Chapter **7**

The Indo-Pacific Seascape and ASEAN's Open and Convergent Economic Vision

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Chapter 7

The Indo-Pacific Seascape and ASEAN's Open and Convergent Economic Vision

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Abstract

The Indo-Pacific, as a seascape, complements the Asia-Pacific landscape. The strategic geographic position of South-East Asia makes the role of the Association for Southeast Asian Nations (ASEAN) in the Indo-Pacific essential. Because it needs export-oriented foreign direct investment inflows from ASEAN non-member states, ASEAN applies an 'open regionalism principle'. As for regional economic integration purposes, ASEAN adopts economic convergence as a sufficient condition for open economic integration. The combination of open and convergence principles is reflected in the ASEAN Community Vision 2025. ASEAN trade and investment integration require the manufacturing sector to be a vital sector. Amidst the Fourth Industrial Revolution, ASEAN must also strongly connect with the digital economy.

1. Introduction

The Indo-Pacific is a seascape that complements the landscape of the Asia-Pacific (Verico, 2021a). As a seascape, the Indo-Pacific holds a natural comparative advantage in the maritime pillar (Nabbs-Keller, 2020). In terms of global value chains (GVCs), the landscape concept of the Asia-Pacific relates to production networks (i.e. global production networks), and the seascape concept of the Indo-Pacific represents maritime-based services networks (i.e. global services networks) as well as logistics and sea transport connections.³²

Member states of the Association of Southeast Asian Nations (ASEAN) are part of both the Indo-Pacific and Asia-Pacific; some are located in the Malacca Straits, one of the busiest straits in the world that connects the Indian and Pacific oceans (Acharya, 2019). This strategic geographic position of South-East Asia thus makes ASEAN's role in the Indo-Pