready for further rapprochement.

The question remains who will play a leading role in further deepening cooperation and whether it is possible at a high level. Therefore there is a danger of being deceived by an overly positive assessment of cooperation between the EAEU and ASEAN. Impressive figures of trade turnover growth, for example, are explained by extremely low initial indicators. It is impossible to neutralize the factor of the US and China, which are active in the Asia-Pacific region and are not interested in reducing their roles as a result of cooperation between the ASEAN and the EAEU. It seems that the EAEU is more interested in ASEAN than their partner, whose ties in the region are quite extensive and are not limited to the EAEU.

Cooperation between the EAEU and ASEAN has a number of objective limitations, despite the successes achieved in such a short time. Perhaps the historical mission of cooperation between the EAEU and ASEAN is precisely to initiate this process, even taking into account the existing systemic obstacles between them. At the same time, the EAEU can use the Russia-ASEAN cooperation model to deepen cooperation, using

such mechanisms as summits of the heads of ASEAN and EAEU member states, meetings of senior officials and foreign ministers.

## **7. ASEAN and SAARC as Two Dimensions of Asian Integration**

ASEAN and the South Asian Association for Regional Cooperation (SAARC) are two integration mechanisms that are often compared and contrasted as the most and least successful integration projects in Asia. Indeed, the goals of creating integrations and the mechanisms of functioning in the ASEAN and the SAARC are quite similar, but the SAARC, created in 1985, is currently considered as an example of unsuccessful integration.

One of the important results of the creation and functioning of the South Asian Association Regional Cooperation is the platform for possible informal discussions and search for ways to resolve problems arising between the participating States, primarily the leading regional powers in military-technical terms. There is no doubt that without the SAARC, such contacts would be more complicated. Nevertheless, the presence of such acute unrests, primarily the Kashmir conflict, makes it almost impossible to expand economic cooperation within the association. In addition to the contradictions between India and Pakistan, it is necessary to take into account the more complex architecture of the subregion, which includes an extremely unstable Afghanistan.

Criticisms of ASEAN that it does not resolve conflicts within the association, but only prevents their escalation, seems inappropriate comparing the effectiveness of the ASEAN and the SAARC. On the contrary, ASEAN is set as an example for the countries of South Asia. Against the background of this comparative analysis and the search for the reasons for the failures of SAARC, the issue of interaction between ASEAN and SAARC remains often out of focus.

Nevertheless, it should be noted that contacts between individual SAARC and ASEAN countries not only exist, but can also be characterized as fairly stable (Khwaja – Riaz 1988). Thus, such SAARC countries as India, Bangladesh, Sri Lanka and Pakistan are members of the ASEAN Regional Forum (ARF). At the same time, India and Pakistan are building relations with ASEAN more actively than others. Pakistan has been a sectoral partner of the Association for many years and strives to create a free trade zone. Cambodia, Laos, Myanmar, and Vietnam are actively supporting Pakistan within the framework of ASEAN. A joint Cooperation Fund has been established to

support the development of human resources, including scholarships and education in English, strengthening the relations of ASEAN countries with Pakistan.

The largest Asian power, India attaches special importance to relations with ASEAN. In 2015, the ASEAN-India Free Trade Area Agreement came into force. ASEAN-Delhi relations are not limited to the economic sphere, as the parties also actively cooperate on security issues. It is impossible not to mention one of the latest initiatives linking India with the ASEAN countries: the Regional Comprehensive Economic Partnership (RCEP) signed in Hanoi in 2020. Although it is extremely difficult to assess the effectiveness of the functioning of the RCEP in such a short period of time, moreover, against the background of the epidemiological situation, critics pay attention to the huge imbalances in it, the existence of the platform indicates the strengthening of cooperation in the region. India's place in ASEAN politics is not so obvious, the interest of the Association's members in rapprochement with India is different, which makes it possible to draw analogies with China.

ASEAN, in its turn, is also making efforts to strengthen contacts with the SAARC countries. In 1997, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Bangladesh, India, Sri Lanka, Myanmar, and Thailand, i.e., BIMSTEC) was launched. In 2018, the Mekong Ganga Cooperation (MGC) Business Forum was held, bringing together India and five ASEAN countries—Cambodia, Laos, Myanmar, Thailand, and Vietnam. The forum also hosts regular meetings of the Foreign Ministers of the participating countries.

ASEAN and SAARC are neighbors in the region with similar problems, which creates joint platforms of dialogue involving the participation of all countries of these two integration associations especially relevant for them. The reason for the absence of such sites to date probably lies in the inertia and inefficiency of SAARC, skepticism about which is present in the participating countries themselves. Nevertheless, ASEAN actively cooperates with SAARC countries within the framework of BIMSTEC and MGC Business Forum. Perhaps further strengthening of ASEAN cooperation with South Asian countries will consist in attracting new participants to these platforms.

## 8. Conclusion

Nowadays it seems that for 55 years of its activity, the ASEAN has managed to form not only stable mechanisms of interaction in the region, but also to establish strong contacts with the potential for transregional and interregional cooperation. At the

same time, it is important to notice that ASEAN is now developing contacts both with regional associations and with individual countries most interested in cooperation, thus integrating into the architecture of the region. The venues of ASEAN's interregional policy have their own specific features: relations with the regional associations of the South have a more symmetrical and pragmatic nature—although less intense—than with the only representative of the North, the EU. Relying on its own regional resources, ASEAN has developed a set of working tools that not only transforms it into an influential regional association representing the center of macro-regional integration, but also determines its growing international presence and activity. ASEAN employs interregional strategies to cement its regional leadership and promote global influence, to overcome the macro-regional constraints looking for partners in other parts of the world, to develop its regional identity and diversify its cooperation network. This means that ASEAN is eager to be the core of an ASEAN-centric regional order, also forming a network of partnerships that might strengthen the Global South. Successful interregional strategy requires a certain degree of consolidation in a regional integration association. Taking into consideration that ASEAN is forced to compete for influence in certain regions with such international actors as the USA, China, and Japan, it is important to note that the association often offers a more ideologically attractive and inclusive form of cooperation based on the values of equality and diversity. Interregionalism serves both as a “litmus test” for the regional and institutional identity of the association, and as a factor contributing to its strengthening. It promotes regional cohesion and identity, brings new impetus for economic growth, opens up new markets and expands the dialogue around. Aside from that the ASEAN transregional cooperation agenda meets the UN Sustainable Development Goals, which is reflected in the so-called people-to-people areas, education, culture, technological and scientific cooperation, countering global challenges such as climate change. Taking into account the fact that some institutions are not working at full capacity, it can be concluded that ASEAN has even greater potential for interregional ties.



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# The Ecosystem of Social or Impact-driven Enterprises in Southeast Asia

Márton Gosztonyi

## 1. Introduction

This study analyses the interpretations and ecosystems of social enterprises in four countries of the Southeast Asian region—Malaysia, Singapore, Indonesia, and Thailand—based on the relevant literature available in the English language. Over the past five years, there has been a growing theoretical trend in North American literature towards viewing social enterprises as purpose-driven and impact-driven companies instead of social entities (Defourny – Kim, 2010). This linguistic turn also signals an epistemological shift that moves these enterprises from a social, communal, and conceptual network to a goal-driven conceptual network. While the concepts of social enterprise and social entrepreneurship were rarely discussed about two decades ago, their emergence on both sides of the Atlantic has been astonishing, especially in the European Union (EU) and the United States (US); there is growing interest in them in other regions as well such as East Asia (South Korea, Japan, and Taiwan), South-East Asia (mainly Malaysia, Singapore, Indonesia, and Thailand) and Latin America.

The flourishing of social enterprise research is closely linked to the prominence of the concept of sustainable development<sup>1</sup> and the sustainability of businesses. The definition of business sustainability combines economic, social, and environmental efforts of a company or organization, which aims to have positive effects on its own life and ecosystems, its implementation, and management (Svensson – Wagner, 2015). The three constructs (environmental, social, economic) of business sustainability mutually reinforce each other, creating economic growth, social well-being, and environmental sustainability. In the 2000s, the economic segment strengthened under the influence of marketers who saw green products as part of a sustainability solution (Ajmal et al., 2018). Although companies still tend to struggle in realizing the social dimension of sustainability, the dimension that hastens the well-being of people and

<sup>1</sup> Sustainable development (or sustainability) is generally defined as change that meets the needs of the current generation without compromising the ability of future generations to meet their own needs (WCED, 1987).

communities. Many corporate social responsibility practices have been implemented, but finding a balance between economic and social needs still remains one of the biggest challenges facing businesses (Stubbs – Cocklin, 2008). Therefore, research on social enterprises is of paramount importance, as the main focus of these enterprises is on the social field of sustainability.

Although an interpretation of social enterprises is still widespread among the American theorists, there is a growing trend to classify any initiative that is self-financed as a “social enterprise”, overshadowing the existence of an allegedly vague social mission. The American conception is very different from the European interpretation, as the European tradition tends to emphasize collective dynamics and issues of collective management in their definitions and discourse about social enterprises (Defourny – Kim, 2010).

Therefore, this study examines the extent to which this turn of interpretation has happened in the countries of Southeast Asia. To what extent is the discourse about social enterprises in Southeast Asia diverging towards the emerging interpretation in America, and to what extent is it moving towards a European interpretation? We base our analysis on Hungarian economic historian Károly Polányi’s theory of “double motion”, which helps to clarify how the interpretation of an economic entity is embedded in society and how this process affects the discourse itself (Polányi, 1944).

The substantive theory of Polányi was formalized in 1944. It moves away from the formal interpretation of economic entities as they are exclusively interpreted according to the logic of the market and broadens the horizon of interpretation by incorporating social effects in it. Polányi argues that the term “economy” has two distinct meanings: one formal and the other, substantive. The former assumes that economies operate in an asset-goal logic within which the primary causes of economic activity are the motivations for profit maximization, regardless of the actual needs of the communities. The formalist conception of the economy, thus, separates the market from other social structures, assuming that the market operates according to its own self-regulatory principles (Polányi, 1944). In contrast, the latter (substantivist) approach assumes that one’s livelihood depends on nature and one’s fellow human beings; hence, social institutions play a crucial role in shaping economic activities (Polányi, 1944). In the substantivist conception of the economy, therefore, the economy is embedded in social relations. The concept of double motion captures the tension between the formalist and substantivist conceptions of the economy. Polányi highlights the relentless competition between attempts to “unscrew” the market from society and to “re-embed” the market in society (Drahokoupil, 2004). The double

motion postulated by Polányi, thus, internalizes the impulses that arise through the tussle between the extension of market rationality to society and society's efforts to mitigate the harmful effects of market domination (Dale, 2008).

This interpretation fits aptly with the concept of social enterprises, as this form of enterprise can emerge amongst the tension between social value and profit orientation. Social enterprises achieve this double motion through the implementation of institutional practices that combine the achievement of financial goals with social values. A series of surveys conducted by the Global Entrepreneurship Monitor (GEM) in 2009 and 2021 show that issues arising from the social sector are nowhere near peripheral, as these entities thrive in both the global north and the global south. An important reason for their growth is their ability to help the countries they are present in, reduce poverty and unemployment (Alvord et al., 2002; Mair – Marti, 2005; Bornstein, 2007; Brooks, 2009; Mohammad Reza et al., 2010), increase access to education (Alvord et al., 2002; Mair – Marti, 2005; Bornstein, 2007), reduce gender inequalities and strengthen the social position of women or empower marginalized citizens (Mair – Marti, 2005; Bornstein, 2007; Aman Shah – Mohd Ali, 2008; Verma, 2009), improve healthcare (Mair – Marti, 2005; Bornstein, 2007; Verma, 2009; Bornstein, 2007), or even help to preserve nature and the environment (Alvord et al., 2002; Verma, 2009). As a result, the “method” adopted by social enterprises to alleviate growing global social and economic crises is increasingly gaining acceptance among governments, educators/researchers, entrepreneurial practitioners, and social activists (Murphy – Coombes, 2003).

Social enterprises can be placed in an extremely wide range of definitions. One of the most common definition-related theories in this regard is the social entrepreneurship theory by Nicholls (2006). Their theory defines social enterprises as a series of organizational activities in three key categories: society, innovation, and market orientation. These “businesses” must strive for a kind of balance in these categories. This also means that the goal system of social enterprises is not limited only to profit maximization, but it also covers social (and environmental) “maximization” (Drayton, 2006; Chell, 2007; Thompson – Alvy – Lees, 2000; Dees et al., 2002; Sarif – Ismail – Sarwar 2012; Rothaemel – Agung – Jiang, 2007; Murphy – Coombes, 2009; Bygrave – Hofer, 1991). Additionally, social enterprises function as important emancipatory organizations, as they create an “act of liberation from the power of the other” (Rindova et al., 2009, p. 478), thus, opening up the possibility of creating autonomy for both social entrepreneurs and for those to whom they provide their services (Juergensmeyer, 2017; Sanín – Wood, 2014). Thus, according to the summary definition of Mair and Marti (2006, p. 37), social enterprises can be defined in a broader sense as entities



“creating a value-creating process by combining resources in new ways. The primary purpose of these resource combinations is to explore and straighten social value creation opportunities by stimulating social change or meeting social needs. The process can include the creation of services and products, but it is also about the creation of new organizations”.

Despite all this, it is important to point out that, to this day, social enterprise is still understood by many people vaguely and, in many cases, merely as a non-profit, charitable organization (Chell, 2007). This has resulted in a growing epistemological shift in the US (against the European School), which is beginning to define social enterprises as goal- and impact-driven enterprises.

In the sections that follow, we examine how Southeast Asian researchers interpret social enterprises in their region and whether they interpret them as socially embedded or, impact- or goal-driven entities.

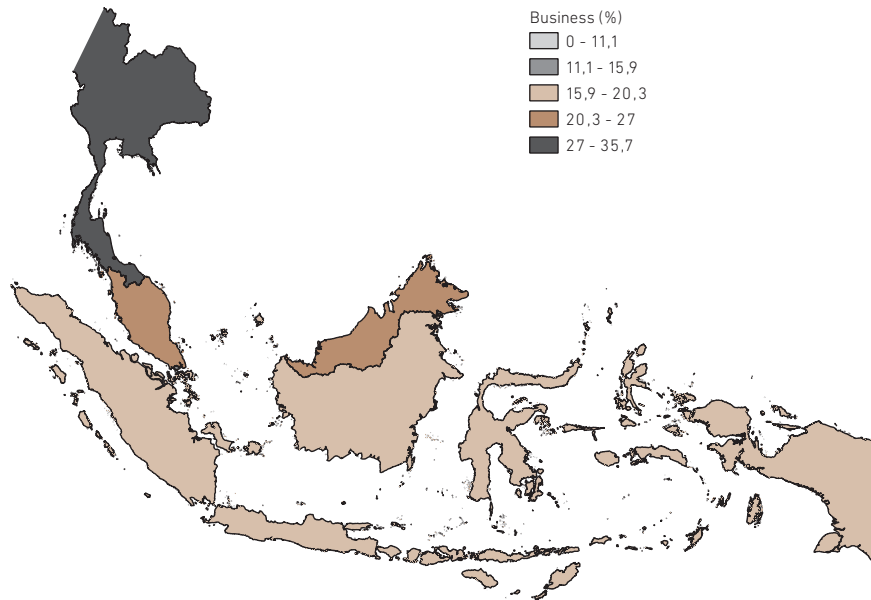
## **2. Social Enterprises in Malaysia, Singapore, Indonesia, and Thailand**

If these four countries were considered a region, they would be the world’s fourth most populous region and include more than 300 ethnic groups and six official religions. These countries have close historical, economic, and social ties amongst themselves, but at the same time, they follow different economic and social paths. It is important to highlight that the Southeast Asian region has undergone turbulent economic development in recent decades, which has also affected the development of the social enterprise sector and the situation of low-income residents in the region’s countries (Banerjee – Duflo, 2007). Therefore, this geographical area is worth analyzing in comparison, as we can discover different concepts of social entrepreneurship alongside different economic and political conditions.

The turbulent change in this geographical area can also be gauged by the number of enterprises that have emerged and the increase in the significance of the enterprise sector. Based on the GEM surveys (2017), comparative data from the Global Entrepreneurship Index show that the average annual increase of the entrepreneurial sector is more than 7 percent in the Southeast Asian region. The distribution of the entrepreneurial sector in this region in 2017 is plotted in Figure 1. The map shows that Singapore (35.7 percent) and Thailand (24.9 percent) have the highest entrepreneurship ratio in the region, followed by Malaysia (17.3 percent) and Indonesia (13.8 percent).

**Figure 1**

Distribution map of entrepreneurship ratio in Malaysia, Singapore, Indonesia, and Thailand (2017)



Source: GEM, 2017; compiled by the author.

The GEM data sets provide an overview about the weight of the entrepreneurial ecosystem within the region, although the measurement of social enterprises is missing from the research framework. In the following section, we review the situation, ecosystem, and typical types of social enterprises in the said four countries.

## 2.1. Social Enterprises in Malaysia

In Malaysia, entrepreneurial activities are seen as enhancers of economic and social development, drivers of economic growth, and transformers of the current economic structure (Kasim, 2011). Over the past twenty years, the Malaysian government has taken intensive efforts to promote entrepreneurship, encourage entrepreneurial activity, and promote self-employment (Cheng – Chang, 2004). To achieve this goal, the government is helping small businesses, retailers, and the agricultural sector through the Ministry of Enterprise and Cooperatives (MECD) and its agency,

Perbadanan Nasional Berhad (PNB), which also involves the Bank for Small and Medium-sized Enterprises (SME) as a financial partner (Othman – Mansor, 2011).

However, not only the development of enterprises, but also the development of social enterprises have been given priority in Malaysia. All organizations are currently considered to be social enterprises if 51 percent of their revenue comes from the beneficiary target group and/or 35 percent of its income is spent on training or supporting the target group of the beneficiary; and/or it devotes 35 percent of the raw materials or resources it uses to the environmental mission; and/or spends 51 percent of its profits on fulfilling its social mission (Malek et al., 2014a). From the abovementioned descriptions, it can be seen that the development of social enterprises by the government is of paramount importance in Malaysia. The history of government subsidy can be traced back to 1986 when the Amanah Ikhtiar Malaysia (AIM) microfinance project was launched. The project was specifically aimed at reducing rural poverty and providing access to microcredit to low-income families. AIM used the group-based Grameen Bank model to achieve its goals (Mustapha et al., 2008). The encouraging results from the project led the Malaysian government to move towards a process of economic transformation and build a “resilient economy”. One of the steps in this direction was the development of the Malaysian Social Enterprise Blueprint 2015-2018 strategy and the integration of social enterprise development into the rural development strategy (Sarif – Ismail – Sarwar, 2012). This was done to bring to life a large number of successful social enterprises in the country and to ensure the sustainable and long-term growth of the sector (Social and Blueprint, 2015). Subsequently, the Malaysian government has launched a number of government programs to strengthen and revitalize social enterprises (1Azam, MaGIC, iM4U), and each program targets low-income households in particular (Malek et al., 2014a; 2014b).

Thus, social enterprises in Malaysia are a means of reducing poverty at the community level, providing an opportunity for rural, low-income families to earn a stable income through community mobilization (Malek et al., 2014a). Thus, Malaysia has a vision of social entrepreneurship that is highly embedded in its society, with the primary goal of achieving the social goal (MaGIC, 2015a; 2015b; Austin – Stevenson – Wei-Skillern, 2006; Peredo – McLean, 2006; Roberts – Woods, 2005). Social enterprises in the country focus on solving the problems of disadvantaged and marginalized groups (Alvord – Brown – Letts, 2004; Sekliuckiene – Kisielius, 2015). The functioning of social enterprises takes place through the cooperation of local communities, non-profit organizations, and the government.

Social enterprises primarily provide opportunities for families living in rural poverty, and this includes the empowerment of rural women living in poverty (Dorado, 2006; Jamali, 2009; Adnan, 2003). By strengthening the hands of female entrepreneurs, Malaysia not only strengthens inter-ethnic cooperation, but also reduces the division of social work that can be considered patriarchal (Institute of Commonwealth Studies, 2004; Adnan – Smith, 2001; Global Entrepreneurship Monitor, 2013). The training of social entrepreneurs in higher education is also an important area. The country's higher education institutions have taken decisive steps in recent years to contribute to the strengthening of social enterprises nationwide (Othman – Mansor, 2011; Aiken, 2006; Mustafa – Kasim, 2010). An example of this is the SIFE Malaysia Foundation, which works with local universities and business professionals to provide social entrepreneurship training to university students (Ab Wahid et al., 2011). Through the program, students are encouraged to work with local communities to develop social enterprises that improve the social and economic opportunities for disadvantaged communities.

## 2.2. Social Enterprises in Singapore

In Singapore, as in Malaysia, strengthening the business ecosystem is one of the government's major programs (Huff, 1995). Singapore has become one of the most rapidly developing countries in the region in the last twenty years in economic terms. However, unlike in the case of social enterprises in Malaysia, the literature about them in Singapore tends to use goal- and efficiency-driven concepts to describe social enterprises. This stems from the fact that the word "social" is more strongly associated with the concept of social assistance in the country, and, hence, with the work of charities and foundations (Krueger – Brazeal, 1994). In Singapore, interventions based on social and community needs are primarily targeted at a narrowly defined social group, and the approach followed provides opportunities only to those in need who are unable to provide for themselves (Mohammad et al., 2010). Thus, the government does not primarily target the extremely poor with its (social) entrepreneurship programs, but mainly the young middle class.

The management and development of social enterprises is the responsibility of the Ministry of Community Development and Sport (MCDS). Although the government launched several programs in 1997 that called for greater citizen involvement in community life, these programs were not closely tied to the development of social enterprises (Peterson – Roquebert, 1993). However, consequent to the direction that was provided by the programs, Community Development Councils (CDCs) were set

up to initiate, design, and manage programs that promoted community engagement and social cohesion. Another aspect of community involvement was the creation of a vision called “Singapore 21” in 1997, which outlined Singapore’s roadmap to the year 2000 and beyond. The vision was developed by five subcommittees, who consulted about 6,000 Singaporeans during the one-year planning period. In this vision, social enterprises were less thematized in terms of community assets rather than being viewed from a financial standpoint (Shane – Kolvereid – Westhead, 1998).

As a result, Singapore’s social enterprises are the drivers of employment opportunities for young people and the empowerment of women entrepreneurs. Consequently, there has been an 80.3 percent increase in self-employed women in the country over the past twenty years, compared to a 65.6 percent increase in self-employed men (Mohammad et al., 2015).

### 2.3. Social Enterprises in Indonesia

According to Moore’s research in 2004, the dominant form of employment in Indonesia was the informal sector. During the East Asian monetary crisis, employment in the country’s informal sector fell from 74 percent in 1986 to 65 percent in 1997, and then it rose to 70 percent in 1998. After the crisis, the marginalized workers had no choice but to (re)enter the informal sector. During this period, most analysts expected that micro-enterprises in the informal sector would continue to absorb most of the new entrants into the labor market (Budiantoro, 2005). However, drawing on the results of the successful Grameen Bank project in Bangladesh, the Indonesian government and the World Bank saw rural micro-enterprises as a potential economic driver and began to strengthen them as social enterprises. In the first year of the micro-enterprise project, 1,500 micro-enterprises were established in twelve provinces in the country. By 2000, the project had expanded to six more provinces, covering 4,500 micro-enterprises and providing employment to 22,500 new entrants to the labor market (Moore, 2004). This program provided business knowledge training, the use of technical resources, the creation of a learning fund, and microfinance—access to preferential business credit for program participants. As a result of the program, a number of financial institutions and NGOs launched microfinance services, such as BRI (People’s Bank) and BPR (Rural Bank), thus, strengthening the country’s micro-enterprise ecosystem (Budiantoro, 2005).

The declared goal of the microfinance program was to increase the socio-economic situation of the rural low-income population, and this had an impact on subsequent

government programs (Siebel, 2000). This resulted in the Indonesian government launching a program for micro-, small-, and medium-sized enterprises and cooperatives. According to the Ministry of Finance of the Republic of Indonesia, in 2017, the contribution of cooperatives to national GDP reached 4.41 percent, valued at about 508,580 billion Indonesian rupiah. While the contribution of SMEs to national GDP amounted to 7,005,950 billion Indonesian rupiah, the programs managed to account for about 60.70 percent of national GDP and involved 25,497,467 people in their economic development activities (ILO, 2019).

However, not only has the SME sector been strengthened through government-level programs in the country, but also the promotion of social enterprises. Several researchers agree that the rise of the social entrepreneurship sector in Indonesia is embedded in the idea of economic nationalism proclaimed under Joko Widodo's rule. Under this economic policy, the main task of the state is to strengthen Indonesia's independence, promote economic growth, and reduce Indonesia's dependence on foreign goods and capital (Wie, 2010; Aspinall, 2016). Indonesia's efforts to encourage the strengthening of local social entrepreneurship fitted well into all of this. Therefore, efforts to encourage social entrepreneurship are seen as an effort to encourage entrepreneurship and as an opportunity for community-based development of households living in rural poverty, which promotes the strengthening of economic nationalism in the country.

The literature highlights three kinds of social enterprise that are the most common in Indonesia: access to community-based economic opportunities for rural low-income households, emancipation, and the empowerment of women entrepreneurs. An important element of any social entrepreneurship direction in Indonesia is that it builds heavily on social capital and the ideals of collectivism (Wang, 2014). In their works, Lahiri-Dutt and Samanta (2006) go even further and write that Indonesian social entrepreneurs become the subject of community empowerment initiatives, thus forming a perfect symbiosis with the community. It should be noted that community-based development has given rise to many social enterprises that would be unthinkable in other social contexts. An example is the social entrepreneurship café chain run by emancipated ex-terrorists, which is an example of how engaging in entrepreneurship can be liberating for individuals, to escape not only certain ideological barriers but also to create new meaning in life or build new social roles and relationships (Rindova et al., 2009; Juergensmeyer, 2017; Sanín – Wood, 2014).



## 2.4. Social Enterprises in Thailand

The concept of social enterprises is new in Thailand (Berenzon et al., 2011), although their history in the form of cooperatives, community savings funds, and community enterprises goes way back. Currently, social enterprises are present in all of Thailand's regions, but each social enterprise has a local specificity and purpose to address problems in the context of the region and to achieve economic, social, and cultural goals (Nitayakasetwat, 2011). Social enterprises in northern Thailand focus on preserving local culture and empowering disadvantaged residents and ethnic minority groups, especially the mountain tribes. In southern Thailand, they emphasize the conservation of natural resources, the protection of the environment, and tourism (Nitayakasetwat, 2011).

Compared to the business sector of the four countries, Thailand has the smallest social entrepreneurship sector, and studies on social enterprises are also limited (Berenzon, 2011). Social enterprises are primarily facilitated by the Mae Fah Luang Foundation under the auspices of the king (Nitayakasetwat, 2011). In addition, since 2011, the Prime Minister's Office's "Thai Social Enterprise Decree" has also declared its support for social businesses and social enterprises have been included in the government's national strategic plan (TSEO, 2013). The "Thai Social Enterprise Promotion Council" was created in 2010, it provides seed funding to launch social enterprises and projects, as well as venture capital in the form of low-interest loans for operating and growing social enterprises.

These facts highlight that strong social and political efforts are also emerging in Thailand to create a social entrepreneurial ecosystem in the country.

Moreover, Thailand places special emphasis on the education and development of social enterprises within the university framework. Its aim is to remedy the labor market problems of young people and to strengthen the entrepreneurial spirit of academia, which aims to transform advanced scientific research into commercial products (Fontes, 2005; Yusuf – Nabeshima, 2007). For social enterprises, this direction focuses primarily on reducing demographic, financial, environmental, and health inequalities (Elkington – Hartigan, 2008). Thus, they focus on price performance, hybrid innovation, operational scale, sustainable and environmentally friendly solutions, process innovation, skills development, education, and distribution, turning "bottom-up" businesses into viable business opportunities (Prahalad, 2004). From this direction, the Social Entrepreneurship-driven Community-based Tourism trend has grown, which creates tourism-based social enterprises in low-income communities.

This includes social enterprise developments among refugee communities or social enterprise developments that include agrarian innovations (Mair – Marti, 2006).

### 3. Polányi and the Social Enterprises-related Discourse in Southeast Asia

Drawing on the above summaries, it can be said that Polányi's theory is perfectly applicable to the interpretation of the discourse about social enterprises. In each of the four countries, the literature is about a strong, centralized, state intervention as a process that has facilitated the emergence of social enterprises in the region. With all this, we can also see that the concept of social enterprises is worth grasping in the discourse through Polányi's substantive, socially embedded economic concept, as the social enterprise sector is always assumed to be a tool used to achieve a strong social vision. At the same time, the formative interpretation cannot be neglected either, as social enterprises are also one of the drivers of economic competitiveness in the region. That can be captured precisely with Polányi's double motion.

If we look at the discourse on social enterprises, not just at the regional but at the national level, we can see that the catalysts of social enterprises in the Southeast Asian region were governments and states. In the case of Malaysia, social enterprises are emerging as an entity to provide opportunities primarily to low-income, rural families and thereby redefining the way businesses operate to achieve a people-centered economy. At the same time, in Indonesia, economic ideology requires the state to strengthen its national independence by reducing its dependence on foreign capital and fostering economic growth. Therefore, programs to stimulate the growth of social enterprises have been created in a strong political-economic context and should be interpreted as part of the effort to implement this ideology, in addition to trying to reduce poverty, as in Malaysia's case. In the case of Thailand, strong social and political efforts are emerging to create a social entrepreneurial ecosystem and, as in previous countries, the country aims to empower disadvantaged rural groups by strengthening social enterprises. In Singapore, however, social enterprises are mostly disengaged from social and community interventions. Although there is a strong government commitment to strengthening social enterprises in this country, this approach is not aimed primarily at those living in poverty, but at young workers and women entrepreneurs.

If we compare the four countries, the theory of double motion reveals that the countries of the region place the discourse on social enterprises on a spectrum. This spectrum is stretched on the one hand by the disembedded economy and, on the other,

by the reintegration of the market into society. Through this, one can also capture the ongoing change in the discourse about social enterprises, as the concept accurately reflects the tension between impulses. It is no coincidence, then, that in countries where the social enterprises are seen primarily as an entity that promote the embedded economy, the use of the term in social terminology, such as the European School, comes to the fore (Malaysia, Indonesia, and Thailand). In contrast, in Singapore, where social enterprises reinforce the concept of a disembedded economy, social enterprises are mostly described around the United States school-driven concepts of purpose and impact-driven businesses.

#### 4. Conclusion

In our study, we reviewed the ecosystem and typical development trends of social enterprises in four countries in the Southeast Asian region based on the existing literature. Based on the double motion theory of Károly Polányi, we sought to answer the question of the extent to which the discourse on social enterprises can be interpreted with substantive or formative conceptual frameworks. Furthermore, it also helped us to understand the discourse of Southeast Asian literature and whether it is analogous to the European school or to the school in the United States.

In the analysis of the four countries, the use of substantive and formal terms proved to be expedient. Our results highlight that, although due to their social and economic embeddedness, cultural norms and social institutions simultaneously strengthen and limit the horizons of social enterprise action in Southeast Asian countries, and in all countries, it appears that the state and the government is a catalyst in strengthening the sector. However, different vocabulary and, at the same time, different economic and social ideologies emerge on the subject as a result of regional comparisons. Although there is no clear use of regional discourse, the process seems to be that the discourse develops along the concepts of European or North American social entrepreneurship schools, as the countries would promote disembedded or embedded economy in their long social vision with social enterprise development.

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# Singapore Once More: A Vital Alignment of Interests and Goals within the ASEAN Framework

Iván Aigner, Mónika Garai-Fodor, and Tibor Pál Szemere

## 1. Introduction

As the center of gravity of the world economy has been shifting to the Asia-Pacific and the People's Republic of China is extending its influence over its immediate geographical vicinity, Southeast Asia, again, is the most likely arena of interaction. Arising from the realization of independent states in the region to establish a stable platform of intergovernmental cooperation for stronger and more united advocacy of interests, the Association of Southeast Asian Nations (ASEAN) has been a work in progress for the 55 years of its history, best described with having an "unpromising start" but, certainly, a "promising future" (Lee, 2014, p. 360). Born out of necessity and through the commitment of leaders of formerly rivaling parties, the grouping is constantly evolving in order to maintain or, at least, perform a balancing act for regional stability. Peace and stability, in general, are fragile phenomena. It is the surprise element, such as unforeseen events and uncontrollable circumstances, which pose the greatest challenge to the implementation of any given strategy. Thus, it is essential to keep alertness, readiness, and resilience at all times on a high level.

Furthermore, the ongoing quest to investigate Singapore's eminent status and the sustainability prospects of the Singapore Synthesis Model, elaborated during previous research, requires a deeper understanding of the regional context, largely expressed by ASEAN, as well as the city-state's role and influence within the organization. Hence, one of the aims of this paper is to outline the many achievements and multiple challenges of the possible Southeast Asian version of the European Union in the making, with a focus on and through its most developed and probably most diplomatic member, the Republic of Singapore. On the other hand, instead of listing generalities and describing already well-documented facts, this paper also focuses on drawing parallels and conclusions, finding a deeper meaning behind a series of events, synthesizing different aspects in order to put those into a wider context, but also to trace an ideal trajectory for this special association of countries to thrive in a basically hostile environment. The opportunity for ASEAN hereby is to perform another "miracle" in Southeast Asia, similar to the success of Singapore, once more.

## 2. Methodology

Following the research process of Singapore used previously, a holistic approach, taking into consideration both economic, environmental, infrastructural, historical, political, social, and technological aspects, combined with a deductive method, at this point, appears to suit the topic's complexity best.

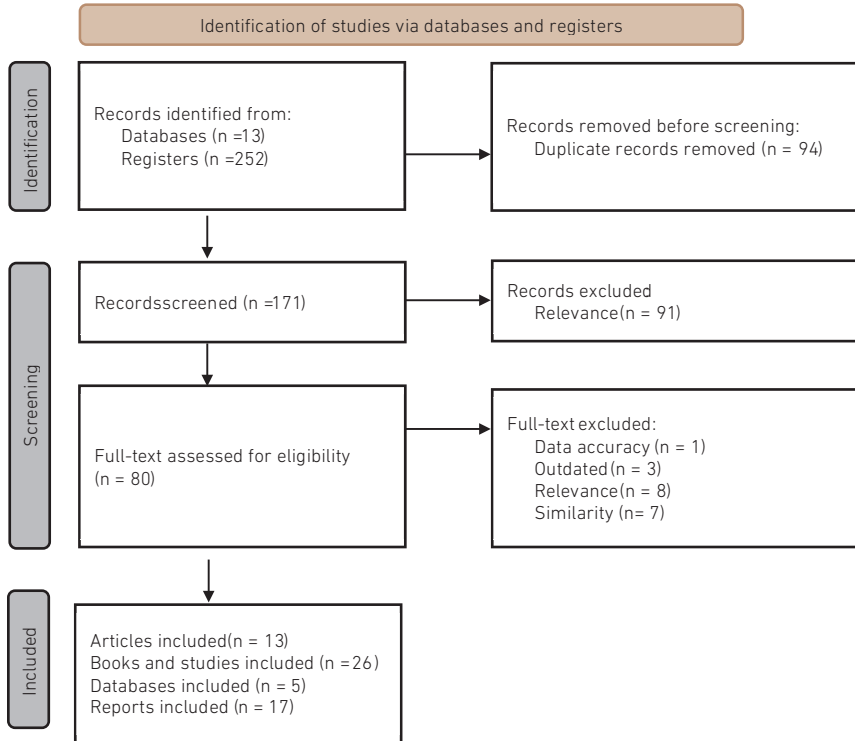
With authenticity and reliability being determining factors, this research relies on a wide array of internationally recognized sources such as public data(sets) retrieved from ASEANstats, the International Monetary Fund, the Singapore Department of Statistics, the World Bank Group, as well as official documents (e.g. assessment reports, media releases, project presentations, speeches, surveys) by local authorities, government agencies, independent research institutes, inter- or non-governmental organizations (e.g. Association of Southeast Asian Nations, United Nations Conference on Trade and Development, United Nations Department of Economic and Social Affairs, World Economic Forum), and renowned media outlets (e.g. BBC News, Nikkei Asia, Reuters, Tagesschau, The Diplomat, The Economist, The Straits Times). The analysis and synthesis of both quantitative data and qualitative findings of the sources used, complemented with our own empirical observations, provided a strong foundation for both evaluation and projection of the ongoing ASEAN project, with a special focus on Singapore and its decisive role. During the research process, the selection and screening of 265 records were executed by means of the PRISMA-P protocol (Page et al., 2021). After the removal of duplicates, the remaining databases and registers were screened based on the relevance of the title and the abstract of the studies, the lead of the articles, or the summary of the books and the reports collected. Applying selection criteria of authenticity, complementarity, data accuracy, as well as the reputation of both author(s) and publisher(s), a total of 61 articles, books, conference proceedings, databases, policy briefs, reports, and studies proved to be eligible to feature in this paper.

Records were primarily collected from Google Scholar and ResearchGate, using the following keywords or their combinations: analysis, ASEAN, Asia-Pacific, Chinese, collaboration, commercial, conflict, cooperation, coronavirus pandemic, COVID-19, crisis, data(sets), digital, digitalization, economic, economy, ecosystem, environment, European Union, financial, FinTech, foreign direct investment(s), global, globalization, history, influence, investment(s), market, network, prospect, regional, regionalization, relation(ship), report, resilience, resources, Russia, sanction(s), security, Singapore, South China Sea, Southeast Asia(n), stability, startup(s), statistics, sustainable development, trends, Ukraine, United States of America, USA, US-China trade war. In

addition, direct browsing on the official websites of the aforementioned international organizations and media outlets was applied.

**Chart 1**

PRISMA 2020 flow diagram for new systematic reviews which included searches of databases and registers only



Source: Page et al., 2021.

### 3. Results

In an environment filled with uncertainty, strategic cooperation, as one of the ultimate factors that distinguish humanity from the rest of the animal world, has been at the top of the agenda of ASEAN for the last 55 years. The trajectory towards development is boosted by regional efforts to connect to the digital future and focus on common interests for prosperity and stability.



### 3.1. From Globalization to Regionalization

By now, it has become an axiom that “we live in the age of fusion and networks” (Csizmadia, 2017, p. 176). Therefore, with the level of ubiquitous interconnectedness continuously increasing, as well as in order to better understand the current dynamic of crises and elaborate an early warning system enabling the use of effective evasive maneuvers, it is essential to take the process of globalization and the entanglement of global supply chains, that has been evolving over a period of more than three decades, into account. Looking back at the history of the global economy of two millennia—with the exception of the last two and a half centuries, marked by the dominance of European countries and the United States of America—China and India accounted for about 50-60 percent of the world’s economic power (Mahbubani 2020, p. 62) while sharing “strong economic, religious, and cultural ties” (Khanna, 2007) prior to the war of 1962 between these two large and most populous countries. Against all odds, the US-style hegemony, supported by the US dollar as the primary global reserve currency, the US acting as the world’s sole “policeman,” due to its overwhelming military strength and technological supremacy, as well as making use of a blocking minority in various international institutions, ultimately led to an unprecedented level of globalization that infiltrated into even the most remote corners of the planet. Characterized by profitability-enhancing reallocation and economies of scale, it enabled the integration of previously disadvantaged markets into the global bloodstream, but, at the same time, reinforced asymmetrical interdependence. However, despite its obvious and far-reaching advantages, this tendency took a toll on global markets during the Great Recession (2007-2009 Global Financial Crisis) and, on an even larger scale, during the complex global health, economic, social, psychological, and moral crisis caused by the Covid-19 pandemic, hitting emerging and developing countries, as well as failed nations much harder.

With geoeconomics at the center of the Eastern approach of international trade, as the source of growth and wealth, ASEAN has put economic cooperation at the forefront of its multifaceted agenda. The rearrangement in the early 1990s, due to the collapse of the Soviet Union and China’s roaring integration into the world economy, resulted in “the acceleration of globalization, the emergence and spread of regional production networks in Southeast Asia” (Magasházi, 2021, pp. 22-23), also calling for further deepening of multilateral ties. Besides the pioneer Agreement on ASEAN Preferential Trading Arrangements (1977), the landmark steps towards the gradually deepening Southeast Asian economic integration were the formation of the ASEAN Free Trade Area (AFTA) (1992-2002), the creation process of the ASEAN Economic Community (AEC) (2003-2015), as well as the ongoing ASEAN Economic

Community Blueprint 2025 (2016-) (Ishikawa, 2021, p. 25). The foundation of the AEC, as the flagship of institutionalized regional integration, rests on the four pillars of a single market and production base (trade, investment, finances, human resources), competitiveness (innovation, intellectual property rights, regulatory framework, sustainability), equitable development (agriculture, natural environment and resources, e-commerce, energy, information technology and science, infrastructure connectivity, inclusion, public-private partnership, resilience), as well as its global integration (free trade agreements, comprehensive economic partnerships) (ASEAN Secretariat, 2015, pp. 3-36). It is complemented by the ASEAN Political-Security Community, which aims at peace, security, and stability, cohesive, constructive, dynamic cooperation and coordination for a rule-based community with a special focus on its people (ASEAN Secretariat, 2016a, pp. 2-35), as well as the ASEAN Socio-Cultural Community, i.e. cooperation in the areas of culture, education, disaster-resilience, health-related hazards, human rights and humanitarian assistance, social protection and welfare, sustainable environment (ASEAN Secretariat, 2016b, pp. 4-20).

The role and voice of the bloc of Southeast Asian countries have gained weight due to the acceleration of the integration process, as well as the adverse and unexpected modifications initiated by the global Covid-19 pandemic (rising consumer demand and e-commerce activities, port congestions, supply chain disruptions), which displayed the vulnerabilities of the highly interconnected and interdependent global supply chains. However, regional supply chains and the Asian-style resilience, always be prepared for the unexpected (i.e., not to become complacent like Western states that, unlike Asian countries, have not experienced major conflicts or wars on their soils for more than seven decades), proved to be more crisis-proof. Therefore, the rise of regionalism “increases the appeal of ASEAN on the whole through the emergence of cross-border clusters” (Magasházi, 2021, p. 147), whereas Singapore’s position as a commercial, financial, and digital hub for multinational and transnational companies, enhances the association’s opportunities for building momentum for further growth and sustainable development.

### 3.2. The Future is Digital

Southeast Asia—often referred to as “the world’s growth engine”—shows the highest potential to become one of the dominant and eminent locations in the age of digitalization. Thus, the digital economy could serve as the ideal breeding ground for extending the level and scope of cooperation between the regional-global economic behemoth and its immediate area of influence. As a result, the coming era, characterized by

big data, Web 3.0, quantum computing, knowledge and know-how, creativity, innovation, as well as cooperating interconnected networks, offers the precious opportunity to decrease inequalities, effectively tackle global challenges, and take a great leap towards a more sustainable future. Multinational enterprises (MNEs) play a dominant role in the digital transformation process in Southeast Asia as the 50 leading industrial automation and “44 of the top 50 global” industrial internet of things MNEs “operate in the region.” Since the constant increase in demand converges with financial and regulatory support by governments (ASEAN Secretariat, 2021a, pp. 185-186), ASEAN, as “the fastest growing internet market in the world” (WEF, 2021) shows high potential in playing a central role in digitalization.

The complexity of the digital economy value chain can be reduced to three main parts: Applications (audiovisual online services, content rights, technologies) running on smart and auxiliary devices (including the Internet of Things), connected through multiple networks. The digital economy accounted for approximately US\$150 billion in revenue (Chua – Dobberstein, 2020, pp. 4-6) out of ASEAN’s combined GDP of US\$3 trillion in 2020 (WBG, 2021). Due to the double effect generated by the slowing Chinese economy and the coronavirus pandemic, Southeast Asian startup fundraising almost tripled from US\$9.4 billion in 2019 to US\$25.7 billion in 2021, while the FinTech sector even quadruplicated from US\$1.46 billion in 2019 to US\$5.83 billion in 2020 (Iwamoto, 2022), the biggest benefactor of this trend being Singapore as the center of the regional startup and FinTech ecosystem.

### 3.3. Focusing on Common Interests

The ASEAN community creates the prerequisites for multilateral and multilevel transfer of information, knowledge, resources while standing as a united front in the face of a wide range of natural and artificially created challenges.

There is a correlation between sustainability and the level of innovation. Sustainability requires all stakeholders to adopt a mindset change, strategic planning, and to build a comprehensive, digitally up-to-date financial infrastructure, enabling “open and collaborative innovation” processes that transcend national borders (UNCTAD, 2017, pp. 21-29). Furthermore, as a result of inclusive innovation, inclusive development is generated that, ultimately, increases both the effectiveness (UNCTAD, 2017, pp. 8-9) and the transition speed towards sustainability. Successful and comprehensive sustainability depends on the scale of regional and/or global collaboration. Similar to a corporate environment, issue-focused multi-stakeholder management is an

effective tool for smooth problem-solving within a network by promoting open dialogue (Roloff, 2008) in order to build trust, along with shared interests, based on a converging set of values. In sync with that, the 33<sup>rd</sup> ASEAN Summit (2018), hosted by Singapore, revolved primarily around resilience and innovation, with a special focus on e-commerce, green jobs, regional connectivity, and the concept of smart cities (ASEAN Secretariat, 2018), as a clear sign of the growing commitment to sustainability. Closing ranks in the light of the triple challenge of security, climate change, as well as economic and environmental sustainability increases both the value and role of the Southeast Asian community.

## 4. Discussion

Southeast Asia is a region marked by historical diversity and deeply rooted complexity. This community of independent nations comprises a population of around 667 million people (WBG, 2021), more than half of which are under the age of 30. The bloc's growing economic relevance and resilience would not have been feasible without the establishment of a united front and functionality.

### 4.1. ASEAN-style Regional Cooperation

Since being the only region on the globe that comprises all major civilizations (Buddhists, Christians, Confucianists, Hindus, and Muslims), Southeast Asia is truly the most colorful corner in terms of cultural, ethnic, and religious diversity. In addition, being "an area of geographical fragmentation, [...] a great crossing place of land and sea routes" (Fisher, 1962, pp. 347-348), linking the Indian and the Pacific Oceans, led to centuries of grinding between regional or great powers (China, India, and various European empires historically, China and the US in recent times), as well as to intensified migration, colonization, and hostility. Therefore, it was evident for British geographer, Charles A. Fisher, to draw a parallel with the Balkans, the so-called "powder keg of Europe," as the ignition point of various conflicts with major and long-lasting impacts. The history of Southeast Asia is also strewn with conflicts, some of them happening even at this very moment.

The current geographical layout of differences in development is the result of the unfortunate legacy of European domination with a preference for areas close to ports and main commercial trade routes over those further inland. Moreover, the domino effect of decolonization and national self-determination after the end of World

War II, ultimately, led to the creation of independent states, mostly unprepared for quasi-complete separation (Fisher, 1962, pp. 355-356), which resulted in challenges that continue to linger on. However, there is a significant factor that differs from the time when the former colonies gained independence: Instead of having multiple European powers exerting their influence over respective parts of the region, the single greatest threat looming over this Southeast Asian “resilient ecosystem of [...] peaceful coexistence” (Mahbubani – Sng, 2017, pp. 21-25) is the race for dominance as a result of the clashing interests of two major parties, the only remaining post-Cold War superpower, the United States of America, and its newly (re)emerging Chinese contender.

#### 4.1.1. Stronger Together

With the complex goal of enhancing regional economic, political, and social cooperation, Indonesia, Malaysia, the Philippines, Singapore, and Thailand established the Association of Southeast Asian Nations (ASEAN) in 1967. The most prominent reason, however, was to ensure stability by promoting peace and assembling the founding Southeast Asian member states, that feared being caught up in the ideological, economic, and military rivalry between the Soviet Union and the United States of America, in a united front in order to counter the threat of possible foreign interference and to thwart the spread of the communist ideology (Lee, 2014, pp. 292-293, 360). The raging Vietnam War (1955-1975) served as an alarming example of what the outcome of being in the line of fire of conflicting interests of superpowers might look like. ASEAN adopted the “unity in diversity” motto of its largest member, Indonesia (Fisher, 1962, p. 363), as its core element. The basic guiding principles of “mutual respect for the independence, sovereignty, [...] different cultures, languages and religions, [...] non-interference in the internal affairs of ASEAN Member States,” as well as of “renunciation of aggression, [...] adherence to the rule of law, [...] international law,” and “multilateral trade rules” (ASEAN Secretariat, 2007, pp. 6-7) are reflections of that very idea.

Although being a formal platform of interaction between leaders of independent nation-states, one should never forget about the human factor, in this case, interpersonal relationships. In this regard, political negotiations do not differ that much from business meetings, since differences are often resolved in between sections of the official agenda, during various leisure activities, for example on the golf course (Lee, 2014, p. 416), that are excellent for getting to know one another, to understand, and, ultimately, to build trust in each other without prying eyes. However, ASEAN is much more than a forum for politicians to regularly exchange their views and ideas. As in

many other cases, any form of human association (grouping or legal person) is worth as much as it promotes the interests of and offers benefits for the people it comprises and represents—clearly expressed by another motto of the Southeast Asian “family”: A community of opportunities for all. Hence, the *raison d’être*, value, and success of an intergovernmental organization such as ASEAN are best reflected by tangible achievements and the opinion of its population. A survey of more than 2,000 respondents from all walks of life, conducted in 2017 (in celebration of the 50<sup>th</sup> anniversary of the establishment of ASEAN), in all ten member states, displayed the level of general awareness of the organization, its benefits, challenges, programs, and initiatives. It showed an increasing level of awareness—mostly on economic cooperation among academics and government officials, as well as on the free flow of people. Despite the moderate enthusiasm for ASEAN citizenship, the benefits resulting from the membership are perceived to an extent where leaving the organization is not a supported option. The challenges ahead, such as corruption, climate change, social inequality, regulatory coherence, and food security, are clearly recognized by the majority of the population of ASEAN (Intal – Ruddy, 2017, pp. 12-33) and largely in convergence with the official issues of concern.

The hypothesis that ASEAN could become the Southeast Asian version of the European Union in the near future appears to be a distant reality, due to a number of factors. First of all, there is a large variation in the governance system with an absolute monarchy (Brunei Darussalam), three parliamentary constitutional monarchies (Cambodia, Malaysia, Thailand), a constitutional republic under a military regime (Myanmar), a parliamentary republic (Singapore), two presidential republics (Indonesia and the Philippines), as well as two socialist republics (Laos, Vietnam). Furthermore, the development gap between member states is extensive and a number of supranational competencies are excluded from the ASEAN Charter. Nevertheless, despite a number of challenging issues (e.g. differences in development), it is vital for the region to always find common ground since unity increases strength, resistance, and endurance. In order to chart a course towards a truly functioning regional platform based on mutual trust, cooperation, and wealth (aspirations), as well as envisioning tangible results and putting in place mechanisms that render their successful implementation possible. Performing a SOAR analysis (Table 1) allows visualizing the connectivity between the current state and the targeted, desirable outcome for any given organization, including all relevant levels. In the case of ASEAN, this future-oriented examination underlines the achievements and the progress made, while revealing the issues that still need some fixing.



**Table 1**  
**SOAR Analysis of ASEAN**

| Strengths   | Aspirations  |
|---|--|
| Geolocation   | Peace and stability without foreign interference   |
| Constant (readiness to engage in) constructive dialogue | Accelerated equitable development and prosperity through mutually beneficial cooperation |
| Reconciliation of interests                             | Sustainability   |
| ASEAN Economic Community                                |  |
| Stronger negotiating position with united voice         |  |
| Opportunities   | Results  |
| Multilateral diplomacy                                  | Economic cooperation   |
| Digitalization and innovation                           | Regular political (intergovernmental) meetings   |
| Holistic education as long-term investment              | Relative regional stability  |
| Sharing best practices and know-how                     |  |

Source: compiled by the authors.

The entry into force of the largest free trade agreement (FTA) in the world, the Regional Comprehensive Economic Partnership (RCEP), on January 01, 2022, was a milestone of ASEAN's integration process. Besides progressive and significant tariff cuts for traded goods, preferential access to selected products, the acceleration of administrative procedures, and more transparency in public procurement, the major enlargement of ASEAN's FTA network also handles areas such as competition, electronic commerce, and intellectual property rights (ASEAN Secretariat, 2022a), essential in the age of digitalization. With this landmark agreement, the Southeast Asian countries have become a part of a larger community that represents 30 percent of both the world's population and of global GDP (ASEAN Secretariat, 2022b).

#### 4.1.2. ASEAN in Numbers

Table 2 (see on pp. 80-81) provides a widespread overview of ASEAN member states along with important administrative, demographic, economic, and environmental indices, all displaying the level of diversity, characterized by great differences in population, territory, economic weight, connectivity, and opportunities. Highlighting the data of Singapore showcases its versatile nature and the fact of having the greatest potential of shaping the future of the regional grouping.

#### 4.1.3. Hard Choices for Security and Stability

With the world economy's center of gravity shifting to the Asia-Pacific, as well as the seemingly unstoppable and relentless rise of the People's Republic of China, it remains uncertain whether it is possible to avoid stepping into a Thucydides Trap by finding a more civilized alternative to a large-scale and protracted armed conflict between superpowers, such as peaceful transition and coexistence. Southeast Asian states, of course, strive toward creating the preconditions for sustainable growth in a region defined by a balanced and peaceful natural, political, and social environment. Ever since the change in direction by the Trump administration, there has been a major shift "from uneasy cooperation to uneasy rivalry" (Schwarz, 2021) between the People's Republic of China and the United States of America that, ultimately, threatens to undermine the efforts of Southeast Asian countries to build a united front (cooperation and peace) for further regional development. It is clear that the geopolitical term of "spheres of influence" is far from being outdated. Just like in the case of the European Union, both China and the United States of America have a very strong interest in weakening any existing or newly forming regional coherence. The East Asian great power, by utilizing the divide and conquer approach, is trying to forge disunity among ASEAN member states without the risk of severing good economic ties, vital for its growth. Nevertheless, "while China is a geographical fact, the United States [...] is merely a geopolitical concept" (Kaplan, 2014, p. 100), which implies that physical distance remains a determining factor after all. The delicate situation is well expressed by Prime Minister Lee of Singapore: "It is not possible for us to choose one or the other because we have very intense and extensive ties with both the US and with China [...]. It is a problem for many countries in the world" (Lee, 2021). However, as dangerous as this balancing act appears to be, the race for supremacy in the region gives Southeast Asian states an unarguable opportunity to maneuver in order to further push their agenda by banding up and resolving differences among each other in a peaceful manner (Lee, 2014, p. 342), as the "founding father" of modern Singapore, Lee Kuan Yew, wisely pointed out in his memoirs.

China's strategic thinking differs from the ideology of the United States of America in both timing and form of dominance, so they are intentionally avoiding direct confrontation with the American superpower and military intervention in the region, though preferring to have "tributary-like relationships with most non-rival countries" (Dalio, 2021, pp. 412-413) in their immediate sphere of influence. The only exception to that comes from the necessity to possess the naval advantage in order to become a superpower. Therefore, one does only have to take a closer look at a number of maps and overlay one with another in order to recognize a most probable strategic pattern

Table 2

Comparison of ASEAN Member States (data from 2020 or upon last availability)

| COMPARISON OF ASEAN MEMBER STATES  | Brunei Darussalam | Cambodia     |
|--|-------------------|--------------|
| World View   |                   |              |
| Population, total (million) (2020)   | 0,44              | 16,72        |
| Population growth (annual %) (2020)  | 0,96              | 1,40         |
| Territory (thousand km <sup>2</sup> ) (2018)                                 | 5,77              | 181,00       |
| Population density (people per km <sup>2</sup> of land area) (2020)          | 83,01             | 94,71        |
| GNI, PPP (current international \$) (billion) (2020)                         | 29,57             | 71,03        |
| GNI per capita, PPP (current international \$) (2020)                        | 67 590            | 4 250        |
| People   |                   |              |
| Life expectancy at birth, total (years) (2020)                               | 75,86             | 69,82        |
| Fertility rate, total (births per woman) (2020)                              | 1,82              | 2,48         |
| Mortality rate, infant (per 1,000 live births) (2020)                        | 9,60              | 22,00        |
| UHC Service Coverage Index (SDG 3.8.1) (2019)                                | 77                | 61           |
| Literacy rate, adult total (% of people ages 15 and above) (2018-2020)       | 97,21             | –            |
| Government expenditure on education, total (% of GDP) (2020)                 | <b>4,43</b>       | 2,16         |
| Environment  |                   |              |
| Forest area (thousand km <sup>2</sup> ) (2020)                               | 3,80              | 80,68        |
| Terrestrial and marine protected areas (% of total territorial area) (2018)  | <b>46,90</b>      | 26,00        |
| Annual freshwater withdrawals, total (% of internal resources) (2017)        | <b>1,08</b>       | 1,81         |
| Urban population growth (annual %) (2020)                                    | 1,36              | 3,18         |
| CO <sub>2</sub> emissions (metric tons per capita) (2018)                    | <b>16,64</b>      | 0,69         |
| Economy  |                   |              |
| GDP (current US\$) (billion) (2020)  | 12,01             | 25,81        |
| GDP growth (annual %) (2019)   | 3,87              | <b>7,05</b>  |
| GDP per capita, PPP (current international \$) (2020)                        | 65 612,70         | 4 421,48     |
| GDP per capita growth (annual %) (2020)                                      | 0,17              | -4,49        |
| Inflation, GDP deflator (annual %) (2020)                                    | <b>-10,86</b>     | -0,87        |
| Agriculture, forestry, and fishing, value added (% of GDP) (2020)            | 1,22              | <b>22,38</b> |
| Manufacturing, value added (% of GDP) (2020)                                 | 15,77             | 16,43        |
| Industry (including construction), value added (% of GDP) (2020)             | <b>59,13</b>      | 34,80        |
| Services, value added (% of GDP) (2020)                                      | 41,45             | 36,60        |
| Exports of goods and services (% of GDP) (2020)                              | 57,36             | 61,19        |
| Imports of goods and services (% of GDP) (2020)                              | 52,93             | 62,62        |
| States and Markets   |                   |              |
| Central governmental debt (% of GDP) (2020)                                  | <b>2,86</b>       | –            |
| Time required to start a business (days) (2019)                              | 5,50              | 99,00        |
| Military expenditure (% of GDP) (2020)                                       | <b>4,08</b>       | 2,45         |
| Mobile cellular subscriptions (per 100 people) (2018)                        | 131,93            | 119,49       |
| Individuals using the Internet (% of population) (2020)                      | 95                | 78,8         |
| High-technology exports (% of manufactured exports) (2020)                   | 1,34              | 2,28         |
| Global Links   |                   |              |
| Merchandise trade (% of GDP) (2020)  | 99,54             | 140,83       |
| Net migration (thousand) (2017)  | 0,00              | -150,00      |
| Foreign direct investment, net inflows (BoP, current US\$) (million) (2020)  | 565,54            | 3 624,64     |
| Foreign direct investment, net outflows (BoP, current US\$) (million) (2020) | –                 | 127,01       |

| Indonesia       | Lao PDR     | Malaysia      | Myanmar      | Philippines  | Singapore        | Thailand      | Vietnam   |
|-----------------|-------------|---------------|--------------|--------------|------------------|---------------|-----------|
| <b>273,52</b>   | 7,28        | 32,37         | 54,41        | 109,58       | 5,69             | 69,80         | 97,34     |
| 1,07            | <b>1,47</b> | 1,29          | 0,67         | 1,35         | -0,31            | 0,25          | 0,90      |
| <b>1 916,86</b> | 236,80      | 330,35        | 676,59       | 300,00       | 0,72             | 513,12        | 331,23    |
| 145,68          | 31,52       | 98,51         | 83,35        | 367,51       | <b>8 019,47</b>  | 136,62        | 313,92    |
| <b>3 213,25</b> | 56,74       | 885,54        | 271,18       | 990,16       | 491,69           | 1 236,35      | 793,50    |
| 11 750          | 7 800       | 27 360        | 4 980        | 9 040        | <b>86 480</b>    | 17 710        | 8 150     |
| 71,72           | 67,92       | 76,16         | 67,13        | 71,23        | <b>83,50</b>     | 77,15         | 75,40     |
| 2,29            | <b>2,63</b> | 1,98          | 2,14         | 2,53         | 1,14             | 1,51          | 2,05      |
| 19,50           | 35,30       | 7,40          | <b>35,00</b> | 20,90        | 1,80             | 7,40          | 16,70     |
| 59              | 50          | 76            | 61           | 55           | <b>86</b>        | 83            | 70        |
| 95,99           | –           | 94,97         | 89,07        | 96,28        | <b>97,48</b>     | 93,77         | 95,75     |
| 2,84            | –           | 4,16          | 1,97         | 3,23         | 2,51             | 2,97          | 4,06      |
| <b>921,33</b>   | 165,96      | 191,14        | 285,44       | 71,89        | 0,16             | 198,73        | 146,43    |
| 12,20           | 16,70       | 19,10         | 6,40         | 15,30        | 5,60             | 18,80         | 7,60      |
| 11,03           | 3,84        | 1,16          | 3,31         | 19,36        | 82,02            | 25,53         | 22,78     |
| 2,23            | <b>3,26</b> | 2,01          | 1,60         | 1,89         | -0,31            | 1,70          | 2,83      |
| 2,18            | 2,66        | 7,60          | 0,61         | 1,33         | 8,40             | 3,71          | 2,70      |
| <b>1 058,42</b> | 19,13       | 337,01        | 79,85        | 361,49       | 340,00           | 501,64        | 271,16    |
| 5,02            | 5,46        | 4,44          | 6,75         | 6,12         | 1,35             | 2,27          | 7,02      |
| 12 072,74       | 8 239,17    | 27 923,69     | 5 123,83     | 8 389,85     | <b>98 520,03</b> | 18 232,80     | 8 650,13  |
| -3,11           | -0,96       | -6,86         | <b>2,48</b>  | -10,78       | -5,10            | -6,33         | 1,98      |
| -0,46           | 4,99        | -0,78         | 5,06         | 1,64         | -2,92            | -1,07         | 1,29      |
| 13,70           | 16,21       | 8,19          | 21,98        | 10,18        | 0,03             | 8,63          | 14,85     |
| 19,88           | 7,62        | 22,28         | 24,76        | 17,67        | 20,54            | <b>25,24</b>  | 16,70     |
| 38,26           | 32,16       | 35,93         | 36,25        | 28,40        | 24,37            | 33,10         | 33,72     |
| 44,40           | 40,73       | 54,77         | 41,77        | 61,42        | <b>70,95</b>     | 58,27         | 41,63     |
| 17,17           | –           | 61,43         | 28,32        | 25,19        | <b>176,24</b>    | 51,46         | 105,55    |
| 16,02           | –           | 54,99         | 26,15        | 32,99        | <b>144,32</b>    | 46,53         | 102,70    |
| 39,36           | 68,18       | 61,72         | 39,30        | –            | 155,41           | 44,94         | 43,69     |
| 12,60           | 173,00      | 17,50         | 7,00         | 33,00        | <b>1,50</b>      | 6,00          | 16,00     |
| 0,86            | –           | 1,14          | 2,89         | 1,01         | 3,20             | 1,47          | –         |
| 119,34          | 51,86       | 134,53        | 113,84       | 126,20       | 148,82           | <b>180,18</b> | 147,20    |
| 53,7            | 25,5        | <b>89,6</b>   | 23,6         | 46,9         | 75,9             | 77,8          | 70,3      |
| 8,43            | –           | 53,81         | 2,94         | <b>64,36</b> | 55,27            | 27,67         | 41,74     |
| 28,81           | 60,03       | 125,81        | 43,38        | 42,72        | <b>203,64</b>    | 87,40         | 201,17    |
| -494,78         | -73,52      | <b>250,00</b> | -816,56      | -335,76      | 135,14           | 97,22         | -400,00   |
| 19 122,14       | 967,71      | 4 313,01      | 1 834,21     | 6 585,60     | <b>87 445,14</b> | -4 845,36     | 15 800,00 |
| 5 029,30        | 0,00        | 3 639,54      | –            | 3 525,19     | <b>32 375,48</b> | 19 002,07     | 380,00    |

Source: World Development Indicators, International Monetary Fund; compiled by the authors.

regarding the step-by-step expansion of China's territorial waters in the contested South China Sea to the detriment of neighboring Brunei, Malaysia, the Philippines, and Vietnam. The sea-based part (21<sup>st</sup> Century Maritime Silk Road) of the world's most populous country's ambitious infrastructure project, the Belt and Road Initiative (BRI), unveiled in 2013, passes through the parts of the South China Sea (Figure 1) that, according to international law, should belong to the ASEAN member states concerned.

**Figure 1**

**The Maritime Silk Road of China's Belt and Road Initiative in Southeast Asia**

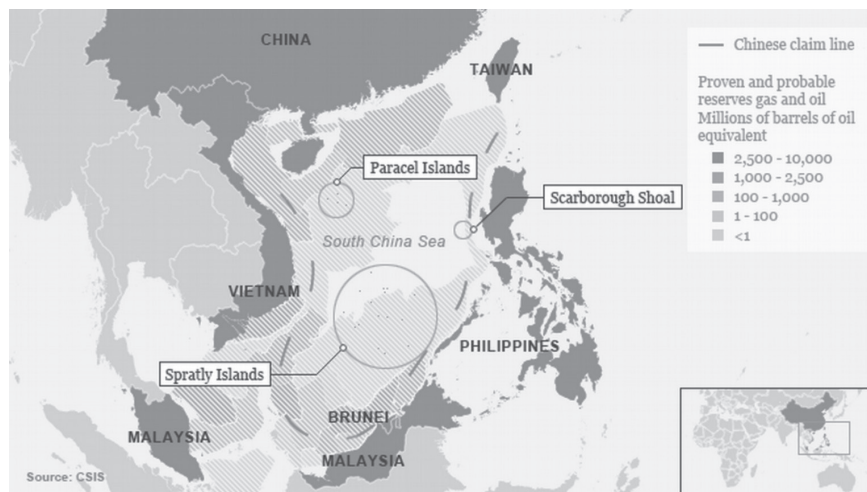


Source: *The Economist*, February 27, 2021.

The claimed waters of the world's most populous country are situated within the so-called "nine-dash line," which literally encompasses the vast majority of the region's proven and probable gas and oil reserves (Figure 2), also including fishing zones, leaving only narrow bands along their respective coastlines to the other parties involved, thereby depriving them of exploiting large chunks of their future wealth.

Figure 2

Gas and Oil Reserves in the South China Sea and the “Nine-Dash Line”



Source: Center for Strategic and International Studies, March 1, 2022.

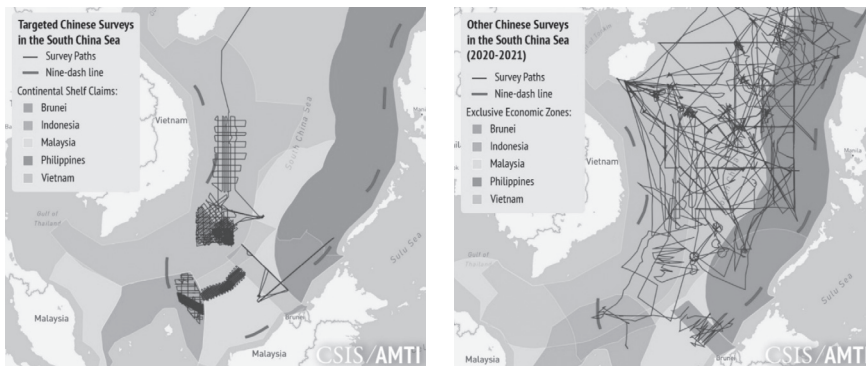
Notwithstanding the Declaration on the Conduct of Parties in the South China Sea (2002), as well as further consultations resulting in follow-up documents, such as guidelines (2011), a framework (2017), and a single draft negotiation text (2018) (Hayton, 2021), there was an increase of Chinese surveys performed in the South China Sea in 2020 and 2021 (Figure 3), where various naval vessels roamed all across the South China Sea and within the perimeter of the nine-dash line (AMTI, 2022) as a demonstration of force. On its path towards becoming an unchallenged (regional) naval power, China's maritime strategic advancement in the form of civilian or military infrastructure development on small islands, reefs, or in friendly ports, spanning from the South China Sea to the Indian Ocean, the “String of Pearls” projection from 2004 (Baker, 2015), is gradually expanding and in sync with its Belt and Road Initiative, in explicit violation of international agreements.

The division of the ASEAN population in terms of alignment towards one or the other competing superpower reinforces concerns about becoming proxies. According to a survey from 2020, conducted among 1,308 people from ASEAN member states, a slight majority (53.6 percent) would orient themselves in the direction of the US, Vietnam (85.5 percent), the Philippines (82.5 percent), and Singapore (61.3 percent) being the major proponents, while Laos (73.9 percent), Brunei (69.1 percent), Myanmar

(61.5 percent), and Malaysia (60.7 percent) would rather favor China. However, the majority of respondents expressed anxiety over the latter's growing economic and political dominance, as well as its questionable tactics in both the South China Sea and the Mekong (Tang et al., 2020, pp. 29, 38) which, in the absence of concerted action, will most probably further increase.

**Figure 3**

**Chinese Surveys in the South China Sea (2020-2021)**



Source: Center for Strategic and International Studies / Asia Maritime Transparency Initiative, 2017.

Despite the fact of the focus of attention of the United States of America, as the incumbent dominant superpower, being redirected to Europe because of the invasion of Ukraine by Russian armed forces on February 24, 2022, the ongoing shift of the global center of gravity to the Asia-Pacific region cannot be halted based on a series of historical evidence that predetermines the apparently inevitable outcome of any "Big Cycle" (Dalio, 2021, pp. 39-42). The longevity of the current cycle has been shortened by the strategical mistake by the United States of America to facilitate the expansion of Chinese influence in the Asia-Pacific region (Mahbubani, 2020, p. 45) with waging an unnecessary trade war against both its main trading partner and rival. The ongoing shift towards a new world order is also rooted in a stark difference in approach to establishing dominance. Western powers usually think in geopolitical terms, meaning political expansion through intervention (in the majority of cases with the use of military force), the exercise of control, and the creation of dominance-based dependence; while the Eastern-style is rather opportunity-based, relies on influence through economic connections and without interference in domestic affairs (Aigner et al., 2021b, p. 170). However, to "perceive the rise of China [...] only as a threat", hence, the "idea that" its "ascent is a zero-sum game—it can only occur at everyone else's



expense—defies economic logic” (Khanna, 2007). Thinking exclusively in extremes is, after all, unnecessarily counterproductive. Instead, indefatigable diplomatic and pragmatic efforts should be carried out in order to find common ground based on mutual respect and peaceful coexistence. This is the ASEAN way that could and should be implemented in order to avoid further escalation. So far, the “need to get together to increase the weight of Southeast Asian countries” (Lee, 2014, p. 378) proved to be a major asset and stood the test of time.

The humanitarian disaster in Myanmar, being the combined result of the economic and healthcare ramifications of the coronavirus pandemic, as well as of the severe political crisis because of the ethnic cleansing campaign that started in August 2017 and the military coup of February 2021 (Lorch, 2021), represents a major challenge to the Southeast Asian community. Although interference in domestic affairs would have gone against ASEAN’s charter, the other nine member states diplomatically protested by excluding the leader of the reigning military junta from the 38<sup>th</sup> ASEAN Summit (Yee, 2021) with the argument of protecting legitimacy.

Taking the lead in mediating between the conflicting parties and in order to ensure regional stability, with the approval of the United Nations and even China, the organization elaborated the Five-Point Consensus in April 2021, calling for the “immediate cessation of violence” and “constructive dialogue” with the help of a special envoy, as well as pledging to “provide humanitarian assistance” (ASEAN Secretariat, 2021c, p. 4). The visit by the Cambodian prime minister, who also happens to be the chair of ASEAN in 2022, to Myanmar has heavily undermined both the organization’s credibility (Santiago, 2021) and the so-far unsuccessful implementation of the united efforts to restore peace and stability.

Besides the tense military and geopolitical situation, the part of Asia situated at the coastlines, i.e., the majority of the Southeast Asian population, faces a far greater problem because of the impact of a number of natural disasters, such as devastating floods, tsunamis, landslides as a result of heavy storms, typhoons, and the rising sea level, drought, earthquakes, volcanic eruptions, mostly due to climate change and harmful human activities (deforestation, groundwater depletion, soil degradation, water management, as well as emissions causing cross-border air and haze-fog pollution) (Aigner et al., 2021a, p. 18). Also, while less than 30 percent of the world’s population were urban dwellers in 1950, the level of global urbanization rose to a startling 55 percent (around 4.4 billion people) by 2018 (UN DESA, 2019, p. 5). Similarly, half of Asia’s population of 4 billion were living in cities in 2019 (Susantono – Guild, 2021, p. 1). This exponential increase is also reflected in the number of densely populated

megacities of more than 10 million inhabitants, multiplying from 10 in 1990 to 33 in 2018, 20 of which are located in Asia (UN DESA, 2019, p. 7), mostly in developing countries. The combined effect of adverse weather conditions, overpopulation, and rapidly growing urbanization intensifies the challenges of environmental degradation, epidemiological crises, food shortages, poverty, as well as migration at an alarming rate. Among the 768 million people worldwide, 418 million in Asia are affected by malnutrition (FAO et al., 2021, p. 12), again, accounting for more than half of the total. This is a field where national sovereignty and non-interference in each other's internal affairs, as stipulated in the ASEAN Charter, pose a major obstacle to the effective and tangible implementation of cross-border cooperation, while regional environmental harmonization is rendered even more difficult with the increase in economic activity and consumption.

#### **4.1.4. Economic Outlook**

In the light of global phenomena such as climate change, migration, scarcity of natural resources, resilience and sustainability require cross-border cooperation where there is an explicit need for parties to focus on complementarities instead of persisting on historical, often subliminal, grievances. A combined mental and emotional shift seems indispensable in order to overcome both current and future challenges. As a consequence of the Trump administration's protectionist agenda as of 2018, ASEAN climbed to the second position in 2019 regarding China's trading partnership and took over first place from the European Union in 2020. China, on its account, has been the largest trading partner for ASEAN for more than a decade (ASEAN Secretariat, 2021b, p. 58). The densely entangled cooperation is marked by multilayered regional supply chains due to the fragmentation of production processes.

Both the repercussions of the coronavirus pandemic and the Russian–Ukrainian conflict urge the need for an acceleration in the energy transition of Southeast Asian countries, too. As time is pressing, a short-term solution is not in sight. A large-scale embargo of Russian oil would initiate a global shockwave as failing quantities could be replaced neither easily nor quickly enough to compensate for the rising demand and would cause exponentially soaring prices to hit the world economy very hard (The Economist, 2022), while having the potential to intensify the downward spiral effect. Aggravated by the spillover effect to literally all areas (production, supply, distribution), resources (grains, mineral fuels, raw materials), in some cases, with all-time highs, have the prospect of drastically reshaping the world economy. Again, Southeast Asia's proximity to the reinforcing Chinese economic superpower provides a competitive advantage compared to African, American, and European markets.

With the world economy slowly recovering from the unfortunate ramifications of the coronavirus pandemic, the global energy sector is confronted with a four-front battle, tackling the combined effect of the rising demand for natural fuels, the disruption of supply chains, the greening process to counteract climate change, and the aggravation of geopolitical tensions (e.g. China-United States trade war, China-Taiwan tug of war, Iranian and North Korean nuclear programs, Russian-Ukrainian crisis). The military conflict between Russia and Ukraine has overshadowed the favorable economic outlook for Southeast Asian countries (IMF, 2022, p. 5), while recovering from the complex crisis that broke out in early 2020, and will presumably have long-haul impacts that are still unfolding. All in all, the single greatest risk is a “reactor overheating” that would, ultimately, trigger an irreversible chain reaction. Unfortunately, some links in that dreadful chain, already in place, project what might happen in case of further intensification. Whether it is the Russian attack on the largest European nuclear power plant in Ukraine (Martin, 2022) or the price explosion in the commodity markets due to rising inflation rates and (geo)political uncertainty (Hama – Hiruta, 2022), the (in)direct negative effects, such as decreasing food security and soaring energy prices, on Southeast Asian economies, highly dependent on fossil fuels, are immediate and far-reaching.

In addition, while stepping into uncharted territory with the first invasion of a European country since the end of World War II, historical evidence suggests that the unparalleled set of sanctions imposed on Russia, as the military aggressor in the conflict, by the wider Western community might create an even more dangerous situation of a much larger scale. This assumption is based on the fact that the use of sanctions, whether being legitimate or imposed on false pretenses, gradually transformed from a peace-keeping tool of deterrence to a weapon of economic coercion and have quadrupled since the 1990s compared to the period of the Cold War. Furthermore, experience also shows that there is a clear disproportion between the surging number and the decreasing effectiveness (Mulder, 2022, pp. 291-297) of imposed sanctions which, as a consequence, most probably will have an aggravating impact on “existing tensions within globalization” (Mulder, 2022, p. 13) amid the dire and cumulative impact of rising nationalism, the intensifying trade war between China and the US, as well as the global health crisis (Covid-19 pandemic), disrupting the world’s highly interdependent financial-economic, social, and psychologic fabric. On the other hand, the repeated attempt to unravel the mystery of human history results in the realization that, indeed, illogical, erratic, and extremely damaging behavior is a recurrent phenomenon many believed to belong in dusty history books on the shelf. Despite sheer irrationality, as so many times before, any potential threat to the military, ideological, and/or financial-economic supremacy of the incumbent dominant

(super)power results in the increasingly desperate prevention of the inevitable, having the most likely outcome of an aggravating series of conflicts with repercussions of immense suffering, ultimately confirming the existence of the dynamics regarding the rise and fall of empires. For the sake of relative world peace and the rapprochement of the global human family, the question, in this connection, is whether stepping into a horrendous Thucydides trap, i.e., triggering a cataclysm of unprecedented epic proportions, can be avoided this time. A war can be won, after all, but who wants to rule over masses of corpses and struggle with rebuilding a shattered economy?

#### 4.2. Singapore: Driving Force and Benchmark of Excellence

The benefits of the fast and open accessibility of regional markets, the attractiveness of the ease of doing business, favorable taxation, and transparency, or the high level of adaptability due to proven and tested resilience give Singapore the character of excellence.

##### 4.2.1. Comprehensive Sustainability of the Singapore Synthesis Model

In the relatively short span of just four decades, the small Southeast Asian island state made a successful transition from a third-world country at the time of gaining independence in 1965, to a major commercial and financial powerhouse on the international stage. According to both the International Monetary Fund's World Economic Outlook Database from October 2021 and the World Bank Group's World Development Indicators, Singapore had the second highest gross domestic product (GDP) per capita at purchasing power parity (PPP) (98,520 in current international dollars) in the world, after Luxembourg (117,500 in current international dollars), in 2020. The mindset behind the unique success story of Singapore, turning an island trading outpost into a shining example of resilience and outstanding development, is vividly expressed by the remark of former Second Deputy Prime Minister of Singapore, Goh Keng Swee, back in 1970, according to which "there is greater social cohesion, [...] more social discipline and self-reliance, pride in performance and achievement in the face of adversity" (Hodge, 1980, p. 110). In order to understand the phenomenon, it is important to align the interconnected elements of the Singapore Synthesis Model, which is the combination of uniquely advantageous geolocation (a regional hub with the world's second-largest container port), a strong social contract (ethnic tolerance, meritocracy, partnership, rule of law), impressive defense capabilities (deterrence and diplomacy), and a comprehensive strategic vision (foreign investments, strong

leadership, effective and efficient governance, transparency, first-class education, comprehensive social safety net, developed service industries and financial sector, digitalization and innovation) (Aigner, 2021).

With a relatively large population of 5.7 million people (0.073 percent of the world total) compared to its minuscule territory of 726 km<sup>2</sup>, Singapore's gross domestic product (GDP) at purchasing-power-parity (PPP) of US\$560 billion represented 0.424 percent of the global GDP in 2020 (IMF, 2021). In addition to its comparatively specific relevance, Singapore stands out in a number of fields, reflected in its leading position in various international rankings (business environment, competitiveness, economic freedom, and transparency, as well as container ports, financial centers, digital transformation, education, and public safety).

Another illustrious measure of the city-state's top performance is the activity of "the most successful business promotion agency in the world" (Mahbubani, 2020, p. 42). The Economic Development Board (EDB) has been contributing to Singapore becoming the largest destination of foreign direct investment in the region with approximately 65 percent (US\$193 billion) and 86 percent (390 billion USD) of inward FDI stocks from the European Union (EU-27) and the United States of America respectively in 2020, while the total amount of about US\$1,568 billion, coming from 99 countries, accounted for 64 percent of all inward FDI flows within ASEAN (ASEANstats / SingStat).

Concerning Singapore's direct investments abroad, the main destinations of the total of US\$769 billion in 2020 were China (including Hong Kong) (20.44 percent), ASEAN (18.37 percent), and the 27-member strong European Union (15.34 percent) (SingStat, 2021).

In maritime (container) shipping, various factors (transit time, the volume of cargo, fuel consumption, time in port, speed of cargo handling, degree of environmental footprint, etc.) determine the cost efficiency of the operation. As an analogy to economies of scale, "economics of transportation [...] often lead to hub-and-spoke networks," while the "natural nexus of activity at the hub then attracts more logistics and other industrial activities to grow into a logistics cluster" (Sheffi – Blanco, 2018, p. 179), like in the case of Singapore. Besides the undeniable economic and social advantages of being a regional hub, the global environmental gains precipitate increased local ecological pressure. Thus, the Southeast Asian city-state's focus is on counterbalancing and lowering the adverse impacts of operational intensification.

Due to the unique constellation of determining factors, such as geolocation, historical background, demographics, strategy, governance, openness, as well as the ever-changing nature of time and circumstances, it is evident that copying Singapore's success story is impossible. However, adopting best practices, retrofitting key elements, and allowing a gradual transfer of know-how can contribute to the acceleration of the catching-up process of less developed ASEAN members. The Southeast Asian regional grouping's commitment to cross-border cooperation, integration, and sustainable development, outlined in its Charter, based on interdependence and mutual interests, promotes "the construction of effective and equitable regional ecosystem management" (Dorman – Olsen, 2019), capable of effectively tackling complex economic (inclusion), environmental, and security issues. In these efforts, cooperation in the form of public-private partnerships is important and Singapore not only leads the way but also promotes "innovation, skill and productivity enhancements, and transformation of key industries" (Parks et al., 2018, p. 63) in the region. In that regard, the city-state goes beyond the standard practice of financial injections by largely focusing "on capacity building and technical assistance" via the Singapore Cooperation Program (SCP) (Parks et al., 2018, p. 24). The initiative contributed to the acceleration of the catch-up process of more than 132,000 governmental and non-governmental partners worldwide "in areas such as the green economy, sustainable development, urban planning, flood and water management, and disaster risk reduction" (Tan, 2021). Singapore also serves as the operating center for the Southeast Asia Disaster Risk Insurance Facility, a joint regional initiative for "financial preparedness to disasters" (SEADRIF, 2021).

#### 4.2.2. Diplomacy and Digitalization

Singapore's outstanding diplomatic and communication skills have been largely compensating for its very small territory. The city-state's predominant role as an intellectual catalyst for the development of the ASEAN project is undisputable (Lee, 2014, p. 371), particularly due to the fact that "communicating effectively and understanding both the structural and interpersonal aspects of negotiations are essential to effective negotiating and dispute resolution," and also because "building supportive alliances can allow you to sustainably create and capture value" (De Janasz et al., 2021). The highly sophisticated and effective diplomatic skills of the Singaporean leadership proved to be essential in mediating between superpowers, settling misunderstandings, mitigating mutual distrust, while ensuring national and regional security (Lee, 2014, pp. 469-470, 493, 519, 551). Lee Kuan Yew's excellent and close relationship with Chinese leader Deng Xiaoping, good relations with administrations of the United

States of America (Lee, 2014, pp. 481, 640), based on mutual respect and honesty, added authority to his voice. The admission of Brunei (1984), Vietnam (1995), and Myanmar (1997) also took place with his strong advocacy (Lee, 2014, pp. 329, 345, 355), driven by his conviction of the power of a more constructive engagement from within.

Singapore is the only ASEAN member state that “features consistently and permanently in global digital indices” (Chua – Dobberstein, 2020, p. 9). As displayed in Table 3, with high-ranking business environmental, educational, and technological parameters at its disposal, the city-state serves as an ideal and thriving breeding ground for both Industry 4.0 and Web 3.0.

**Table 3**

**Singapore's Digital and Knowledge-based Competitiveness Merit/Medal Table**

| Category  | Year  | Rank      |
|---|-------|-----------|
| Asian Digital Transformation Index  | 2016- | 1.        |
| Global Competitiveness Index 4.0  | 2019  | 1.        |
| International Student Assessment (Reading, Mathematics, Science)                                  | 2015- | 1.        |
| Network Readiness Index   | 2020- | 3.        |
| Global Financial Centres Index  | 2021  | 4.        |
| QS World University Ranking (National University of Singapore / Nanyang Technological University) | 2019  | 11. / 12. |

Source: compiled by the authors.

## 5. Conclusion

The ASEAN project is a success story in the making—even though not in its entirety—that largely contributed to the lack of regional international conflicts and, as a consequence, to the gradual economic growth of member states, becoming a grouping of relevance on the global stage. Despite a number of construction sites, the association managed to combine forces in their own interest, to raise the strength of their (united) voice, to understand the importance of adamantly defending their will for cooperation as the single most powerful tool in order to continue to thrive. The fields of cooperation include digitalization, reinforcement of regional supply chains in order to enhance economic resilience, energy transition and environmental protection for sustainability and tackling the adverse effects of climate change, as well as intellectual property rights.

Having ample experience in implementing a strategic vision, Singapore can largely contribute to the acceleration of the ASEAN integration process and regional development by sharing its know-how and elaborating support schemes for mutually beneficial and sustainable growth. The combination of its excellence in digitalization, financial technology, and Web 3.0 with the transformation of a mostly young ASEAN population allows the Southeast Asian community to possess substantial gravity in the 21<sup>st</sup> century.



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# Environmental Geopolitics: Competing Infrastructure Development Visions in the Mekong Subregion

Péter Goreczky

## 1. Introduction

Originating in the Tibetan Plateau, the Mekong River runs through six Asian countries, China, Myanmar, Thailand, Laos, Cambodia, and Vietnam, before entering the South China Sea. With a length of 4,800 kilometers, the Mekong is the longest river in Southeast Asia, along which fishing provides the base of livelihood for more than 60 million people. The river basin area of 795,000 square kilometers is the most important source of income and economic activity in continental Southeast Asia. In terms of biological diversity, the river basin is one of the most valuable areas of its kind globally, while its fertile land is perfectly suitable for farming activity. The water flow of the Mekong and its ecosystem is particularly exposed to the changes in weather patterns, as it is one of the very few rivers worldwide that can drop up to 12 meters in some places by the end of the dry season. A shorter than normal monsoon season may have a catastrophic effect on the river and on the livelihood of communities that depend on it, and yet, the chance for severe droughts in the region is increasing due to climate change (Lovgren, 2019).

The Mekong Basin can be divided into two parts along geographical and political boundary lines. The Upper Mekong Basin in China is the area where the river is known as Lancang, this territory makes up 24 percent of the entire Mekong Basin. The Lower Mekong Basin comprises of the area downstream of the border between China and Laos. The Greater Mekong Subregion includes all countries along the river, namely Myanmar, Laos, Thailand, Cambodia, Vietnam, and also comprises of Yunnan Province and Guangxi Zhuang Autonomous Region in China. In this paper “Mekong countries” and “Mekong Subregion” refers to the five states of the Lower Mekong, while China is not included.

Emerging from a turbulent history, the Mekong countries nowadays face a special blend of opportunities and challenges. On the one hand, they have the potential to become the growth engines of the ASEAN economy in the future. Young and tech-savvy populations catalyze economic growth and integration with the rest of the

region and the globe. However, a successful addressing of the infrastructure deficit is required to ensure sustainable, broad-based economic growth in the subregion. Recently, China has been a front-runner in financing infrastructure development in the region, nevertheless, China-related projects are commonly associated with economic and environmental sustainability concerns. As the subregion is also a key geostrategic sphere of influence for the US, Washington has launched its own connectivity and infrastructure development initiatives by positioning itself as a provider of sustainable and “smart” infrastructure for the Mekong countries.

The aim of this study is to evaluate the sustainability aspects of competing infrastructure development programs of China and the US in the region. The paper’s scope on the type of infrastructure development is narrowed down to energy-related infrastructure projects, including dam building. Within the various dimensions of sustainability, the paper will evaluate the environmental aspects of energy infrastructure projects in the region and will analyze whether infrastructure development initiatives linked with the US—and allied nations—can be real alternatives for the Mekong countries to support sustainable economic growth. Applied methodological tools include the analysis of secondary data and descriptive analysis of the relevant scientific publications, governmental guidelines, and news flow.

Accordingly, in Part 2 the starting point of the analysis is the dual challenge of addressing the energy infrastructure deficit to fulfil economic growth potential and the need for creating a more sustainable energy mix. The role of China in the energy infrastructure development of the Mekong countries is presented in Part 3, evaluating the environmental sustainability aspects of those projects. It is important to note that the paper does not aim to provide a detailed analysis of the environmental effects of Chinese dams on the water flows in the Lower Mekong Basin. Part 4 evaluates whether US-led initiatives, that were launched to offset growing Chinese geopolitical and economic influence in the region, can assist the Mekong countries in developing infrastructure for green energy. Based on these findings, the last part of the paper draws up the main conclusions.

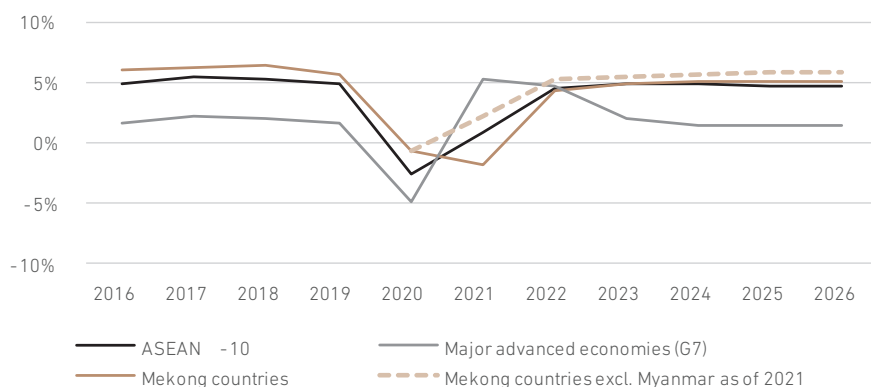
## 2. A Need for Infrastructure Development versus the Sustainability Imperative

### 2.1. The Engine of Economic Growth in Southeast Asia

Today the economic potential of Southeast Asia is undisputed as the region is becoming an increasingly important player in the Asian and global economy. Within the ASEAN region, the Mekong countries have been performing particularly well recently in terms of economic growth, and the outlook seems to be positive, despite the effects of the crisis. Figure 1 highlights that from 2016 to 2020, the year of the Covid-19 outbreak, the Mekong countries outperformed both the ASEAN bloc and the G7 group in terms of average annual GDP growth. In Myanmar, the sharp contraction of the economy started as a consequence of the coup in February 2021, therefore it is reasonable to evaluate the economic performance of the Mekong countries by excluding this distorting factor from 2021. Figure 1 highlights that in the coming years, Mekong countries are expected to outperform the ASEAN and G7 average in terms of GDP growth.

**Figure 1**

Average annual GDP growth rates (constant prices) of the Mekong countries, ASEAN-10 and G7



Source: International Monetary Fund, 2021.

Increasing foreign direct investment (FDI) inflow to manufacturing industries makes the region a key player in global supply chains. Beyond that, the Mekong countries have 40 percent of their population below the age of 25, and considering the rapid urbanization, this predestines the region to become a technology and innovation center as well.

## 2.2. Enormous Need for Infrastructure Development and Energy

To make this vision come true, the region should invest substantially in infrastructure development. According to the estimates of the Asian Development Bank (ADB), in order to maintain the dynamism of GDP growth, to tackle poverty, and to manage the effects of climate change, countries in developing Asia should spend US\$26 trillion between 2016 and 2030 on infrastructure development. Within that, Southeast Asia would need to invest US\$3.15 trillion into infrastructure (Asian Development Bank, 2017, p. XIV).

Considering the demand for electricity, Southeast Asia is also one of the most rapidly growing regions worldwide. In the last two decades, this manifested itself in a 6 percent annual growth rate, while Vietnam and Thailand joined the group of the three leading electricity consumer countries of the ASEAN bloc (International Energy Agency, 2020, p. 70). Although the need for electricity in the region temporarily dropped due to the Covid-19 pandemic, the steady upward trend was expected to continue in the long run.

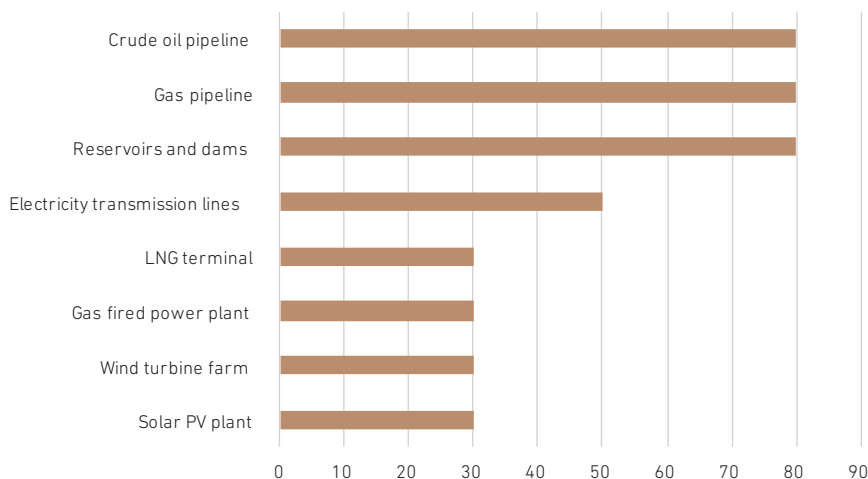
Between 1990 and 2015, electricity production expanded by 8.2 percent on average in the Mekong countries. The most rapid increase was reported by Vietnam, followed by Cambodia and Laos. This is roughly twice the growth rate of the ten ASEAN member states and three times the world growth rate. (Anbumozhi et al., 2020, bp-141). According to the calculations of Phoumin, Meas and An, between 2017 and 2050, the Mekong Subregion should invest US\$190-220 billion in power generation in order to meet increasing demands. However, the estimation does not include the transmission network, liquefied natural gas (LNG) terminals, and refineries. As for the security of energy supply, the region evidently made some progress in the last two decades. This includes improved access to electricity in rural areas, the development of national grid systems, the introduction of new technologies, and the enhancement of cross-border energy trade. Despite these achievements, Cambodia and Myanmar still struggle to provide access to electricity for communities in the countryside (Phoumin – Meas – An, 2021, pp. 1-17).

All in all, the demand for energy and the need for investment is huge, nevertheless, the catchment basin of the Mekong River is particularly vulnerable to the environmental effects of climate change and infrastructure development. That is, Mekong countries face a dual challenge of expanding their power generation sector rapidly and implementing more advanced environmental sustainability standards at the same time. This requires the improvement of energy efficiency and a higher share of clean fossil and renewables in the region's energy mix.

The Mekong Subregion has resources of crude oil, natural gas, coal, and renewables, the first of which is hydropower. Thailand, Vietnam, and Myanmar have extensive gas fields, while the latter and Laos have considerable potential in hydropower. The river has a catchment area of 795,000 square kilometers with an estimated hydropower potential of 248,000 megawatts, more than 75 percent of which is shared by Laos and Myanmar. At the same time, only 8 percent of this potential energy resource is exploited currently. Thailand is the only country in the region that has exploited almost all of its hydropower resources (Anbumozhi et al., 2020, bp-140). Nevertheless, Vietnam and Laos are ranked among the top five countries in the East Asia and Pacific region in terms of installed hydropower capacity (International Hydropower Association, 2021, p. 42).

However, the region is expected to rely primarily on fossil fuels and their share will predictably increase from 67 percent to 78 percent between 2017 and 2050, based on a business-as-usual scenario (Phoumin – Meas – An, 2021, p. 15). At the same time, fossil energy resources of the region are insufficient to meet growing demand, while increasing imports would have energy security implications (Anbumozhi et al., 2020, bp-141). Currently, hydropower has an important role in the power generation in the Mekong Subregion, and the significance of solar, wind, and biomass energy are expected to grow. Shrinking costs of related technologies will make these energy resources increasingly popular, but exploitation and distribution requires substantial development of the infrastructure (Phoumin – Meas – An, 2021, p. 16).

At the same time, upgrading the infrastructure and the installation of environmentally clean technologies come with a high price tag and require large-scale investments and the involvement of various stakeholders. Meanwhile, concerns about the financing gap and underinvestment may easily overshadow sustainability considerations and there is a risk that the Mekong countries will establish energy systems that make the region vulnerable to the environmental challenges of the future. Figure 2 highlights the typical lifespan of energy infrastructures, perfectly illustrating the time horizon on which today's investment decisions determine the future.

**Figure 2****The typical lifespan of energy infrastructure systems**

Source: Wright et al., 2018. p. 5.

Statistics of the latest progress report of the Greater Mekong Subregion Regional Investment Framework 2022 provide a good overview of the situation in financing. Based on that, in 2017, the funding of US\$39 billion had been identified for projects included in the Investment Framework, which was increased to US\$55.6 billion by 2020. Although some industries have been successful at mobilizing financing, other sectors still struggled with a large funding gap. The funding shortage of 72 percent in the energy sector is one of the highest of all. Still, 71 percent of funding allocated to projects of the Regional Investment Framework originates from governments in the Greater Mekong Subregion representing a 2 percent increase compared to 2017. At the same time, the share of private funding has also increased and totaled at 14 percent in 2020. For instance, ADB and the Japan Bank for International Cooperation were successful in catalyzing more private sector funding to the Nam Ngiep 1 hydropower project, the implementation of which was now 58 percent financed by private investors. Nevertheless, possibilities to raise private funding for projects in the energy sector still seem to be limited, therefore, the predominance of governmental funding is not expected to change soon (Asian Development Bank Greater Mekong Subregion Secretariat, 2020, p. 5).

Considering the risks of the projects and the complexity of technology, multilateral development banks like ADB and the World Bank have been playing a key role in financing hydropower plants and dam building in the Mekong Subregion. This was

the case, especially in cross-border energy trade projects like the Nam Theun 2 dam, which carry further regulatory and political risks. However, financing of hydropower projects in the region goes through changes. Project developers from China, Thailand, and Vietnam have gained substantial experience in dam building, and besides, commercial banks from these countries have accumulated capital and industry insight to be willing creditors of hydropower projects, terminating the dominant role of multi-lateral development banks in this business (Middleton, 2009, p. 16).

Notwithstanding these developments, it is worth referring again to the statistical data of the Regional Investment Framework 2022 as they are particularly important considering the focus of the paper. Accordingly, the energy sector has one of the highest financing gaps in terms of infrastructure development and the possibility of mobilizing private funding is still limited. These challenges provide an opportunity for great powers to increase their footprint and influence in the region through infrastructure development initiatives and cooperation mechanisms in line with their geopolitical interests. In 2019, Mike Pompeo, then US Secretary of State, accused Chinese dam building as the cause of the drop in water flows and the drought along the river which illustrated perfectly that the Mekong Subregion and infrastructure development had become a scene of great power rivalry (Reuters, 2019). The next two chapters analyze how this is reflected in various endeavors in the field of infrastructure development.

### 3. China: The Traditional Front-runner

The fact that China has a dominant role in the region's economic and political landscape does not require detailed evidence. Considering the focus of the paper it is sufficient to highlight the facts, that as a result of the Covid-19-induced crisis, the weight of China in the ASEAN region's trade relations increased further in 2020 and the FDI inflow from China also proved to be relatively resilient. Within the ASEAN bloc, the Mekong countries are particularly reliant on trade with China. Moreover, the headwater of the river is located in China, therefore it exercises a sort of hydro-hegemony in the region (Hensengerth, 2009, p. 1). Geographic proximity and natural resources make the Mekong Subregion particularly valuable partners, while the river basin is an ideal trade and supply route that connects Chinese interior provinces and the South China Sea (Soutullo, 2019, p. 5).

Therefore, it comes as no surprise that China has been the front-runner among great powers in the region to address the infrastructure deficit and the financing gap. The primary framework for that has been the Belt and Road Initiative (BRI).

Launched in 2013, the emblematic megaproject of China seems to react exactly to this demand. The Lancang-Mekong Cooperation (LMC), a partnership of China and the Mekong countries has received much less attention compared to the BRI. Proposed by Thailand in 2012, the goal of LMC was to foster sustainable development. Following a positive response from China, the LMC was officially launched in 2016 (Phoumin – Meas – An, 2021, p. 7). Sponsored by China, the mechanism seeks to complement the BRI and the ASEAN Master Plan of Connectivity 2025 (Leng, 2020, p. 102). In 2015 China created the Lancang-Mekong Cooperation Fund for the financing of infrastructure development in the region.

As for the LMC, until 2018, altogether 132 projects received financial support within the framework of the mechanism. At the same time, China has been criticized widely for using the LMC as a tool to strengthen its strategic positions and to limit the influence of the US and Japan in the region (ASEAN Post, 2019). Data published by the Mercator Institute for China Studies (MERICS) in 2019 highlighted that almost two-thirds of BRI-related completed projects had been implemented in the energy sector to a value of more than US\$50 billion. Southeast Asia was the front-runner in terms of the number of energy projects completed under the BRI (Eder – Mardell, 2019).

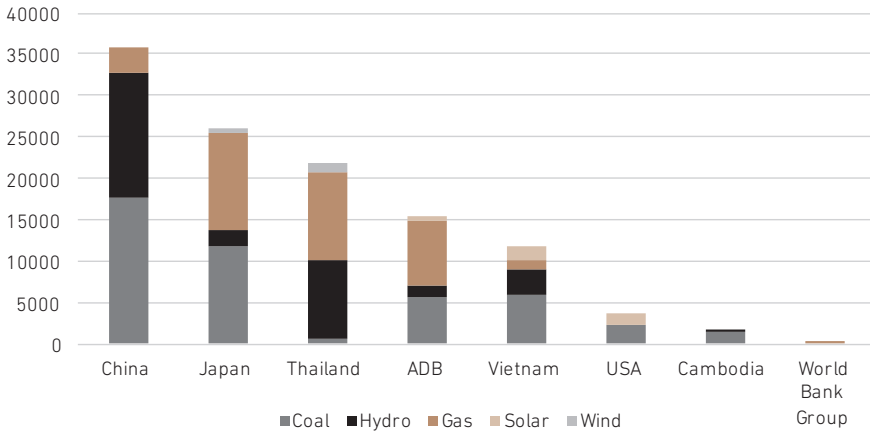
Considering the sustainability imperative, it is a reasonable question whether investment projects with Chinese participation boost or hinder green growth in the Mekong Subregion? From this perspective, it is determinative what type of energy the investment projects target. Figures 3 and 4 highlight the share of China and its main competitors in financing and constructing power generation infrastructure in the Mekong Subregion.

Some relevant conclusions can be drawn based on the data above. On the one hand, it is very clear that the role of the United States as a financier and a constructor cannot be compared to the weight of China in the region. On the other hand, the share of coal fired plants—being less ideal from a sustainability perspective—is substantial in Chinese projects, although this is also the case for Japan. Coal fired plants may improve energy supply in the short run, but they lock the country into a high-emission energy development trajectory. It seems that China had realized the caveat of building coal-fired plants while promoting a “green BRI”, which is probably why President Xi Jinping pledged in a pre-recorded video at the United Nations General Assembly in September 2021 not to build new coal-fired projects abroad. However, it is still unclear what will happen to projects in the planning or implementation phase.



**Figure 3**

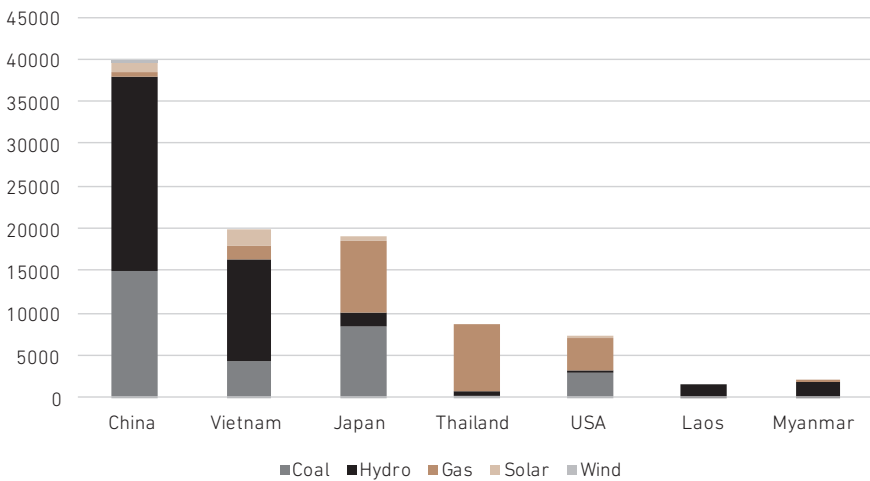
Main financiers of power generation infrastructure projects by energy type between 2000 and 2022, measured in installed capacity (MW)



Source: compiled by the author based on data of the Mekong Infrastructure Tracker Dashboard (Stimson Center, 2021).

**Figure 4**

Main constructors of power generation infrastructure by energy type between 2000 and 2022, measured in installed capacity (MW)



Source: compiled by the author based on data of the Mekong Infrastructure Tracker Dashboard (Stimson Center, 2021).

As Figure 3 and Figure 4 highlight, a large proportion of projects with Chinese participation target the development of hydropower infrastructure. At first sight, this activity fits more into the vision of sustainable energy production, yet dam building had some of the most severe environmental effects among development projects under LMC. China has been building dams along the Lancang since the 1990s, it is estimated that 60 of that kind are operational (ASEAN Post, 2019). Until 2018, China was involved in 20 dam developments along the Mekong in Laos and Cambodia, most of them have been considered as BRI projects (Eyler, 2018). A study by the Mekong River Commission in 2018 pointed out that the 11 dams planned in the Lower Mekong and the 120 dams in its tributaries may have substantial negative impacts on the ecology and the economy of the region. Moreover, the collapse of dams in Laos and Myanmar in 2018 unveiled severe quality problems.

The most common criticism in the case of Chinese hydropower projects is the lack of environmental impact assessments. A good example of this was the case of the Nam Theun 2 project in Laos when China offered to provide the missing funds after the World Bank threatened to stop the funding due to inadequate environmental assessments (Soutullo, 2019).

At the same time, efforts to tackle climate change and commitment to sustainability are increasingly becoming the element of soft power in which China lags considerably behind the US both at a regional and a global level. China has received massive international criticism for causing environmental damage in its partner countries, and as a consequence, the Ministry of Commerce and the Ministry of Environmental Protection issued guidelines jointly in 2013 for Chinese investors to pay attention to environmental aspects in their operations abroad (MOFCOM, 2013). The first document of that kind was followed by others. The "Guidance on Promoting Green Belt and Road" (2017), "The Belt and Road Ecological and Environmental Cooperation Plan" (2017), and the "Green Development Guidelines for Overseas Investment and Cooperation" (2021) equally target that Chinese companies should follow international environmental norms, harmonize their activities with local standards, include "a green perspective" in business planning and manage environmental risks in their foreign operations. However, it is a common feature of these documents that complying with the guidelines is voluntary, companies that disregard the guidelines face no legal action. The guidelines only "encourage" Chinese businesses to conform to international practices and standards. As a result, it comes as no surprise that two years after publishing the "Guidance on Promoting Green Belt and Road", Losos et al. found little evidence of the guideline's implementation (Losos et. al., 2019). Coenen et al. also concluded that the implementation of the "green BRI" relies basically on voluntary

self-governance of Chinese corporates. At the same time, it is almost equally important whether the Mekong countries have the necessary political willingness to implement and enforce more stringent environmental policies and regulations (Coenen et al., 2020).

Nevertheless, it seems that some countries in the region have already realized that the environmental risks of dam building exceed the benefits of improving energy supply. For instance, Cambodia announced in 2020 that it would halt every dam building project along the Mekong River for 10 years (Prak, 2020). However, China will definitely have further options to increase its clout through the energy sector and related infrastructure development in the country and proceed with the implementation of the BRI. China's largest LNG project developer company, CNOOC Gas & Power is reported to have purchased a stake in an LNG terminal to be constructed in the Cambodian capital (Khmer Times, 2021). The country started LNG imports from China in January 2020, followed by Myanmar a couple of months later.

As mentioned in Part 2, solar, wind, and biomass energy are anticipated to have an increasingly important role in the region's energy production. According to the report of the International Renewable Energy Agency (IRENA), China is in the best position to become the global superpower in terms of renewable energy. Altogether, China is currently the global leader in the production, export, and installation of solar panels and wind turbines (IRENA, 2019, p. 40). Through the export of renewable energy technologies, China can undoubtedly increase its global clout (Campbell, 2019).

#### **4. The United States: Seeking to Form an Alternative to China**

Due to the escalating US-China great power competition, Southeast Asia has gained substantial importance recently in the Indo-Pacific strategy of the United States. Cooperation with ASEAN is the focal point of its regional policy, and an increasing emphasis is given to partnership with the Mekong countries within (Limaye, 2020, p. 2). The US promotes sovereignty, good governance, and rules-based order in its economic and infrastructure development relations with the Mekong countries, reflecting the core idea of the Free and Open Indo-Pacific (FOIP) concept, a general framework initiative that was launched to offset China in the region. A good starting point for that is the relative sympathy that can be observed towards the US in Southeast Asia. Since 2019, the Singapore-based ISEAS – Yusof Ishak Institute has been surveying the opinion of stakeholders and policy makers in the region. According to the latest survey, if ASEAN was forced to align itself with one of the two strategic rivals,

57 percent of respondents would choose the US and 43 percent China. At the same time, the Mekong countries are strongly divided on this matter, in Laos and Cambodia around 82 percent of respondents would choose China, while in Vietnam 74 percent and in Myanmar 92 percent would align with the US. In Thailand, 57 percent favors the USA (ISEAS – Yusof Ishak Institute, 2022, p. 32). At the same time, none of the Mekong countries would prefer an excessive hegemony of China, therefore, the US has the opportunity to find local partners when trying to counterbalance China in the region. The following paragraphs evaluate how this is realized in infrastructure development and the energy sector.

The starting point should be the analysis of data that are available on US-related development projects. Between 2000 and 2020 the United States allocated more than US\$2 billion in development assistance to bilateral and regional initiatives in the Mekong region (Limaye, 2020, p. 2). A more detailed picture can be drawn based on Figure 3 and Figure 4 in the previous chapter. In terms of financing and construction, the US played a minor role in the region's energy infrastructure development between 2000 and 2022. As a consequence, the country seeks other ways to take part in the energy infrastructure development of the region. Considering the abundance of cooperation mechanisms and initiatives launched by the US, it seems that Washington is trying to catch up with China in this way.

Well before the China-sponsored LMC, the US launched in 2009 the Lower-Mekong Initiative (LMI) with the aim of catalyzing regional cooperation and economic development and supporting new initiatives in the field of infrastructure development. Building on the LMI, the Mekong-US Partnership was launched in 2020, enhancing the collaboration in fields like transboundary water and natural resource management.

In contrast to the Lower-Mekong Initiative, the already mentioned FOIP concept was initiated apparently to offset China's BRI. Originally presented by Japan in 2016, the concept and its upgraded American version provides the framework, the guidelines, and the "brand name" for a possibly expanding US presence in the Mekong Subregion's energy sector. In line with that, the more focused and tailored cooperation initiatives were subordinated to the comprehensive FOIP concept. One of them is Asia EDGE (Enhancing Development and Growth through Energy). Launched in 2018, the energy initiative of the US Government for the Indo-Pacific region clearly aims to offset China in this field. Although the great rival is not highlighted by name, Asia EDGE intends to provide access to diversified energy resources and reduce the exposure of countries in the region to a single dominant buyer, seller, or investor.

The Blue Dot Network (BDN) was proposed by the US jointly with Japan and Australia in 2019 as an initiative tailored to infrastructure development. The program focuses on the support of quality infrastructure development in the Indo-Pacific and promotes sustainability by norm setting. The BDN seems to be a promising response to the above-mentioned challenges that Mekong countries have to face in the field of energy infrastructure. At the same time, many details of the initiative have to be clarified, thus it is hard to foresee if it can provide a real alternative to China's offerings (Phoumin – Meas – An, 2021, p. 5).

From the perspective of the Mekong Subregion, more concrete results have been delivered by the USAID Clean Power Asia program that aimed to create an effective low-carbon energy sector through investments in renewable energy. In the Mekong countries, renewable energy projects still receive less interest than traditional investments, and financial institutions face barriers when engaging in investments in renewables. Therefore, the USAID Clean Power Asia program provides assistance in fund raising by helping to build business models or project evaluation tools. Between 2016 and 2021, the program aimed to mobilize at least US\$750 million for investments in clean energy production. Success stories of this period include the participation in an investment deal of US\$283 million that targets the construction of one of Vietnam's first solar farms with a capacity of 257 megawatts and the involvement in smaller solar energy projects in Thailand (USAID, 2020).

The Smart Infrastructure for the Mekong (SIM) initiative was created to improve the sustainability dimension of large infrastructure development projects of the region through sharing US experiences in natural resource management. Under the umbrella of the program, SIM experts have completed 11 consultancy missions since 2014 in Laos and Vietnam to conduct safety inspections of hydropower plants and to provide training for local dam operators. At the same time, the program does not aim to promote investments or to assist fund raising (USAID, 2021). The US Department of Energy has also launched its initiative to support sustainable energy production in the Mekong Subregion. The objective of the Foundations for Strategic Lower Mekong Hydropower and Water Resources Management program is to enable the Mekong countries to use integrated environmental management tools when preparing development projects in the energy sector.

The above-listed initiatives of the US undoubtedly foster a more sustainable energy production in the Mekong countries, however, considering the scale of infrastructure deficit of the region, it is unlikely that they can solely counterbalance the track record of Chinese involvement in this field. These US-related programs come short

of drastically reducing the financing gap that is one of the highest in the case of the energy sector, while in the absence of large-scale investment projects, the energy demand of the region cannot be fulfilled.

The findings of this study echo that the US alone is unable to offset China's growing influence in the Mekong Subregion's infrastructure development. Realizing that, the US may have two strategic options. First, it has the opportunity to team up with like-minded countries. As presented in Figure 3 and Figure 4, Japan traditionally has a much more important role in energy infrastructure development in the Mekong Subregion than the US, both in terms of financing and implementation. However, knowledge sharing and the fund mobilizing capabilities of the US combined with Japan's experiences in financing and construction may form an alternative to China in the case of large-scale investment projects as well. The already existing Japan-US Mekong Power Partnership may provide an adequate framework for this cooperation. Furthermore, Japan is considered to be a pioneer in quality infrastructure development. At the G20 Summit in Osaka in 2019, Japan's proposal for the G20 Principles for Quality Infrastructure Investment was accepted, the guidelines aimed to foster investments that were compatible with sustainable development. The strategy of joint action is also reflected in the Build Back Better World (B3W) partnership, launched by the G7 in 2021. In terms of objectives, it has a similar content to the US initiatives, and that is to boost sustainable infrastructure development by mobilizing private funds. The G7 program is evidently positioned as an alternative to the BRI, and in terms of scale, it may be comparable to China's emblematic project. Nevertheless, critics point out the risk of lengthy multilateral coordination that would make B3W procedures cumbersome and bureaucratic compared to the BRI, which is driven by top-down instructions of an authoritarian regime. Moreover, due to disparities in geopolitical ambitions and economic reliance on China, it is uncertain whether G7 countries will jointly promote the B3W brand (Grieger, 2021, p. 11).

Besides teaming up with like-minded countries, the US has other options as well to enhance its footprint in the Mekong Subregion's energy infrastructure. Predictably the Mekong countries will use more LNG as a bridging fuel towards a cleaner energy mix in the future. However, the infrastructure gap is also a considerable barrier in this field, the construction of LNG terminals, pipelines, regasification plants, and storage capacities all require substantial investments. As highlighted in the previous chapter, China also tried to grab this opportunity and started to build positions in Cambodia. In 2022, the US is expected to be the top LNG exporter nation worldwide, which is a good credential for entering the Mekong countries' market as a supplier and an investor. In the case of Vietnam, there were already signs of such attempts, as several large

enterprises had been involved in the planning phase of LNG infrastructure projects. As a result of pressure from the Trump administration, Vietnam also agreed to buy LNG at a value of billions of US dollars in the future (Southeast Asia Globe, 2021).

## 5. Conclusions

As declared in the Introduction, the primary aim of this study was to evaluate the sustainability aspects of competing infrastructure development programs by China and the US in the Mekong Subregion. In that sense, the first important finding of the paper is that while an escalating great power competition can be perceived in Southeast Asia, in terms of infrastructure development, the US has been no real match for China so far in the Mekong countries. The increasing attention in recent years from the US can be rather seen as an attempt to build up its presence in a game dominated by China and Japan. The fact that countries in the region have to develop energy production capacities rapidly and have to meet increasing environmental sustainability requirements at the same time, can be considered as an opportunity for the US. As the sustainability aspects of Chinese projects are heavily criticized, the US is well-positioned to offer an alternative in that term for the Mekong Subregion. Nevertheless, various initiatives and programs launched by the US address the sustainability dimension of the dual challenge via sharing expertise, consultancy, and training. However, such initiatives alone are insufficient tools for a rapid and large-scale expansion of energy production capacities, which is required for maintaining the economic growth momentum. The US can address this latter dimension of the dual challenge only by teaming up with Japan or other like-minded states. The financial ambitions of such joint initiatives are comparable to the scale of the BRI, while infrastructure development norms shared by the participants are likely to guarantee increased sustainability of projects in the Mekong Subregion. Success partly depends on the coordination of fragmented Western initiatives and the mobilization of private funds.

As the sustainability aspects of energy infrastructure investments along the Mekong River have come under the spotlight, China itself is facing increasing pressure. Realizing that combatting climate change has become an element of national soft power, China intends to position itself through the "green BRI". However, the analysis of related government documents highlights that there is no state-driven enforcement behind the guidelines that advise Chinese companies abroad to follow international environmental norms and harmonize their activities with local standards. At the same time, China may easily change this practice if the government is really

determined to position the country as a global leader in the fight against climate change. Environmental issues along the Mekong River increasingly attract global attention, therefore the stake has been raised also for China when supporting projects in the region. Yet, it is a question whether the Mekong countries have the necessary willingness to implement stricter environmental regulation that is more in line with international standards and to which Chinese investors have to adapt or countries in the region will enter a race to the bottom when hunting for investors.

Clean coal technologies, LNG, solar, and wind energy may play an increasingly important role in achieving a more sustainable energy mix in the region. As China is a global leader in LNG import, while the US has the same position in the export side, the increasing demand for liquefied natural gas seems to be an opportunity rather for the latter country. At the same time, China is in a much better position to increase its influence via solar and wind energy technology.

From the perspective of the Mekong countries, it may be beneficial that competing great powers have multiple visions for infrastructure development in the region. In the light of the prevailing shortage of financing, access to different financial resources improve the region's chances for accomplishing infrastructure development and maintaining economic growth. Different initiatives may even complement each other, with regard to the region's huge demand for infrastructure development, there is room for multiple foreign actors in this field. The region could take advantage of this opportunity until competing great powers make the Mekong countries take a side in the rivalry. In terms of energy-related investments, they have better chances to avoid that than in the technology sector for example, which is the most politicized of all industries currently. Even so, the Mekong countries have to be alert to keep their autonomy in the rivalry of the two great powers.



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# Between the Middle Kingdom and the Rising Sun: Davao City as a New Frontier in Japan vs. China Regional Rivalry<sup>1</sup>

Rhisan Mae E. Morales

## 1. Introduction

Major power competition normally involves capital cities—the center of political and economic power in a state. However, Japan and China's regional rivalry is also played out in what formerly were obscure and unimportant locations. When Rodrigo Duterte became president of the Philippines, Davao City, where he was a longtime mayor, became a locus of Sino-Japanese strategic economic competition. Long before 2016, Japan had been pouring in a considerable amount of Official Development Assistance (ODA) and investments not only in Davao, but into the whole of Mindanao island. With Duterte's rise, the Japanese government increased its funds for infrastructure development projects in Davao City through the Japan International Cooperation Agency (JICA) and private Japanese firms. Notwithstanding Japan's long relationship with Davao, China has sought for itself a role in the city's development. Encouraged by Duterte's friendly stance towards the People's Republic of China (PRC), China has also made development and investment commitments to Davao City.

China and Japan have agreed to cooperate with ASEAN countries in terms of development and connectivity. Japan's Free and Open Indo-Pacific Strategy and China's Belt and Road Initiative are similar in aspects of infrastructure development and connectivity projects, to avoid overlaps in projects, both countries ensure that funds are used effectively in specific investments where the two states have an advantage in terms of available technology. While Japan and China have agreed to pursue cooperation in Davao City, it is inevitable that overlaps in their infrastructure projects will become a source of competition. Thus, Davao City has become a locus of competition between Japan and China. To secure the interest of Davao City, its Local Government ensures that it is not supplier-driven and has full autonomy to choose its investors to prevent being entangled in the competition between the two rival powers.

<sup>1</sup> This paper was presented to the 2018 Japan Studies Association Conference, Jakarta, Indonesia, December 5-7, 2018 and International Studies Association–Asia Pacific Conference, Singapore, July 4-6, 2019. The author cited new information to update this paper.

## 2. Hegemonic Rivalries and Neoclassical Realism in Davao City's Foreign Investments

Hegemonic rivalries have become one of the determinant factors that continuously shape global politics. The study of hegemonic rivalries in international relations examines the significant changes in the political, economic, and military or strategic relationship of state actors as the basic unit of the international system. According to Thucydides, as a theory, hegemonic rivalry explains that changes in the international system are the core determinants of such war or competition (Gilpin, 1988, p. 592).

These changes were induced by power configuration, the realignment of alliances, and the threat posed by rising global powers. Thucydides equates his idea of hegemonic rivalry to great wars, explaining the relationship among powerful nations during the Peloponnesian War. This hegemonic or great power rivalry serves as an organizing force that supports the structure of the international system.

Economic, political, and strategic alterations in the dynamics among great powers have become systemic in the structure and thus have been conceived as the system itself (Gilpin, 1988, p. 592). This system has entangled less powerful states in a cycle of constant balancing to protect their interests. The international system has experienced a significant rise and fall in great powers that reconfigured the power polarization, resulting in the creation of factions among states based on political and ideological principles.

After the Cold War, the international system entered the new world order defined by US hegemony. The United States' global dominance has set a new direction in global politics—an approach that emphasizes US interests: the optimization of US liberal capitalism and internationalization of Western democratic values. Hegemonic powers, like the United States, successfully established their importance by making their values and interests acceptable to the international community. The exportation of US national interests has become a prominent feature of US statecraft, enforced through its foreign policy.

In contemporary world politics, powerful states like China and Japan have developed their versions of statecraft and incorporated them into their grand strategy. Like the United States, it is clear to both China and Japan that strategic partnerships are crucial in pursuing their national interest. Still, its success is dependent on the effective mobilization of resources within and outside its territories. The realist framework in international relations posits the attitude of states guided, essentially, by their

national interest. The anarchic nature of the international system situates forms in an environment where rivalry is inevitable. As a result, states constantly pursue a strategy that can mobilize support from significant partners by creating strategic economic and security cooperation to protect and maximize their national interests.

Neoclassical realism is concerned with the variables that influence the behavior of states to react under conditions allowing them to mobilize their resources and capacity to address a threat or achieve particular interests (Lobell – Ripsman – Taliaferro, 2009, p. 4). According to Gideon Rose (1998), neoclassical realism argues that a state's foreign policy is dependent on its relative power. However, the implications of power capabilities on foreign policy might be indirect or complex because of systemic pressures or limitations (i.e., policymakers, bureaucrats, preferences of the masses) (Rose, 1998, p. 147).

China and Japan's growing influence in the Philippines is reinforced further by their offshore investment projects. Proponents of neoclassical realism like Gideon Rose, Thomas Christensen, Randal Schweller, William Wolforth, and Fareed Zakaria emphasize its inquiry into newly emerging powerful states' grand strategy (Lobell – Ripsman – Taliaferro, 2009, p. 6). While it is important to understand contemporary great power grand strategies, it is also imperative to know how relatively weaker states respond to these strategies as they attempt to protect their national interests. Considering the case of the Philippines, particularly Davao City, and the growing presence of Chinese and Japanese investments in this study, how does the Local Government Unit of Davao respond to the seemingly competing investments of China and Japan in the city? This paper explores how the Local Government of Davao City relates to Chinese and Japanese investments by looking at the policies and preparations of government agencies that manage foreign investments. It indicates how Philippine local governments manage foreign investments while protecting national interests.

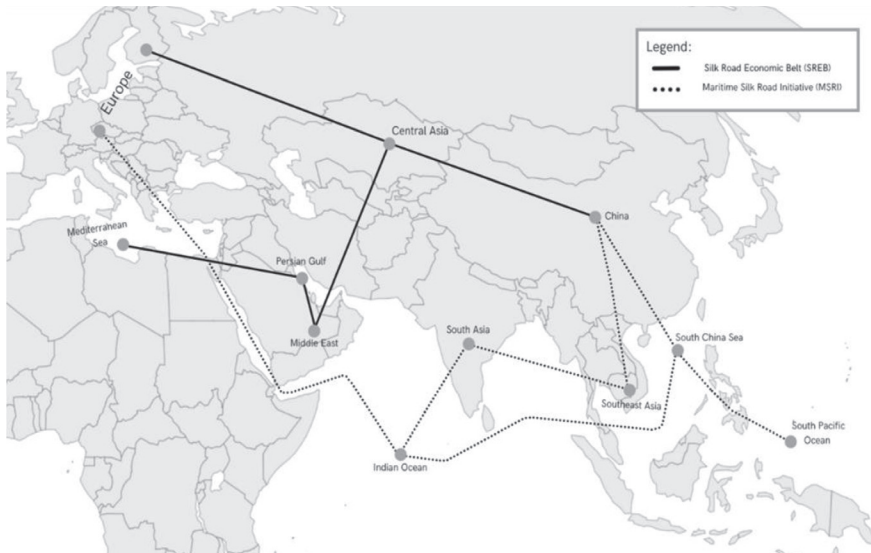
### **3. Two Network Links: The Belt and Road Initiative (BRI) and the Free and Open Indo-Pacific (FOIP) Strategy**

China has positioned its importance as a significant power provided by its economic preponderance, military prowess, and political influence. China's policy of non-interference guides its foreign policy, which effectively impacts other state actors. Although there have been concerns about how China relates to other countries due to its neglect of fundamental human rights, its disrespect for territorial sovereignty, and the lack of mechanisms that monitor and regulate its financial support to recipient

states. States continue to engage with China in a constructive and meaningful manner. In 2013, China's President Xi Jinping launched the Belt and Road Initiative to strengthen its engagement with the world and economic development. The Belt and Road Initiative aims to revive the historical Silk Road system that traversed China to Central Asia and Europe. It has two components: the Maritime Silk Road Initiative (sea routes) connecting China to the significant ports of partner states, and the Silk Road Economic Belt, which includes the road and railway routes of the BRI (see Figure 1). The goal of BRI is to establish a broad, comprehensive, and inclusive regional connectivity through economic cooperation, trade and investment partnership, and people-to-people exchange. It is based on the "*Chinese dream*" rhetoric of President Xi that aims to establish an economically and militarily-developed, prosperous, harmonious, and beautiful China. Development remains the top priority of Xi Jinping's administration and the aim to improve the living standards of the Chinese people and achieve prosperity with other nations that share common interests with China (Xi, 2015, pp. 29-30). China's rise as a superpower concretized the period of strategic importance (POSO) in its domestic and foreign policy, highlighting the importance of elevating relationships with neighboring countries to share China's development and economic reforms, prioritizing the Asia and Pacific regions.

**Figure 1**

Map of the Belt and Road Initiative



Source: compiled by the author.



The Japanese Prime Minister proposed the Free and Open Indo-Pacific strategy, which intends to utilize Japanese ODA programs to actively establish peace, and prosperity in the international system (Ministry of Foreign Affairs of Japan, 2018, p. 2). Japan envisaged combining two continents, namely Africa and Asia, and two oceans, the Indian and the Pacific, as crucial components in order to realize this strategy. The Free and Open Indo-Pacific Strategy aims to maintain and strengthen a free and open maritime order based on law across the Indo-Pacific region (Ministry of Foreign Affairs of Japan, 2018, pp. 2-3). In terms of Overseas Development Assistance, Japan has maintained a significant role in Asia through its aid provision under various reparations agreements signed as part of the 1952 San Francisco Peace Treaty and the Colombo Plan (Hook et al., 2012, p. 215). Japan's ODA expanded rapidly from the mid-1970s onwards under a series of midterm plans, allowing Japan to be the world's largest ODA donor (Hook et al., 2012, pp. 215-216). Japanese foreign direct investment (FDI) functions similarly to its ODAs; starting from the 1950s to the 1980s, Japanese FDIs continued to be injected into the economy of East Asian countries to seek lower labor costs and cheaper raw materials (Hook et al., 2012, p. 217). A large percentage of Japanese FDIs were concentrated in industries such as textile and electronics. In the 1990s, with the Japanese yen's appreciation, its FDIs increased to US\$11.7 billion, resulting in its heavy investments in ASEAN countries, and China (Hook et al., 2012, p. 217).

**Figure 2**

**Free and Open Indo-Pacific Strategy**



Source: compiled by the author.

The Belt and Road Initiative and the Free and Open Indo-Pacific Strategy (FOIP) both seek to improve other communities' livelihoods by injecting direct investments and loans that aim to boost economic development for both donors and recipients. To realize the BRI project, China has identified cooperative areas that require attention between China and a recipient state. At the same time, Japan's FOIP strategy has three pillars that guide the realization of integrating its economy with that of a partner state (see Table 1). In the FOIP strategy, "quality infrastructure" involves five elements: economic efficiency, local employment, and transfer of technology, social and environmental consideration, alignment of economic strategy, and effective resource mobilization. FOIP's idea of "quality infrastructure" is similar to the tenets of President Xi's Chinese dream. Both aim to enhance the economy and society by integrating their economies into recipient countries.

**Table 1**  
**Elements of BRI and FOIP**

| Belt and Road Initiative (BRI) | Free and Open Indo-Pacific (FOIP)   |
|--------------------------------|---|
| Policy Coordination            | Promotion and establishment of the rule of law, navigation, and free trade  |
| Facility connectivity          | Economic prosperity through enhancing connectivity, through "quality infrastructure" development in accordance with international standards                 |
| Unimpeded trade                | Initiatives for ensuring peace and stability that include assistance for capacity building on maritime law enforcement, anti-piracy, and disaster reduction |
| People-to-people relations     |   |

Source: compiled by the author.

**4. Davao City: A Development Hub for International Connections**

While the primacy of the state continues to be the dominant narrative in international relations, it is undeniable that sub-national sources of power have influenced both the foreign and domestic policies of particular states. These sub-national sources of power from local government units such as cities, municipalities, and provinces significantly affect policy-making crucial to regional developments. Significant policies in governance, including state-state relations, are no longer under national governments.

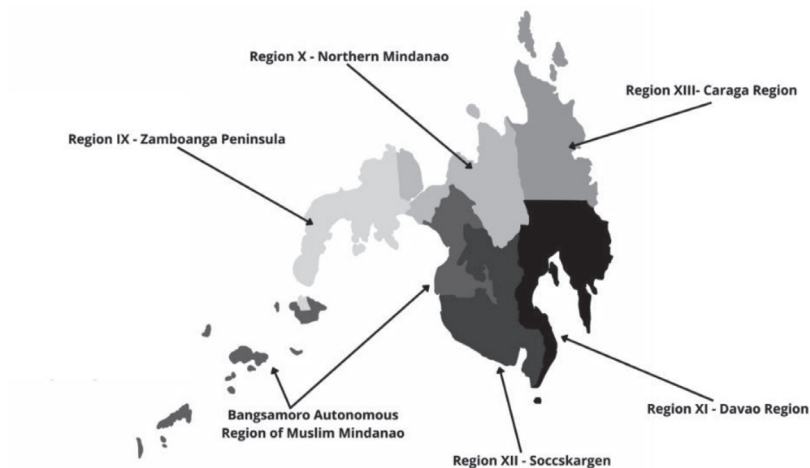
Mindanao is one of the major islands of the Philippine archipelago with six administrative regions, including Zamboanga Peninsula Region (Region IX), Northern Mindanao (Region X), Davao Region (Region XI), Caraga Region (Region XII), SOCCSKSARGEN (Region XII) and the Bangsamoro Autonomous Region (see Figure 3). Among the six regions, Davao Region was ranked as the 2<sup>nd</sup> largest importer with an amount of US\$2.436 billion. Davao City is a first-class, highly urbanized city in Mindanao

(National Economic and Development Authority Region XI, n.d.). It is the capital of the Davao Region (ROXI) and is considered to be the largest city in the Philippines, with an approximate total land area of 2,444 km<sup>2</sup> (National Economic and Development Authority Region XI, n.d.).

Davao City is located in the Southeastern portion of the island of Mindanao and in the West Central area of Region XI (see Figure 4). It is an agricultural-based city with a total land use of 73,086 hectares appropriated for agriculture and pasture (Esguerra, 2018)<sup>2</sup>. It has a population of 1.7 million and a doubling time of -30.4 in years (Esguerra, 2018). The city's main export products are bananas, coconut oil, desiccated coconut, pineapples, coconut copra, gold, silver, and rubber (Davao City Investments and Promotions Center, 2016). Davao City has the most investment provided for Davao Region. In 2012, based on data from the Department of Trade and the Bureau of Investment, the total investment of Davao amounted to 2,872,180,000 Philippine peso (PHP). There was a decrease in its assets in 2013 to 2,448,000,000 Philippine peso and a gradual increase to 3,179,000,000 Philippine peso in 2014. However, in 2015, investment decreased to 1,528,000,000 Philippine peso (Davao City Promotion and Investment Center, 2016, pp. 1-2).

**Figure 3**

Six administrative regions of Mindanao



Source: compiled by the author.

<sup>2</sup> Esguerra, J. (2018): Davao Life is Here. [powerpoint presentation] Davao City Planning and Development Office.

**Figure 4**  
**Location of Davao City in the Philippine Map**



Source: compiled by the author.

In 2013-2014, Japan ranked as the top destination for exported products from Davao, which has a net value of US\$447,415,074, while China ranks second with a value of US\$223,502,197 (Davao City Promotion and Investment Center, 2018, pp. 1-2). From 2014 to 2018, Japan and China are the two essential export destinations of Davao products, along with Korea, the United States, and the Netherlands (Table 2).

**Table 2**  
**Top 5 export destinations of Davao products from 2013-2018**

| 2013        | 2014        | 2014-2015   |             | 2016        | 2017        | 2018        |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Japan       | Japan       | China       | Japan       | Japan       | Japan       | Japan       |
| China       | China       | Japan       | China       | Korea       | Korea       | China       |
| USA         | Korea       | Korea       | Netherlands | China       | China       | Korea       |
| Korea       | Netherlands | Netherlands | Korea       | USA         | USA         | USA         |
| Netherlands | USA         | USA         | USA         | Netherlands | Netherlands | Netherlands |

Source: Compendium of Economic Indicators 2014-2018 and 2013-2016, Davao City Promotions and Investment Center- Office of the City Mayor.

Davao City was awarded a Safe Haven award (The Manila Times, 2019) and in 2015, it also ranked 2<sup>nd</sup> as one of the safest cities in Southeast Asia and 5<sup>th</sup> in the world (Hegina, 2019) because of its low criminal rates, initiatives to maintain public safety, and advanced systems to detect and respond to threats (i.e., terrorism, calamities, and accidents). The Local Government of Davao City created the Task Force Davao, a specialized military group created to address threats from terrorism. The creation of

the Task Force Davao was a response to the series of terrorist bombings in Davao City in 2001. The Davao City Central Communications and Emergency Response Center or the Central 911 is the primary emergency response service that provides medical assistance, search and rescue operations, fire suppressions, and k9- services for the residents in Davao City (City Government of Davao, n.d.). Central 911 was launched on September 27, 2002, to provide a centralized and coordinated system that connects government resources to address the emergency needs of the people in Davao City (Central 911, n.d.). Central 911 coordinates the Davao City Policy Office, City Transport and Traffic Management Office (CTTMO), Public Safety and Security Command Center (PSSCC), Philippine Coast Guard, and other law enforcement agencies (City Government of Davao, n.d.). To maintain the peace and order of Davao City, the City Government created the Public Safety and Security Command Center (PSSCC), which acts as the central coordinating and command center to address various threats to security, including health, terrorism, crimes, traffic, emergencies, and disasters (Public Safety and Security Command Center, n.d.). The PSSCC monitors the city's activities and crises using highly sophisticated technology, intelligence information, and people's information to create a "safe city" environment (City Government of Davao, n.d.). The stable peace and order of Davao City has made it attractive to foreign investors and tourists.

The Philippines' longstanding relationships with both China and Japan are evident in Davao City. The Philippines is home to a significant Chinese-Filipino population whose history has shaped the relationship between the two nations pre-war period. There are substantial communities of Chinese-Filipinos in the Mindanao region, particularly in the cities of General Santos, Davao, and Zamboanga. The Davao City Chinatown, located in Uyanguren Street, implies the deep and robust social and cultural ties between Davaoeños and early Chinese settlers in the region. Most Chinese-Filipinos in Chinatown are in retail businesses of ready-to-wear (RTW) products, electronics, automobile and machinery, and restaurants or bakeshops. New generations of Chinese investors from China set up businesses easily due to their vast networks and friends in Davao City. Chinese businessmen in Davao City are mostly involved in importing and exporting goods. Most of the commodities being traded are crops such as coconut husks, cacao, fruits, and essential flower oils. Other Chinese investors venture into travel agencies, and WeChat payment accounts are well established in malls and hotels in Davao City and even in nearby Davao region cities.

Davao City is also known as the second home or "*furusato*" for the Japanese who settled in the region as abaca farmers from 1903 to 1945 (Estremera, 2017) (see Figure 5). During the visit of Japanese Prime Minister Shinzo Abe, he visited the

Japanese cemetery to pay his respects. Japan's numerous ODA grants to the city reflect the close ties between Japan and Davao City. In terms of its loans and ODA grants, Japan ranks as the top provider with loans amounting to US\$5,962,620,000 and grants amounting to US\$141.33 million, as of June 2018, with a total of ODA of US\$6,103,940,000 (National Economic and Development Authority Region XI Monitoring Staff, 2018). While China ranks 11<sup>th</sup> place with loans amounting to US\$62.09 million and grants amounting to US\$62.28 million, with a total ODA of US\$124,370,000 (Ibid.).

**Figure 5**

**Japantown in Davao 1900s**



Source: <https://www.facebook.com/PilipinasRetrostalgia>

## **5. Roles and Preparation of the Agencies in Davao City**

Davao City has ten top priority investments: agribusiness, tourism, property development, information and communication technology, public-private partnerships, and other investment areas: light manufacturing, health, and wellness, transportation and infrastructure, environmental protection, or green projects, and the generation of new sources of energy. With Rodrigo Duterte, the city has been receiving numerous amounts of attention from private and public investors who wish to invest in the city. Different local agencies in Davao City have been preparing themselves while

accommodating investors. The Davao City Planning and Development Office (DCPDO) is currently updating the comprehensive land-use plan.

"We need to have an updated land-use plan because, with the investments and people coming in, for business or pleasure, we have to prepare our plan; we need to look into where these investments will be placed. We have certain restrictions on the usage of our land; we need to know the carrying capacity of our land, utilities, etc." (J. Esguerra, personal communication, November 15, 2019) (see Figure 6).

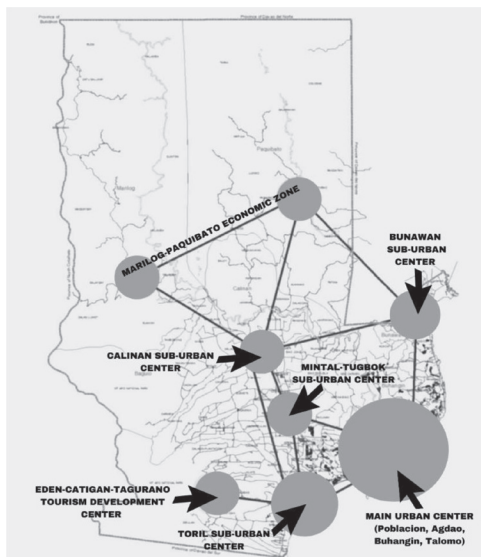
While the Planning and Development Office is tasked to update the Comprehensive Land Use Plan (CLUP), the Investment and Promotion Center is acting as the marketing arm of the City Government of Davao. Its tasks are as follows; to assist financial investors who want to invest in the city and provide them with information on how to do business in the city, identify potential local partners to match with, assist potential investors to secure permits, and facilitate investment meetings with different national and local agencies (L. Ortonio, personal communication, November 9, 2018). According to Mr. Lemuel Ortonio, the Investment and Promotion Center also serves as the technical arm of the Secretariat of the Davao City International Relations Board. This office reviews the sister city agreements to be entered into by the city. In an interview with Davao City Administrator, Atty. Zuleika Lopez discussed that all communications go through the City Administrator's Office before endorsement by the concerned agencies/offices for appropriate action. She further explained that programs and projects are directed through the Office of the City Administrator to ensure that: 1) there is an allocated budget from the Local Finance Committee (LFC); 2) the project is compliant with existing laws and regulations, as reviewed by the City Legal Office; and 3) all sectors across the three Congressional Districts receive the services from the local government so that no sector is left behind (Z. Lopez, personal communication, November 12, 2018).

Apart from local agencies, one of the critical agencies heavily involved in socio-economic planning is the National Economic and Development Agency (NEDA). As an oversight agency, the NEDA Regional Office (NRO) is tasked to provide technical assistance to the Regional Development Council (RDC)—which is the highest policy-making body in the region—in the coordination of plan formulation and implementation at the regional level. The Regional Development Plan (RDP), a complement to the Philippine Development Plan (PDP), serves as the region's blueprint for its development directions in the medium term (6 years). In addition, the NRO provides technical assistance to implementing agencies in the region, in identifying and developing regional programs and projects. The programs, activities, and projects (PAPs) that

are prioritized for implementation by National Government Agencies (NGAs), State Universities and Colleges (SUCs), and government-owned and controlled corporations (GOCCs) are those that have been identified and vetted by the region's development stakeholders through the RDC's Sectoral and Special Committees and included in the RDC-approved Regional Development Investment Program (RDIP), which is primarily anchored on the RDP and meant to operationalize the development objectives in the RDP (NEDA Region XI, email communication, March 29, 2022). Similarly, the local government units (LGUs) including Davao City, prepare their Local Development Investment Program (LDIP) which contains a list of prioritized PAPs that are anchored and consistent with their respective Comprehensive Development Plan (CDP) and to be implemented within a three-year period (NEDA Region XI, email communication, March 29, 2022). The common modality of financing public infrastructure projects is through, but is not limited to, the National Government Appropriation Act (GAA), ODA, and public private partnership (PPP) (NEDA Region XI, email communication, March 29, 2022). Priority PAPs contained in the RDIP and LDIPs may be funded through, but not limited to, the following fund sources/mechanisms: GAA, local funds, PPP, Official Development Assistance (ODA), and Philippine capital markets (United Nations Economic and Social Commission for Asia and the Pacific, 2017).

**Figure 6**

**Spatial Development Strategy Map**



Source: compiled by the author.



**Table 3****Roles and functions of development agencies in Davao City**

| Agency                                     | Role   | Preparations  |
|--|--|---|
| Davao City Promotion and Investment Center | <ul style="list-style-type: none"> <li>• assist financial investors and provide them with information on how to do business in the city,</li> <li>• identify potential local partners to be matched with,</li> <li>• assist potential investors in securing certain permits, arranging and facilitating investment meetings together with the different national agencies, if applicable, chamber of commerce, and industry associations</li> <li>• reviews sister city agreement</li> </ul> | <ul style="list-style-type: none"> <li>• translates promotional materials to other languages, mainly Chinese, Japanese, and even Korean.</li> <li>• creates a template of companies and background of the Davao City's business environment (policies, requirements, preferred types of business/investments)</li> <li>• orientate investors to the preferred investment areas of Davao City</li> </ul> |
| Davao City Planning and Development Office | <ul style="list-style-type: none"> <li>• conducts studies before the implementation of projects</li> <li>• ensures that protocols are observed in the implementation of projects</li> </ul>  | <ul style="list-style-type: none"> <li>• has updated the land use plan</li> <li>• follows certain restrictions in the usage of our land,</li> <li>• needs to adapt and update the local climate change action plan</li> </ul>   |
| NEDA                                       | <ul style="list-style-type: none"> <li>• provides technical assistance to the Regional Development Council (RDC)</li> <li>• provides technical assistance to implementing agencies in the region in identifying and developing regional programs and projects</li> </ul>   | <ul style="list-style-type: none"> <li>• evaluates the fiscal, monetary, and balance of payments implications of major national projects and makes recommendations to the President on the timetable of their implementation on a regular basis</li> <li>• ensures that guidelines and frameworks related to investments (ODAs, FDI, etc.) are followed</li> </ul>                                      |
| City Administration                        | <ul style="list-style-type: none"> <li>• Traffics all activities and communications in the city</li> <li>• Ensures that the projects are approved by the timeline stated and meet necessary requirements including allocation and spending of budget, standard enforcement of all laws and ordinances since it is an executive concern, and ensures that no sectors are left behind.</li> </ul>  | <ul style="list-style-type: none"> <li>• Receives proposals</li> <li>• Conducts initial talks and proposals from their end,</li> <li>• Conducts feasibility studies in terms of the infra project.</li> </ul>   |

Source: compiled by the author.

## 6. The Mindanao Strategic Development Framework (MSDF) in BRI and FOIP

The development plans of the entire Davao region follow the Mindanao Strategic Development Framework (MSDF) formulated by the National Economic Development Authority (NEDA). The MSDF articulates policies and plans for development at the regional and local development level, ensuring that the proposed development plans meet the standard needs of the localities in the region.

MSDF aims to harness the full potential of Mindanao's resources by making an initiative to improve agricultural productivity, attracting investments for various economic

activities, including mining, tourism, and ICT, to prosper economic growth and attain lasting peace in the region (National Economic and Development Authority, 2010, p. 8). To attain the goal defined by the MSDF goal, it is necessary to integrate major networks of industries. These industries include; ICT, agri-industrial resource-based, and tourism allowing the adequate flow of goods, people, services, capital, raw materials, and technology and innovation. Thus, it is essential to create economic hubs or linkages in Mindanao to coordinate a faster and more efficient flow of resources necessary for regional economic development. The MSDF M has six identified primary cities considered to be the region's growth centers: Davao, Cagayan de Oro General Santos, Zamboanga, and Cotabato (National Economic and Development Authority, 2010, p. 13). Davao City is Mindanao's major growth center and serves as one of the country's international gateways (National Economic and Development Authority, 2010, p. 13) (see Figure 7).

The vision of the MSDF has five development strategies, namely: sustainable resource based-industrialization, growth with social equality, efficient logistics support, peacebuilding and good governance, and strong partnership (National Economic and Development Authority, 2010, p. 15). The Belt and Road Initiative and the Free and Open Indo-Pacific Strategy share common interests with the goals envisioned by the MSDF in the development of Mindanao. The projects of BRI and FOIP are in accordance with the five strategies of the MSDF.

China commits development funds to the Davao region that enhance connectivity, livelihood, and peace and stability. During the visit of Vice Premier Wang Yang to Davao City, China offered US\$3 billion projects to the Philippines. Among the significant projects of President Duterte is the Mindanao Railway connecting these important cities as an economic hub in the region. China will take part in this vital endeavor as one of its largest railway companies—China Railway Group Ltd—was said to enter into partnership with the Philippines to vie for the specific project (Abadilla, 2016). Vice Premier Wang pointed out the five major development investments proposals it has for Davao were Davao City Expressway Project; the Davao City Coastal Road project; the Davao Coastline and Port Development Project; the Mindanao Railway Project; and the Development, Operations, and Maintenance project of the Davao Airport (Public Private Partnership Center, 2017). Some Chinese investors are interested in solar panel production and hydropower development as an alternative source of energy in Mindanao (Francisco, 2018). So far, most of these projects are not in place yet. The only Chinese funded project in the city is the road project of Sitio Patag to Datu Salumay in Davao City under DPWH Region XI (J. Esguerra, personal communication, November 15, 2019) and the 4.12 billion Philippine peso worth Davao Expressway with

a length of 29.21 km and has three sections: Section – Davao City Coastal Road to Ma-a Interchange, Section 2 – Panacan Interchange to Ma-a Interchange and Section 3 – Ma-a Interchange to Dumoy Interchange (see Figure 8), which is funded by China Loan Financing (Department of Public Works and Highways, n.d).

Figure 7

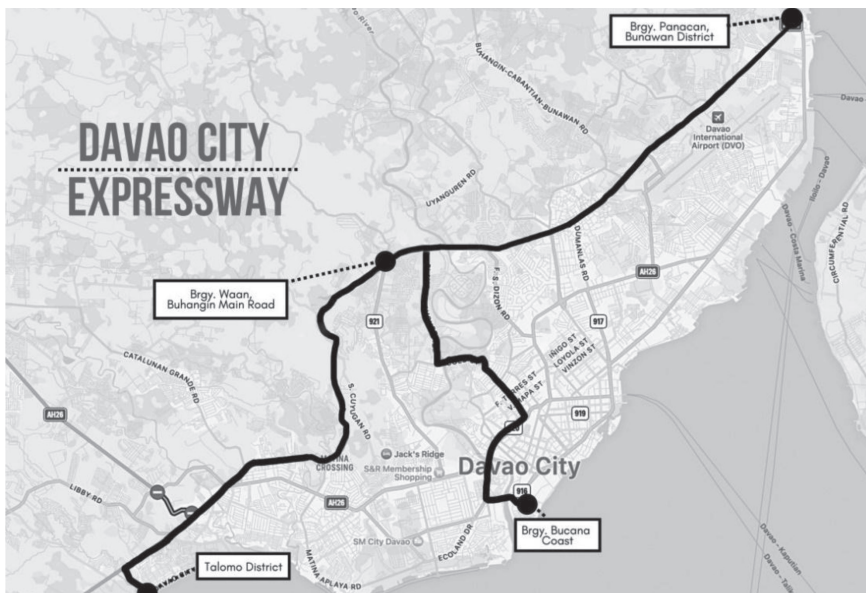
Mindanao's primary growth centers



Source: compiled by the author.

Figure 8

Davao City Expressway



Source: compiled by the author.

According to the Planning and Development Coordination Office, China has established schools and watershed projects through a non-government conduit and not directly through the City Government of Davao. In regard to peacebuilding, China has also contributed to the rehabilitation of Marawi City after the siege in 2017. China offered the assistance of the Aid Bridge and Road Project to help rebuild the city. In terms of security, China proposed the “safe city” projects. The “safe city” project has a budget provided directly by the Chinese government to the Philippines. China is more aggressive when it comes to IT and connectivity (A. Te, personal communication, November 14, 2018). According to Ms. Te, with the Safe City project, only Davao was included in the budget in Davao apart from the whole of Luzon. Under the “safe city”, a command center that monitors all CCTV cameras will be installed.

The command center will provide an improvised monitoring system that will help the city manage traffic during calamities, natural disasters, and terrorist incidents. With the system in place, it will be easier to respond to incidents (A. Te, personal communication, November 14, 2018). At the time of writing, the author has no update on the CIC and the “safe city” project in Davao City. The security implications that will possibly entangle Davao in the project are seen as an impediment to its realization, most notably that the “safe city” project involves access to personal data that might violate domestic law.

Davao has entered into several international sister city agreements with Jinjiang and Nanning and Xiamen, Manado and Pekanbaru in Indonesia, Koror in Palau, Montevideo in Uruguay, Panama City, Vladivostok in Russia, Keelung in Taiwan, and Kauai Country in Hawaii, and Tacoma in Washington in the United States (Colina IV, 2021). Sister city arrangements encourage the exchange of best practices in providing technical assistance (L. Ortonio, personal communication, November 9, 2018). According to Mr. Ortonio, the city has forged more than ten sister city agreements with different cities within and outside the country. Under the sister city agreement between Nanning and Davao, Nanning donated two Sunlong buses to the city to help transport city-government officials and employees. Scholarship programs were also provided for 15 students to study in China, but unfortunately, there were no takers from Davao due to the school calendar incompatibility and the preference for Mandarin. In 2018, Davao City concluded sister-city agreements with Xiamen and Jinjiang Cities. These agreements are expected to encourage tourists and people-to-people exchanges as envisioned by the Belt and Road Initiative. But despite the several investment partnerships between Davao City and China, the latter understands that Japan is more influential to Davaoeños than them. The South China Sea issue caused a negative perception of Filipinos against China incidents (A. Te, personal communication, November 14, 2018).

Nevertheless, China continues to be friendly and tries to catch up when it comes to projects and investments. If there are projects that are already entered upon by the Japanese, the Chinese will propose a collaboration if they can be integrated into the project as well (A. Te, personal communication, November 14, 2018).

Japan and Davao entered the Infrastructure and Modernization Plan for Davao (IMforDavao) through the Japan International Cooperative Agency. The IMforDavao plan will run until 2045, a plan related to the Prosperous and Open Indian Asia concept, which aims to enhance capacity building in infrastructure and business (Y. Miwa, personal communication, November 19, 2018). According to the Japanese Consul General Miwa, the goal of IMforDavao is to create different centers of development which will be related to each other, each with different roles, i.e., commercial, agri-business, or connectivity through bypass road and railway systems to manage traffic. The bypass road system commenced tunnel excavation on November 19, 2021 (Embassy of Japan in the Philippines, 2021). The two tunnels will begin in Baranggay Sirawan Toril, Davao City, and will end in Barangay J.P. Laurel Panabo City (another neighboring city of Davao that belongs to the Davao Region) (Embassy of Japan in the Philippines, 2021) (see Figures 9 and 10). It will reduce the travel to 49 minutes via the Pan-Philippine Highway and help mitigate the Davao City traffic.

Figure 9

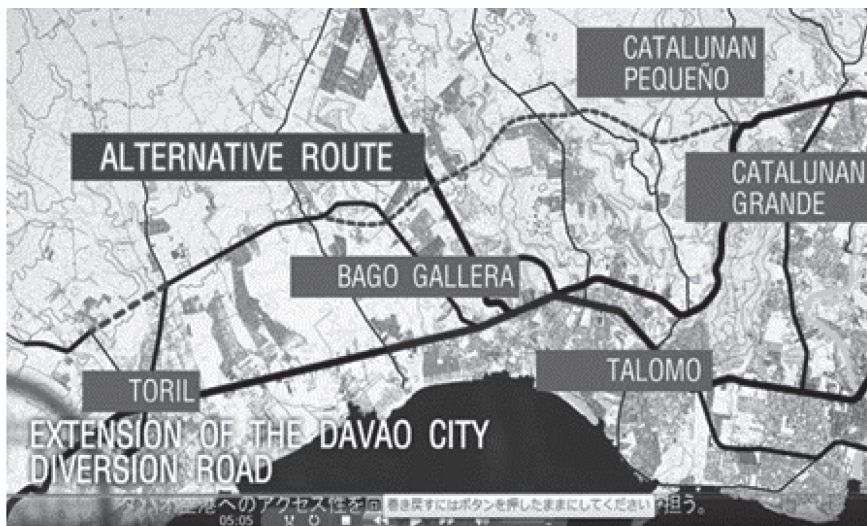
Mindanao Railway System under the IMforDavao



Source: "IM4Mindanao" (Consul General Yoshiaki Miwa, e-mail communication, November 19, 2018).

Figure 10

Davao Bypass road under the IMforDavao



Source: "IM4Mindanao" (Consul General Yoshiaki Miwa, e-mail communication, November 19, 2018).

The direction of Davao City is towards modernization and sustainability. According to Jo Ann Esguerra from the Davao City Planning and Development Office, the city is into infrastructure that reduces carbon emissions. Japan has assisted environmentally-friendly facilities like e-buses through the IMforDavao 2045 project. Davao has also signed a green sister city agreement with Kitakyushu City. Japan is helping the Local Government Unit of Davao with its local climate action plan through three initiatives: assessments, mitigation, and greenhouse inventory. Esguerra further explained that through its sister city agreement with Kitakyushu, Japanese technology in identifying and computing carbon emission activities will be transferred to Davao City. Apart from infrastructure and development centers, among the specific areas of Japanese investments are climate change mitigation, sustainable development, green city (the case of Davao – Kitakyushu), and alternative sources of energy (windmills, solar panels) (Y. Miwa, personal communication, November 19, 2018). Consul General Miwa also said that Japan gave grassroots grants worth 5 million Philippine peso to support the Japanese community museum in Calinan, Davao City. This project aims to rehabilitate these communities' facilities and provide equipment and an educational scholarship that will promote livelihood programs (for example, agri-business). Japan has a strong interest in sustainable development programs and provides finances that promote livelihood capacity projects like the Mindanao Sustainable, Agrarian,

and Agriculture Development Project (MINSAAD). Japan also believes that a peaceful nation will facilitate prosperity and development, it has created programs for peace and stability, including Harvesting Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful transformation, National Irrigation Sector and Rehabilitation and Improvement Project (NISRI), Maritime Safety Capability Improvement Project for the PCG, and New Communications Navigation and Surveillance/Air Traffic Management System Development.

### 7. Davao City: a Space for China-Japan Competition?

"Xi Jinping and Shinzo Abe had met and agreed to cooperate with southern countries exactly in this kind of issue. They are promoting the BRI project, and we also have the Open and Prosperous Indian and the Pacific Ocean concept. So it is similar to our case, connectivity and developing the skills of the people and creating a democratic society and open economic system are the key elements of our concept" (Y. Miwa, personal communication, November 19, 2018).

Japan understands that an overlap of investments with China or other states is a waste of capital. Thus, a proper understanding of the socio-economic needs and capacity of a city or a region to generate income is an imperative element to consider. Japan conducted a series of survey studies to find out the requirements of each government and the needs of its societies. The advantage of Japan is its advanced technology and other technologically challenging projects. According to Consul General Miwa, Japan observes what China will do to avoid overlap, and use its resources effectively. Thus, he further explained that there is a division of roles in the case of the bypass road; for instance, the technological requirements are rather high, and a technological innovation in the field of Japanese construction companies. While Japan has carefully managed its resources appropriately, China has cases of capital misappropriation due to its lack of understanding of a specific region's socio-political and investment climate. Ms. Esguerra added that, unlike China, Japan is in its green city sister agreement. There has been an effective transfer of technology through constant interaction with consultants and experts from representatives of Davao and Kitakyushu, bringing in Japanese equipment and usually donating it to Davao City once the project is done, thus ensuring the project's sustainability. However, China does not have this mechanism; they typically work with a non-government conduit and not directly with the government. Although China admits its lack of a mechanism to enter into more sustainable projects because it does not conduct feasibility studies and consultations, China perceives the importance of the region's socio-economic



profile in order to have a clear grasp of its business environment. The case of Hambantota port and industrial zone and failed investments in African countries like Mozambique and Djibouti are examples of misallocation of funds by China due to the lack of the proper means to identify the needs of these countries and their capacity to promote investment outcomes.

In Davao City, China has successfully situated its importance as a key investor. Mr. Ortonio from the Promotions and Investment Center explained that the policy of Mayor Duterte does not prioritize anyone when it comes to international relations. Davao City is a friend to all peace-loving communities. He added that there is a possibility that JICA's IMforDavao plan might overlap or compete with the Belt and Road Initiative of China. Still, the City can always find ways to interconnect BRI and what we (Davao City) have right now with Japan. With the lessons it experienced from previous investments, China has tapped think tanks from their respected universities to work closely with counterparts in the region. One of China's leading think tanks, the Shanghai Academy of Social Sciences (SASS), has forged a partnership with Ateneo de Davao University through its Center for Politics and International Affairs (CPIA) and Davao City, Local Government Unit, represented by the Planning and Development Coordination Office. The goal of the partnership is to conduct exchanges of learning, experiences, and technology related to investments that will foster mutual benefit for both Shanghai and Davao City. SASS coined potential cities for investment hubs as "*future stars*", and Davao is said to possess such characteristics to help realize China's Belt and Road project in Asia and the Pacific region. Traditionally, the Silk Road system traversed towards the northwest, having a fully functioning industrial zone in Metro Davao. China can connect itself with the rest of the southeastern part of the Globe, boosting its trading activities and increasing profit revenues. Apparently, there is neither a defined overlap nor a clear competition between the two economic powers. However, the competition has manifested itself through the control of networks or hubs established in focal areas of a specific region. With the networks interlinked, the influx of investments and development programs towards the different cities in Mindanao will become more efficient.

The Philippine government chooses which investments are compatible with its development goals. In terms of foreign investments, the government provides proposals to the funding state for official development assistance (ODA) (National Economic and Development Region XI, email communication, March 29, 2022).

According to the financing framework released by the ICC on February 18, 2013, a technical working group (TWG)—composed of the Department of Finance (DoF) as



chair, National Economic and Development Authority (NEDA), and Department of Budget and Management (DBM)—was tasked to identify appropriate financing for the priority programs and projects of the National Government (NG) (National Economic and Development Region XI, email communication, March 29, 2022).

The TWG, in consultation with the proponent agencies (PAs), shall determine the appropriate source of financing. Should ODA be the appropriate source of financing, explorations and discussions will be conducted by the DOF, NEDA, DBM, and PAs with the potential development partner having required foreign expertise/technology for possible financing consideration. Other considerations shall include the development partner's capacity to meet target implementation schedules, and the terms and conditions in financing the projects, among other requirements (National Economic and Development Region XI, email communication, March 29, 2022).

The NEDA Investment Coordinating Committee (ICC) Technical Board evaluates the fiscal, monetary, and balance of payments implications of major national projects and recommends to the President the timetable of their implementation on a regular basis. The ICC advises the President on issues concerning domestic and foreign borrowing programs and submits a status of the fiscal, monetary, and balance of payments implications of major national projects (National Economic and Development Region XI, email communication, March 29, 2022).

Both China and Japan have interests and thus, to some extent, are competing. As for foreign direct investments, the TWG will choose a proposal base on merit and not bias. Japan ranks first in terms of ODAs and FDIs in the Philippines (National Economic and Development Office Region XI Office personnel, personal communication, November 16, 2018). Under the ICC memorandum, the Philippine government does not distinguish between development partners for ODA so long as investors or funding state as long as they meet the criteria set by the ICC Board (National Economic and Development Region XI, email communication, March 29, 2022). NEDA seats as the Director-General to the Investment Coordination Committee that reviews Chinese investments, supports pre-investments, includes feasibility studies, and project implementation, and imposes conditions (National Economic and Development Office Region XI Office personnel, personal communication, November 16, 2018).

In 2016, the NEDA Board chaired by President Rodrigo Duterte approved the guidelines for the availment of Chinese support for the conduct of pre-investment and investment activities (Department of Finance, 2016). All proposals for pre-investment studies (i.e., feasibility studies) by the Philippine government agencies, and

corporations of local government units (LGUs) for Chinese support should follow the provisions under the 2013 financing framework indicated in the ICC memorandum (Investment Coordination Committee, 2016, p. 1). The guidelines were created as a result of the investment commitments made by the Chinese government to the Philippines during the state visit of President Duterte to China in 2016 (Department of Finance, 2016). The guidelines aimed to improve and strengthen transparency and coordination among national government agencies; government-controlled corporations and financial institutions; and local government units in the availment of Chinese support to conduct pre-investment and implementation projects subject to the review and approval of the ICC (Investment Coordination Committee (Department of Finance, 2016). Government institutions and corporations may secure Chinese investments financing for investment projects subject to the arrangement agreed by the Department of Finance (DoF) and the Chinese Government represented by its embassy in the Philippines (Investment Coordination Committee, 2016, p. 2). Under the newly approved guidelines, for proponent agencies to avail upon Chinese support, they are required to adhere to the implementation of both the Chinese and Philippine governments; employ qualified, legitimate, and in good standing Chinese consultants and contractors; engage different entities in the development and implementation of projects for Chinese support; and ensure the competitive selection in the procurement of Chinese contractors (Department of Finance, 2016).

In Davao City, China perceived Japan, not as a competitor for investment and development programs but as a partner.

“China also welcomes this kind of three-sided cooperation, where cooperation is possible. China is now a very active advocator of open and inclusive global economic development, globalization, and free trade. With the overlapping of interest or competition, China will not want to exclude a certain country from international development” (L. Li, personal communication, November 23, 2018).

During the visit of Shinzo Abe to China, both Abe and Chinese President Xi Jinping agreed to cooperate with a third party. Thus, the Chinese government is open to a three-party cooperation between China, Japan, and the Philippines. According to Consul General Li, a “tri-party friendly cooperation” will ease possible rivalry in the investments in Mindanao. He said that the scope of opportunities for the three countries is broad. In the case of Davao, wherein most industries are agricultural-based, China is also offering manufacturing industries for steel in the future. So far, under the leadership of Mayor Sara Duterte, China is slowly bridging people-to-people exchanges by creating sister city agreements, and direct flights from Davao to

Xiamen, Hong Kong, Nanning, and Jinjiang cities in China are boosting the tourism industry.

With the booming Chinese investments in the Philippines, the Philippine Consulate in Shanghai, China, established the Philippine Trade and Investment Center (PTIC) to match Chinese investors with a compatible business partner or sector in the Philippines. PTIC in Shanghai represents the Department of Trade and Industry (DTI) (Department of Trade and Industry, n.d.). In Davao City, the Chinese Consulate-General is working closely with the City Government of Davao to understand local industries, so China will know what to offer and what is needed. In contrast, on the side of local industry, it will know what to take and offer as well (L. Li, personal communication, February 14, 2020). Through this method, both economies will be familiarized with each other's needs and advantages. The Chinese Consulate in Davao City established the Davao City Filipino-Chinese Multi-Sectoral Organization, so it will be easy for the Chinese Consulate to get in touch with Chinese business sectors in the city (L. Li, personal communication, February 14, 2020). China is also actively involved in the peace-building initiative of Davao City through the Peace 911 project launched by Mayor Sara Z. Duterte to address the communist insurgency in Paquibato District, Davao City. China provides technology for local farmers in the district to grow flowers and extract essential oils for export to China (L. Li, personal communication, February 14, 2020). There has been an increasing demand for essential flower oils in China, and because of this demand, Chinese pharmaceutical companies are willing to invest in the country.

## **8. Implications for Davao Investment and Development Direction**

Although Davao had an existing international partnership with cities both in and outside the country before Rodrigo Duterte was elected president, it is undeniable that his presidency intensified international attention towards Davao City, and the Davao Region in general. Davao's socio-political and economic importance dismantled the influence of imperial Manila. It strengthened the reputation of Davao City in the global community, which led to further internationalization not only of the city but also of the entire region. With its clean record of good governance and peace and order situation, the region continuously attracts foreign investments and loans that provide many opportunities for people in Davao. Japan and China are two of the major trading partners of Davao City. The well-established partnership between Japan and Davao City, influenced by its historical relationship, affects the preference and confidence of Davaoeños in Japanese investments. Furthermore, the South China Sea issue and the

involvement of Chinese immigrants in illegal activities in the Philippines (illegal gambling, drugs, kidnapping, etc.) significantly affect most Filipinos' perception of China. Nevertheless, China is catching up in its commitment to provide Davao with financial and development assistance to benefit both China and the Philippines.

This study has seen two significant implications in the attempt to answer the major inquiries of this paper. Firstly, Both China and Japan share a common direction in their strategies: connectivity. The Free and Open Indo-Pacific Strategy and the Belt and Road aim to connect important financial and development hubs for a better and effective transfer of technology, capital, labor, and all other necessary elements essential for trade and commerce. Infrastructure development programs and the creation of industrial zones or centers require a high technological capacity to be developed and, most importantly, need a considerable amount of energy. This problem posed a challenge for Davao City as it might create a shortage of power in the region and in the operations of industrial zone facilities. Thus, all projects proposed by foreign investors have to fit in the socio-economic and even political environment that defines the region's needs. China has learned this lesson and is also trying to adopt similar ways to Japan by forging cooperation in specific areas of development in Davao City. The roles and preparations of various agencies that comprise and support the City Government of Davao imply their proactive contribution in crafting and enforcing policies that strategically respond to foreign partners. The state is composed of various institutions that essentially influence foreign policy implementation. The reaction or behavior in response to external issues may be seen as successful or weak relative to the response of its bureaucratic agencies and political elites. Considering cities in this sense like Davao, its preferences as outcomes of its long-standing relationship and perceptions of both China and Japan have resulted in parochial interests.

International Relations (IR) refer commonly to the state as the primary unit of analysis. However, as cities significantly impact foreign relations through their direct interactions with a strategic partnership, it is important to consider the role of states as significant actors in IR. While cities are seen as subnational sources of influence or power, matters concerning foreign affairs still rest within the national government's decision.

The second concern of this paper is to identify the existing rivalry or competition of two regional powers in making their influence felt through investments, loans, and development assistance. Hegemonic rivalries in the manifestation of great wars have become obsolete in current global political affairs. Competition among great powers embodies a new form of indication by creating various strategic partnerships that aim

to contain a rising power. China's Belt and Road Initiative and Japan's Free and Open Indo-Pacific (FOIP) are prominent strategies created to provide economic opportunities to smaller states by linking national and local economies in a vast network of foreign markets and specialized economic zones connected by different routes.

Both China and Japan affirmed that there is no rivalry between the two but do not discount the possibility of overlaps of projects as they have similar plans. The strategy of one might outweigh the other in specific proposed programs (railways, roads, etc.). Therefore, it is a race of who will start and finish the project first. Competition occurs, so China and Japan contest for spaces to establish their networks or centers, and Davao has become a political and economic space of the undefined race between the two powers.

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# Digital Connectivity in ASEAN Integration: History, Policies, and Challenges

Benny Teh Cheng Guan

## 1. Introduction

Digital connectivity has become a major focus in ASEAN's integration process. ASEAN member countries have been embracing and developing their digitalization capabilities, albeit at different levels. Collectively, they are fully aware of the need to take advantage of the fourth industrial revolution in cultivating a digital ASEAN Community. This arises from the realization of the significance of digital transformation and its global impact on their national economies, governmental institutions and societal developments. Undeniably, digitalization and connectivity are fundamental to the sustenance of the Community, particularly in integrating the regional economy through a more inclusive and equitable framework of cooperation.

Many of the member countries have institutionalized digital technologies in both hardware and software to varying degrees in recognition of their value to political, economic, social and environmental governance. This realization is further accelerated by the advent of the current Covid-19 pandemic. The prolonged nature of the virus has caused most ASEAN countries to initiate long periods of lockdown and other mobility restrictions that have indirectly contributed to a substantial increase in the number of internet users as more and more individuals log onto the web to address their daily needs. Forty million new users have been added year on year since 2019 to reach 440 million users in 2021, with an internet penetration rate of 75 percent (e-Conomy, 2021, p. 10).<sup>1</sup> The e-Conomy report (2021, pp. 23-25) found that eight

<sup>1</sup> The e-Conomy report covers six Southeast Asian countries namely Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam with a total population of 589 million. According to Statista (2021), the internet penetration rates for the 10 countries are: Brunei (104.5 percent), Malaysia (89 percent), Singapore (87.7 percent), Thailand (83.6 percent), the Philippines (81.9 percent), Vietnam (77.4 percent), Indonesia (76.8 percent), Cambodia (73.4 percent), Laos (52.1 percent), and Myanmar (52.1 percent). There is clearly a difference when compared to the internet penetration rates for the same countries in 2010: Brunei (81 percent), Singapore (78 percent), Malaysia (65 percent), the Philippines (30 percent), Vietnam (27 percent), Thailand (26 percent), Indonesia (12 percent), Laos (8 percent), Cambodia (1.3 percent), and Myanmar (0.2 percent) (ASEAN Secretariat, 2010b).

out of ten digital consumers were satisfied with their digital services, and nine out of ten new users in 2020 continue to use them a year later. Five ASEAN countries—the Philippines, Malaysia, Thailand, Indonesia, and Singapore are ranked 2<sup>nd</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 9<sup>th</sup>, and 18<sup>th</sup> respectively above the worldwide average in terms of time spent each day using the internet (Kemp, 2022). This is a strong indication of a new normal, characterized by the materialization of “digital life” where digital technologies are forming an essential part of a person’s lifestyle.

With a relatively young population, growing middle class, and accelerated urbanization, the new normal is bound to propel the region’s digital economy as tech-savvy urbanites demand more digital products and services. The ASEAN region is considered one of the fastest growing internet economies. It grew by 5.6 times from only US\$31 billion in 2015 to US\$174 billion in 2021, and it is estimated it will more than double to US\$363 billion by 2025, with e-commerce as the key driver growing by 21.8 times in just six years from a mere US\$5.5 billion in 2015 to US\$120 billion in 2021 (e-Conomy 2016; 2021). ASEAN’s role in improving digital integration across borders will considerably augment the thriving internet economy.

On the flip side, the pandemic has laid bare the limitations and challenges of digital connectivity, especially in the area of digital infrastructures and digital rights. Content accessibility, affordability, digital literacy and infrastructure upgrades are crucial in reducing the glaring digital divide. This is undeniably a sustainability issue and is aptly consistent with one of the sustainable development goals (SDGs) of reducing inequalities and ensuring equal opportunities for every citizen to have access to the internet. It is equally coherent with ASEAN’s people-centered concept that aims to prioritize its citizens’ wellbeing and improve their livelihood and welfare.

This paper, therefore, examines the development of ASEAN integration by focusing on the organization’s progress in the area of digital connectivity. It is divided into five sections. The next section traces the historical developments and explains the varied documents that have been agreed upon and adopted by the member states. The third section discusses the policies and challenges in integrating the digital economy, while the fourth section deliberates the policies and challenges in enhancing people-to-people connectivity. The final section summarizes and concludes the paper.

## 2. Historical Developments in Regional Digital Connectivity

The concept of digital connectivity goes beyond the common understanding of wired and wireless network connections for internet access to include the connection of ideas, spaces, resources and communities that would eventually generate vibrant digital lives. Digitalization enables digital connectivity that in turn facilitates digital life. To empower the latter, it is not enough to simply connect people to the web but to sustain their online footprints through active social platforms, virtual shopping, digital payment systems, e-government services, online banking facilities and e-learning opportunities.

Cognizant of the potential capabilities of the digital age, the ASEAN leaders issued a statement on the concept of ASEAN Connectivity in 2009 that considers intra-regional connectivity as important in narrowing the development gap within the region, enhancing the regional economy, and fostering a sense of shared values, and agrees to focus on both the physical side of connectivity such as road, rail, air and sea linkages, and on the digital side, highlighting the importance of the ASEAN ICT Master Plan “to enhance intraregional Information and Communication Technology linkages” (ASEAN Secretariat, 2009). A 5-year Master Plan on ASEAN Connectivity (MPAC) (2010–2015) was adopted in Hanoi, Vietnam the following year to address challenges that were impeding connectivity as the leaders prepared to realize the ASEAN Community in 2015. The document defined ASEAN Connectivity as “the physical, institutional and people-to-people linkages that comprise the foundational support and facilitative means to achieve the economic, political-security and socio-cultural pillars towards realizing the vision of an integrated ASEAN Community” (ASEAN Secretariat, 2010a, p. 2). Beyond integration, a well-connected region would not only allow ASEAN to better connect with neighboring regions and thus play a more central role in regional security architecture but also prevent the influence of competing connectivity visions from external countries in the region (Basu Das, 2012; Mueller, 2019).

The decision to emphasize the role of ICT and e-commerce at the regional level was first made in Singapore in November 2000, when the leaders agreed on an e-ASEAN Framework Agreement. The agreement aimed to strengthen the ICT sector, liberate trade in ICT products and services, and reduce the digital divide in order to promote ASEAN’s economic competitiveness (ASEAN Secretariat, 2000). A year later, the ASEAN Telecommunications and IT Ministers (TELMIN) initiated their first meeting in Kuala Lumpur, viewing their role as pivotal in realizing the framework agreement (ASEAN Secretariat, 2001). Subsequent TELMIN meetings saw various initiatives in the areas of cybersecurity, ICT market integration, ASEAN ICT Fund creation, capacity

building in ICT literacy, digital dividend, green ICT, and e-commerce interoperability were endorsed before an ASEAN ICT Masterplan (AIM) was adopted in 2010. The Masterplan reflected a higher level of determination in ICT integration efforts by outlining a 5-year action plan that aimed to help ASEAN transform into a single and competitive market (ASEAN Secretariat, 2011).<sup>2</sup>

Whilst the first ICT Masterplan focused on improving the connectivity of information and communications technologies in member economies, the second ICT Masterplan (2016-2020) aimed to support the transformation towards a digital economy by centering on the digitalization of traditional business sectors, enhancing human capital through higher level digital skill sets, and recognizing the need to develop a guide for sustainable and green ICT use and support broadband connectivity in underserved and marginalized communities (ASEAN Secretariat, 2016d).<sup>3</sup> It was also in 2016 that the ASEAN leaders adopted the second Master Plan on ASEAN Connectivity (2016-2025). Compared to the first master plan, the digital aspect received greater attention, with digital innovation serving as one of five strategic areas of cooperation.<sup>4</sup> Meanwhile, TELMIN adopted two framework agreements—Framework on Personal Data Protection and Framework on Digital Data Governance—at their 16<sup>th</sup> and 18<sup>th</sup> meetings respectively. The former outlined a general understanding of the principles of personal data protection in an effort to protect and prevent misuse of a person's personal data, while the latter fulfilled one of the initiatives under the digital innovation strategy of the second MPAC to serve as a guideline for member countries to strengthen their data ecosystem and harmonize their legal and regulatory frameworks on data governance (ASEAN Secretariat, 2016b; 2018b).

<sup>2</sup> The Masterplan contains six strategic thrusts made up of three pillars (economic transformation, people empowerment and engagement, and innovation) and three foundations (infrastructure development, human capital development, and bridging the digital divide) to achieve four outcomes—ICT as an engine of growth for ASEAN countries, recognition for ASEAN as a global ICT hub, enhanced quality of life for peoples of ASEAN, and contribution towards ASEAN integration (ASEAN Secretariat, 2011, pp. 10-11).

<sup>3</sup> The Masterplan contains eight strategic thrusts (economic development and transformation, people integration and empowerment through ICT, innovation, ICT infrastructure development, human capital development, ICT in the single market, new media and content, and information security and assurance) and five outcomes—an accessible, inclusive and affordable digital economy, deployment of next-generation ICT as enablers of growth, sustainable development through smart city technologies, multiple ICT opportunities across a single regional market, and secure digital marketplaces, safe online communities (ASEAN Secretariat, 2016d, pp. 12-16).

<sup>4</sup> The other four strategic areas are sustainable infrastructure, seamless logistics, regulatory excellence, and people mobility (ASEAN Secretariat, 2016c, pp. 9-10).

Apart from TELMIN, the ASEAN Economic Ministers (AEM) play a crucial role in digital connectivity, particularly in facilitating e-commerce, which has been identified in the second ASEAN Economic Community (AEC) Blueprint (2016-2025) as a strong contributor to regional economic integration. In 2018, the AEM adopted the ASEAN Digital Integration Framework (ADIF) that was prepared by the ASEAN Coordinating Committee on Electronic Commerce (ACCEC) and adopted the Framework's Action Plan (2019-2025) at their 51<sup>st</sup> meeting a year later. The ADIF aims to "address the critical barriers and accelerate existing ASEAN platforms and plans to realize digital integration" by focusing on six priority areas: facilitate seamless trade, protect data while supporting digital trade and innovation, enable seamless digital payments, broaden digital talent base, foster entrepreneurship, and coordinate actions (ASEAN Secretariat, 2018a, pp. 1-2).

In line with the ADIF is the 2019 Action Agenda on Digitalization of ASEAN MSMEs through Capacity Building Initiatives set out by the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) under the purview of the AEM. The main agenda is to increase the MSMEs' adoption of digital technology to better integrate them into the digital economy. A project entitled "Go Digital ASEAN: Digital skills to address the economic impact of Covid-19" was implemented in collaboration with The Asia Foundation not only to assist MSME owners but also to impart ICT skills to underemployed youths, traditional economies, small shops and marginalized groups (Asia Foundation, 2020). To further support people connectivity, the ASEAN Ministers Responsible for Information (AMRI) adopted the Core Values on Digital Literacy for ASEAN in 2018, that outlined responsible online behavior, and the Framework for Developing Digital Readiness Among ASEAN Citizens in 2021, and focused on the three inter-related elements of digital access, digital literacy and digital participation to achieve digital readiness (ASEAN Secretariat, 2021f).

At the 19<sup>th</sup> TELMIN meeting in 2019, the ministers agreed to rename their body to ASEAN Digital Ministers (ADGMIN) to better reflect the expansion of the work scope from ICT to digital connectivity. Hence, the third and current master plan is fittingly titled, the ASEAN Digital Masterplan (ADM) (2021-2025). The Masterplan envisions a digital society where digital life takes root and a digital economy, where digital services are widely employed by small and large businesses to produce cheaper and better products in a greener and more sustainable way (ASEAN Secretariat, 2021b). Out of eight desired outcomes in the Masterplan, the most significant is the prioritization of the use of digital services across all sectors to speed the region's economic

recovery process from the Covid-19 pandemic (ASEAN Secretariat, 2021b, p. 6).<sup>5</sup> The Masterplan is, therefore, a key component of the ASEAN Comprehensive Recovery Framework that “serves as the consolidated exit strategy from the Covid-19 crisis” (ASEAN Secretariat, 2020a, p. 7). In the ACRF, “accelerating inclusive digital transformation” is identified as one of five broad strategies where the ADIF plays a pivotal role in creating a single digital economy to further drive the region’s economic growth.<sup>6</sup>

The ASEAN leaders showed resolution when the ASEAN Agreement on Electronic Commerce (AAEC) finally came into force in December 2021. It was first signed in January 2019, and contains a number of principles and guidelines to collectively develop a conducive environment for e-commerce to thrive (ASEAN Secretariat, 2019). A 5-year work plan on the implementation of the AAEC (2021-2025) was then adopted in 2021 to ensure continued momentum on the commitments made by member countries, particularly in the harmonization of their laws and regulations on e-commerce (ASEAN Secretariat, 2021g). Around the same time, the ASEAN leaders issued a statement on Advancing Digital Transformation in ASEAN by agreeing to implement the ADM and commence negotiations for an ASEAN Digital Economy Framework Agreement by 2025 (ASEAN Secretariat, 2021c).

In addition to the above plethora of initiatives, the ASEAN leaders have recently adopted the Consolidated Strategy on the Fourth Industrial Revolution for ASEAN. It is an ambitious idea, taking advantage of the fourth industrial revolution, or 4IR, to form a Digital ASEAN Community by approaching cooperation through a cross-Pillar or Community-wide rather than Pillar-specific lens. The consolidated strategy is anchored on three strategic areas, namely, technological governance and cybersecurity, digital economy, and digital transformation of society (ASEAN Secretariat, 2021e).

These initiatives on digital connectivity demonstrate ASEAN’s resolve to transform the region’s economy and society by recognizing the significance of digitalization in deepening regional integration. While the various initiatives are designed to propel the ASEAN member countries forward through dynamic and active involvement in

<sup>5</sup> The other seven outcomes are: increase in the quality and coverage of fixed and mobile broadband infrastructure; the delivery of trusted digital services and the prevention of consumer harm; a sustainable competitive market for the supply of digital services; increase in the quality and use of e-government services; digital services to connect business and to facilitate cross-border trade; increased capability for business and people to participate in the digital economy; and a digitally inclusive society in ASEAN (ASEAN Secretariat, 2021b, p. 6).

<sup>6</sup> The other four broad strategies in the ACRF are: to enhance health systems; strengthen human security; maximize the potential of intra-ASEAN market and broader economic integration; and advance towards a more sustainable and resilient future (ASEAN Secretariat, 2020a, pp. 7-9).

cooperation, they can be overwhelming and challenging to implement and monitor effectively due in part to the lack of binding structures, overlapping priority or focus areas, and the absence of a supranational body to hold member states accountable for non-compliance. This would arguably make coordination in cross-Pillar initiatives even more challenging and the disparities in digital technologies among the members harder to reduce. The subsequent two sections deliberate the policies and challenges in digital economic integration, and people-to-people linkages.

### 3. Policies and Challenges in Integrating the Digital Economy

One of the main motivations is to deepen integration by promoting a single market and production base with free movement of goods, services, and investments, and a freer flow of capital and skills as espoused in the first AEC Blueprint (2007-2015). Ultimately, the purpose of realizing the ASEAN Community in 2015 was to ensure that the region remained attractive for trade and investments from foreign countries. This was because extra-ASEAN trade in goods and investments continued to outweigh intra-ASEAN trade and investments. In 2011, intra-regional trade was 24.3 percent while extra-regional trade was 75.7 percent. Fast forward to 2020, intra trade stood at 21.2 percent while extra trade was at 78.8 percent (ASEAN Secretariat, 2021d, p. 53). In terms of foreign direct investment flows, intra-ASEAN investment was 18.1 percent while extra-ASEAN investment was 81.9 percent in 2011. The preliminary figures for 2020 showed 16.6 percent and 83.4 percent for intra-regional and extra-regional investment respectively (ASEAN Secretariat, 2021d, p. 138).

Economic integration is therefore indispensable in facilitating foreign trade and investment to sustain the region's economic growth in a competitive global economic environment, more so during a protracted pandemic. The current efforts aimed at transforming into a digital economy are for the same reason, after comprehending the huge potential that 4IR and digital connectivity would afford. As Table 1 shows, the market sizes of ASEAN countries' internet economies have grown tremendously with Indonesia leading the pack. The e-commerce sector has clearly become a substantial contributor. If in 2015, e-commerce made up 17.7 percent of the total market size, its share rose to 69.0 percent in 2021. Indonesia's e-commerce sector grew the most from US\$1.7 billion (21.3 percent) in 2015 to US\$53 billion (75.7 percent) in 2021, followed by Thailand from US\$0.9 billion (15 percent) in 2015 to US\$21 billion (70 percent) in 2021. Comparatively less developed, Vietnam's e-commerce is growing fast, going from US\$0.4 billion (13.3 percent) in 2015 to US\$13 billion (61.9 percent) in 2021. Apart from the enormous potential to deliver faster growth, a digital economy also

promotes innovation, including green technologies, reduces transaction costs, enables wider information access, boosts productivity, and fuels new job opportunities.

**Table 1**

**The Internet Economy Market Size and E-Commerce Sector of ASEAN Countries**

| Country     | Internet Economy GMV in US\$B (E-Commerce GMV in US\$B) |           |           |            |             |             |
|-------------|---|-----------|-----------|------------|-------------|-------------|
|             | 2015  | 2018      | 2019      | 2020       | 2021        | 2025        |
| Indonesia   | 8 (1.7)   | 27 (12.2) | 40 (21)   | 47 (35)    | 70 (53)     | 146 (104)   |
| Malaysia    | 5 (1)   | 8 (2)     | 11 (3)    | 14 (8)     | 21 (14)     | 35 (19)     |
| Philippines | 2 (0.5)   | 5 (1.5)   | 7 (3)     | 9 (5)      | 17 (12)     | 40 (26)     |
| Singapore   | 7 (1)   | 10 (1.8)  | 13 (1.9)  | 11 (4.9)   | 15 (7.1)    | 27 (9.8)    |
| Thailand    | 6 (0.9)   | 12 (3)    | 16 (5)    | 20 (12)    | 30 (21)     | 57 (35)     |
| Vietnam     | 3 (0.4)   | 9 (2.8)   | 12 (5)    | 16 (8)     | 21 (13)     | 57 (39)     |
| Total       | 31 (5.5)  | 71 (23.3) | 99 (38.9) | 117 (72.9) | 174 (120.1) | 362 (232.8) |

Note: Figures for 2016 and 2017 are unavailable. Figures for 2025 are projected.

Source: adapted from e-Conomy (2018; 2021).

There are, however, various challenges and barriers that require policy coordination in and among member countries and through collaborations with multilevel stakeholders to affect change. As it would be unfeasible to discuss every policy document, this section focuses discussion on the ASEAN ICT Masterplan (AIM), Master Plan on ASEAN Connectivity (MPAC) and ASEAN Digital Integration Framework (ADIF) that are most pertinent to digital economic connectivity. Under the first AIM, there were 29 action points, with three focused specifically on economic transformation where member countries were tasked to harmonize ICT regulations, facilitate business data sharing, and share best practices in public-private partnership. Other points worth mentioning include ensuring every child has access to broadband internet, developing ICT skill standards, establishing a broadband corridor, and bridging the digital divide (ASEAN Secretariat, 2011). At the end of the 5-year period, an AIM Completion Report was issued, indicating that all the action points with a total of 87 projects were successfully addressed. The report further identified cross policy initiatives by highlighting a number of implemented projects under the AIM that contributes to the Physical Connectivity strategy on accelerating the development of ICT infrastructure and services of the first MPAC, and the Information Infrastructure Development and E-Commerce elements of the first AEC Blueprint (ASEAN Secretariat, 2015b, pp. 28-33).<sup>7</sup> The World Bank's report on evaluating the ICT strategy of the MPAC indi-

<sup>7</sup> The projects that contributed to the MPAC were the ASEAN Broadband Corridor, ASEAN Cyberkids Camp, Sub Marine Cable Protection, In-depth Study on the Harmonization of Interconnection, Licensing, Competition and USO, and Free Open-Source Software Adoption in Secondary Schooling (ASEAN Secretariat, 2015b, p. 28).



cates that while ICT connectivity has increased for all countries, particularly in the Philippines and Cambodia in terms of internet user growth rates, Cambodia's and Myanmar's coverage remains low in comparison to their ASEAN counterparts (World Bank, 2016, pp. 57-59).

The second AIM builds upon the first master plan with 66 projects out of 28 action points from 16 key initiatives such as sustainable use of ICT in public and private sectors, broadband access and connectivity improvement, cloud computing development, information security reinforcement, and ICT industry growth acceleration, to name but a few (ASEAN Secretariat, 2020b). Unlike the first AIM, the results were more mixed. The ADGMIN were able to adopt six frameworks focusing on data governance, international mobile roaming, resilience and repair of submarine cables, personal data protection, cybersecurity cooperation strategy, and next-generation universal service obligations that are all important in building an integrated digital economy. Although non-binding, they reflect the ministers' resolution and the prospect for future enhancement. On the downside, the report highlighted some initiatives that were only partially completed and perceived as less valuable. One area was on the promotion of new and emerging technologies such as IoT, M2M, and sensor technologies for smart city developments, and the other area was on the development of cloud computing (ASEAN Secretariat, 2020b). The lack of enthusiasm in these two areas is perhaps reflective of some of the member countries' weak capacity to embrace technological innovation. These areas are obviously highly valuable as they relate to machine learning and artificial intelligence (AI), which are of next-generation and a cornerstone of the 4IR. Cloud computing was therefore one of the recommendations identified as critical for prioritization in the subsequent master plan (ASEAN Secretariat, 2020b, p. 7).<sup>8</sup> The ASEAN Digital Masterplan (ADM) does include emerging technologies, where two of the 37 action points (or enabling actions as the document calls it) are to "adopt regional policy to deliver best practice guidance on AI governance and ethics, IoT spectrum and technology", and to "assess the net benefits of including IR 4.0 technologies in trade facilitation processes" (ASEAN Secretariat, 2021b, pp. 16-17). Another effort worth highlighting is on sustainability. In mitigating climate change, the ADM contains a specific action point on reducing the carbon footprint of telecommunications operators through the use of more energy-efficient equipment. It is nevertheless too early to effectively evaluate the ADM's performance.

<sup>8</sup> The report also called for a quantifiable assessment of outcomes, a more focused approach with a smaller number of action points, a shorter than 5-year term master plan, and better communication of the visions and activities to other stakeholders (ASEAN Secretariat, 2020b). The ADM, however, is even more ambitious with 37 action points and retains the 5-year term. It remains to be seen if the outcomes can be better measured and activities effectively communicated to the stakeholders.

While the second MPAC is still ongoing, the four initiatives under the digital innovation strategic area, namely “enhance the MSME technology platform, develop the ASEAN digital financial inclusion framework, establish an ASEAN open data network, and establish an ASEAN digital data governance framework”, are clearly supported by the second AIM and the ADM. Facilitating digitalization among the MSMEs has been a recurring theme throughout the various master plans, which is obviously crucial in creating a digitally inclusive regional community. The financial inclusion framework is supported by an action point in the ADM on encouraging deeper adoption and use of “vertical” digital services. The data governance framework has been established under the second AIM and the ADM is taking it a step further by urging member states to improve their regulatory measures to better secure data and build consumer trust. Open data, on the other hand, did not show much progress in the second AIM and has remained at the planning phase under the second MPAC (ASEAN Secretariat, 2020b, p. 32). The Mid-Term Review report of the 2016-2025 MPAC took stock of the challenges and one of the recommendations provided was to deepen private sector engagement to foster inclusivity, support, and success of the initiatives (ASEAN Secretariat, 2020c).<sup>9</sup>

Under the ADIF, the ASEAN Coordinating Committee on Electronic Commerce (ACCEC) coordinated the creation of an inaugural ASEAN Digital Integration Index (ADII) to measure ASEAN’s efforts in implementing digital integration. This is a significant step in stocktaking and providing the needed feedback to the member countries. The six ADII pillars mirroring the six ADIF priority areas were scored on a 100-point scale based on six key indicators.<sup>10</sup> Table 2 shows the scores of each member country, the average scores of ASEAN, and the scores of ASEAN’s more developed neighbors for benchmarking purposes. Pillars 2 and 6 are performing well, whereas Pillars 4 and 5 are lagging behind. The older ASEAN members especially Singapore and to some extent Malaysia, Thailand, and perhaps the Philippines and Brunei have better digital integration scores that could rival their immediate Northeast Asian neighbors compared to the younger members, particularly Cambodia, Laos and Myanmar. The digital gap will need to be addressed to achieve a regional digital economy.

<sup>9</sup> The other five recommendation areas are: enhance sectoral-level alignment, strengthen in-country implementation, convene relevant connectivity efforts and engage ASEAN Partners with a more structured approach, adapt MPAC 2025 initiatives to changing regional context, and ensure ownership of MPAC 2025 initiatives (ASEAN Secretariat, 2020c, p. 7).

<sup>10</sup> The indicators are: relevance, accessibility, coverage, timeliness, consistency and transparency (ASEAN Secretariat, 2021a, p. 15).

Table 2

## The ASEAN Digital Integration Index Score of ASEAN Countries

| Country     | Pillar 1<br>Digital Trade & Data Protection<br>Logistics & Cybersecurity | Pillar 2<br>Digital Payments &<br>Identities | Pillar 3<br>Digital Skills &<br>Talent | Pillar 4<br>Innovation &<br>Entrepreneur-<br>ship | Pillar 5<br>Institutional &<br>Infrastructure<br>Readiness | Pillar 6 |
|-------------|--|--|--|---|--|----------|
| Brunei      | 54.97  | 67.46  | 87.56                                  | 53.31   | 42.99  | 71.42    |
| Cambodia    | 33.91  | 24.76  | 41.20                                  | 36.56   | 38.19  | 50.97    |
| Indonesia   | 49.67  | 78.43  | 59.73                                  | 45.64   | 48.81  | 62.44    |
| Laos        | 23.22  | 32.58  | 44.53                                  | 43.89   | 36.91  | 38.27    |
| Malaysia    | 67.35  | 91.27  | 79.20                                  | 57.85   | 59.22  | 82.18    |
| Myanmar     | 18.51  | 20.41  | 32.93                                  | 19.58   | 44.65  | 44.60    |
| Philippines | 60.61  | 72.49  | 31.89                                  | 53.13   | 46.93  | 58.89    |
| Singapore   | 82.64  | 89.70  | 86.60                                  | 63.79   | 71.08  | 90.36    |
| Thailand    | 83.34  | 87.91  | 69.73                                  | 43.76   | 56.09  | 62.61    |
| Vietnam     | 78.50  | 63.05  | 58.33                                  | 38.38   | 44.55  | 60.72    |
| ASEAN       | 55.27  | 62.81  | 58.84                                  | 48.21   | 49.32  | 62.85    |
| China       | 86.50  | 75.73  | 74.73                                  | 64.76   | 68.74  | 53.63    |
| Japan       | 93.36  | 90.93  | 82.00                                  | 54.77   | 77.32  | 60.67    |
| South Korea | 89.28  | 88.42  | 81.42                                  | 53.77   | 77.92  | 63.59    |

Note: Maximum score is 100. The scores of China, Japan and South Korea are added for benchmarking purposes.

Source: adapted from ASEAN Secretariat (2021a).

Although the development of digital integration is uneven across member countries, various economic-related policies have been adopted and numerous initiatives implemented to improve digital connectivity. Nonetheless, the non-binding nature of the policy initiatives makes it a challenge to guarantee compliance and sustainable ownership (Harjani, 2021). Another challenge is the lack of inclusion of underserved communities, MSME businesses and traditional industries in the digital economy. In 2019, an OECD report identified poor broadband deployment, regulatory frameworks inhibiting digital innovation, and the lack of trust in digital tools as areas of concern for SMEs (OECD, 2019).

#### 4. Policies and Challenges in Enhancing People-to-People Connectivity

Connecting the citizens of ASEAN is important not just for economic purposes but to fulfil the Community's 2025 vision of realizing a participative, inclusive, sustainable, resilient and dynamic community (ASEAN Secretariat, 2015a, p. 16). More specifically, ASEAN aims to engage and empower multiple stakeholders in ASEAN processes,

reduce inequality and promote and protect human rights, ensure sustainable management of biodiversity, cities, and production, effectively respond to natural and human-induced disasters and health-related hazards, and engender a culture of entrepreneurship, innovation, and openness (ASEAN Secretariat, 2016a). The ultimate intention is, therefore, to transform the organization from a community of nations to a community of people by emphasizing people-centeredness as studies have shown that ASEAN is at times perceived as elitist and state-centric (Moorthy – Benny, 2012; Benny et al., 2015).

The people-to-people connectivity dimension in the first MPAC was not featured prominently as there were only two strategies focusing on less concretized terms, i.e., promotion and encouragement, which makes it “the most difficult dimension of the MPAC to measure and evaluate” (World Bank, 2016, p. 21).<sup>11</sup> In the second MPAC, the People Mobility strategic area received better attention with four key initiatives focusing on improving intra-regional travel, vocational training programs, and higher education exchange. However, the initiatives related to people connectivity in the two MPACs did not cover the digital domain. The two AIMs and ADM are the main documents for this section’s deliberation.

The first AIM aims to enrich people’s quality of life with two of the six strategic thrusts focusing on people empowerment and engagement, and human capital development. The former contains six action points that address affordable broadband access, ICT products and seamless e-services, and trust through cybersecurity awareness, while the latter contains four points on building capacity, developing ICT skills and enabling freer movement of skilled labor (ASEAN Secretariat, 2011). The AIM’s completion report considers the two thrusts to be successful in achieving their objectives. It stated that while there was “more widespread use of e-Services across the region, lower costs for a wide range of ICT products and services, and greater awareness regarding cybersecurity”, member countries need to make further efforts to develop inexpensive ICT products by harmonizing their standards (ASEAN Secretariat, 2015b, pp. 21-23). It also established that efforts have been made “to attract more talent into the ICT field while also allowing existing professionals to move with greater flexibility” (ASEAN Secretariat, 2015b, p. 26). In spite of this, there is no ASEAN

<sup>11</sup> The two strategies for people-to-people connectivity are: promote deeper intra-ASEAN social and cultural understanding, and encourage greater intra-ASEAN people mobility. Comparatively, the Physical Connectivity and Institutional Connectivity dimensions have seven and ten strategies respectively (ASEAN Secretariat, 2010a). Under the two strategies, only six out of the 20 action points (30 percent) were completed (ASEAN Secretariat, 2016c, p. 22).

Mutual Recognition Arrangement (MRA) on IT specialists, unlike other highly skilled professions.<sup>12</sup>

In the second AIM (2016–2020), three of the eight strategic thrusts are relevant to people’s connectivity and wellbeing. They are: people integration and empowerment through ICT—to strengthen digital inclusion by enabling more people to use ICT; human capital development—to develop basic ICT skillsets and common ICT work-force skills; new media and content—to educate vulnerable groups on online threats and cyberbullying (ASEAN Secretariat, 2016d). Results showed that significant work was carried out in all areas although incomplete, except for the initiative on developing basic ICT workforce skills that recorded very low progress (ASEAN Secretariat, 2020b).<sup>13</sup> It is worth noting that the results were not based on objective measurements, but on the perceptions of respondents tasked to work on the initiatives. It is for this reason that improvements were made to the ADM by setting more specific and quantifiable targets to better capture progress towards the intended outcomes. In the ADM, metrics in the form of surveys and statistical data were proposed for all desired outcomes, including the two related to people connectivity, increased capability for business and people to participate in the digital economy, and a digitally inclusive society in ASEAN (ASEAN Secretariat, 2021b, pp. 36–37).

While it is too early to evaluate the ADM that has just begun in 2021, data from Table 2, Table 3, and Table 4 provide some measurements in situating the member countries’ connectivity level to date. In Table 2, pillar 4 on Digital Skills and Talent is most relevant to enhancing people connectivity but it is also the least performing pillar in comparison. Figures for the CLMV countries (Cambodia, Laos, Myanmar and Vietnam), and two of the older members, i.e., Indonesia, and Thailand, are below the ASEAN average and their Northeast Asian counterparts. The positions of the member countries in pillar 4 are, to a certain degree, reflective of Wiley’s first-ever Digital Skills Gap Index that measures the gap between demand and supply of digital skills among 134 countries, with Singapore emerging first (7.8 points), followed by Malaysia in 10<sup>th</sup> spot (7.2), Brunei 32<sup>nd</sup> (6.1), Indonesia 47<sup>th</sup> (5.2), the Philippines 51<sup>st</sup> (5.1), Vietnam 53<sup>rd</sup> (5.0),

<sup>12</sup> There are seven existing ASEAN MRAs on engineering, nursing, architecture, dental, medical, tourism, and accountancy, and one Framework MRA on surveying. An MRA enables mutual recognition of a professional qualification and facilitates mobility of professionals.

<sup>13</sup> While all the initiatives in people integration and empowerment through ICT, and human capital development strategic thrusts are relevant to people connectivity or wellbeing, only one initiative (out of six) on education and awareness campaign in new media and content strategic thrust can be considered as relevant.

Thailand 78<sup>th</sup> (4.5), Myanmar 115<sup>th</sup> (3.0), and Cambodia 117<sup>th</sup> (2.8) (Wiley, 2021).<sup>14</sup> The Go Digital ASEAN project is in this instance an important initiative to reduce the digital gap.

**Table 3**

**Access to Mobile Phones and Internet Services in ASEAN Countries**

| Country     | Cellular/Mobile Phone Density<br>(per 100 persons) |       |       |       |         | Internet Subscribers/Users<br>(per 100 persons) |      |      |      |        |
|-------------|--|-------|-------|-------|---------|---|------|------|------|--------|
|             | 2012   | 2014  | 2016  | 2018  | 2020    | 2012  | 2014 | 2016 | 2018 | 2020   |
| Brunei      | 117.5  | 113.1 | 120.7 | 131.9 | 120.4   | 56.0  | 68.8 | 75.0 | 94.6 | (95.0) |
| Cambodia    | 129.6  | 132.7 | 124.9 | 119.5 | (129.9) | 4.9   | 9.0  | 25.6 | 65.0 | 78.8   |
| Indonesia   | 114.9  | 126.5 | 149.1 | 119.3 | 130.1   | 14.5  | 17.1 | 25.4 | 39.8 | 53.7   |
| Laos        | 66.0   | 67.8  | 55.4  | 51.9  | (60.8)  | 10.7  | 14.3 | 21.9 | 25.5 | (25.5) |
| Malaysia    | 140.0  | 148.5 | 141.2 | 134.5 | 135.1   | 65.8  | 67.5 | 78.8 | 81.2 | 89.6   |
| Myanmar     | 7.4  | 51.6  | 89.3  | 113.8 | (137.7) | 4.0   | 11.5 | 25.1 | 33.1 | (33.1) |
| Philippines | 104.5  | 110.0 | 109.2 | 126.2 | (154.8) | 36.2  | 39.7 | 55.5 | 67.9 | (63.7) |
| Singapore   | 151.9  | 146.9 | 146.9 | 148.8 | 144.1   | 72.0  | 82.0 | 81.0 | 88.2 | 92.0   |
| Thailand    | 125.2  | 141.4 | 172.6 | 180.2 | 166.6   | 26.5  | 34.9 | 47.5 | 56.8 | 77.8   |
| Vietnam     | 148.3  | 150.1 | 128.0 | 147.2 | 142.7   | 39.5  | 48.3 | 46.5 | 69.8 | 70.3   |

Note: Figures in parenthesis are for 2019 because of the unavailability of 2020 figures.

Source: adapted from ASEAN Secretariat (2021d, p. 264).

Meanwhile, Table 3 figures for cellular/mobile phone density and internet subscribers/users per 100 persons in member countries across selected years from 2012 to 2020, show that while the cellular subscription penetration rates for the majority of ASEAN countries are good, the internet subscription rates for some members remain low, indicating a continued challenge in bridging the digital divide. Countries with lower subscription rates also appear to have poorer scores in the Digital Inclusion Index (Table 4) based on the 4 indicators of accessibility, affordability, ability, and attitude, even though most of them have shown improvement in their scores between 2017 and 2020. The disparities between member countries are an obstacle to digital integration in the region.

It is imperative to reiterate that people-to-people connectivity is a means to an end as mentioned at the beginning of this section. The end goal is a digitally integrated ASEAN Community that is sustainable and empowered. Sustainability and empowerment are arguably mutually inclusive. SDG 10 on Reduced Inequalities, for example,

<sup>14</sup> The Index has a maximum score of 10 points and covers six indicators, namely digital skills institutions, digital responsiveness, government support, supply, demand and competitiveness, data ethics and integrity, and research intensity. No data was provided for Laos.

requires every individual including the elderly, illiterate, persons with disabilities and rural communities to be given the same opportunity to internet access. Digital inclusion empowers people to improve their livelihoods and contribute to a more just society. Access to a broad range of information helps to generate self-awareness on a particular issue such as sexual harassment or racial profiling and provides avenues for those seeking support. With connectivity, social media becomes a powerful tool for people to “viral” their predicaments either to highlight and build support for certain inequalities they have encountered or to gain attention from the authorities due, in part, to ineffective traditional channels of communication. Similarly, SDG 4’s Quality Education is as much about providing equal access to education to lift people out of poverty as it is about empowering the susceptible segments of society. The Covid-19 pandemic has clearly exposed the limitations of inclusivity and equity in education, when the sudden switch to online learning disrupted the learning process, particularly for less fortunate students with poor internet connections. This left them disempowered as their more fortunate peers move forward.

**Table 4**

**The Digital Inclusion Index Score of ASEAN Countries**

| Country     | Accessibility |      | Affordability |      | Ability |      | Attitude |      | Overall Score |      | Ranking |
|-------------|---------------|------|---------------|------|---------|------|----------|------|---------------|------|---------|
|             | 2017          | 2020 | 2017          | 2020 | 2017    | 2020 | 2017     | 2020 | 2017          | 2020 |         |
| Singapore   | 80            | 86   | 87            | 88   | 83      | 84   | 85       | 82   | 83            | 86   | 1       |
| Malaysia    | 58            | 68   | 78            | 81   | 80      | 80   | 90       | 87   | 71            | 76   | 21      |
| Brunei      | 47            | 49   | 84            | 86   | 63      | 65   | 68       | 69   | 63            | 65   | 38      |
| Thailand    | 55            | 64   | 59            | 62   | 68      | 60   | 83       | 79   | 61            | 64   | 38      |
| Vietnam     | 45            | 61   | 56            | 64   | 63      | 61   | 64       | 76   | 54            | 64   | 44      |
| Philippines | 54            | 60   | 56            | 59   | 71      | 72   | 68       | 67   | 59            | 63   | 45      |
| Indonesia   | 46            | 53   | 57            | 60   | 61      | 67   | 71       | 81   | 55            | 61   | 49      |
| Myanmar     | 38            | 58   | 48            | 53   | 32      | 37   | 63       | 66   | 42            | 53   | 55      |
| Cambodia    | 36            | 48   | 55            | 58   | 48      | 51   | 45       | 50   | 45            | 52   | 57      |
| Laos        | 31            | 36   | 51            | 54   | 48      | 48   | 52       | 59   | 43            | 46   | 69      |

Note: Maximum score is 100. Accessibility measures digital access, affordability measures financial capability for digital access, ability measures digital literacy, and attitude measures trust towards ICT. Source: adapted from Low et al. (2021, p. 11).

Empowerment is further realized through the protection and respect of digital rights. SDG 16 on Peace, Justice and Strong Institutions calls for the safeguard of public access to information and the protection of fundamental freedoms. This naturally extends to the digital realm where internet access and use should be a right instead of a privilege. Digital rights that include freedom of expression and information, and privacy and data protection are critical to the sustaining of digital life. Protecting people’s data, privacy and freedom of opinion, however, remains a challenge. The ASEAN

Cyberthreat Assessment report identifies business e-mail compromise, phishing, ransomware, e-commerce data interception, crimeware-as-a-service, cyber scams and cryptojacking as some of the major cybercrimes in the region (ASEAN Desk, 2021).<sup>15</sup>

Coupled with e-crime are concerns about the use of laws and regulations by authorities to suppress freedom of expression, block certain websites, impose internet blackouts, and engage in e-surveillance.<sup>16</sup> In a lengthy report titled "Dictating the Internet", the International Commission of Jurists (ICJ) found the legal frameworks of Southeast Asian countries to share certain features that are out of line with international obligations, namely "vague, overbroad legal provisions; severe and disproportionate penalties; lack [of] independent oversight mechanisms; and fail[ure] to provide effective remedy or accountability" (ICJ, 2019, p. 6). Freedom House's assessment of internet freedom classifies the Philippines, Malaysia, Singapore, Indonesia and Cambodia as "partly free" and Thailand, Vietnam and Myanmar as "not free", while CIVICUS's tracking of civic space categorizes Malaysia and Indonesia as "obstructed", Singapore, Brunei, the Philippines, Thailand, Cambodia, and Myanmar as "repressed", and Laos and Vietnam as "closed" (Freedom House, 2021; CIVICUS Monitor, 2021).<sup>17</sup> These ratings are obviously concerning when a robust civil society is needed to ascertain digital rights matters are effectively addressed (Lowenthal, 2020).

## 5. Conclusion

Digital connectivity plays a vital role in the ASEAN Connectivity project that has been designed to strengthen the ASEAN Community. Discussions on digital connectivity are centered on the two aspects of digital economic connectivity and people-to-people connectivity. Driven by the realization of the importance of digitalization and the 4IR, the member countries have worked to collectively adopt a wide range of regional mechanisms and implement numerous initiatives to enhance the region's digital capabilities and reduce the digital gap. While progress has been made in both aspects, challenges remain, more so for the people domain than the economic sphere.

<sup>15</sup> The top three countries for ransomware and phishing attacks are Indonesia, Vietnam and Thailand (ASEAN Desk, 2021). According to a news report, 67,552 cybercrime fraud cases were reported in Malaysia from 2017 to June 2021 with a total loss of US\$526.3 million (Basyir, 2021).

<sup>16</sup> The Human Rights Commission of Malaysia (SUHAKAM), for example, issued a press statement in June 2020 to express its concerns of the use of the Communications and Multimedia Act and other restrictive laws "to censor, intimidate, silence critics and curtail freedom of expression and speech" (SUHAKAM, 2020).

<sup>17</sup> None of the ASEAN countries has done well. Even Singapore that ranks first in digital inclusion (Table 4) performs poorly in internet freedom and civic space.



The prime motivation to develop a digitally integrated regional economy is to sustain the region's competitiveness in attracting foreign trade and investments, which many ASEAN countries are dependent upon for their continued economic growth. Furthermore, the Covid-19 pandemic has clearly demonstrated the significance of e-commerce and other digital services to their economic recovery process. The member countries have been positively facilitating the transformation, particularly through infrastructure development and in encouraging MSMEs to digitalize and employ digital tools. Under the people domain, digital skills and digital inclusion remain a major challenge as observed in Table 2 and Table 4 respectively. Digital access and literacy are not the only concerns. Issues regarding the rights of online privacy and freedom of expression and information remain outstanding. People-to-people connectivity should not merely be about providing access for people to contribute to the digital economy, but more notably, respecting people's rights to freedom of expression by aligning legal frameworks to international human rights standards, in line with the 2030 Agenda for Sustainable Development. This is the people-centered community that ASEAN ought to strive for.

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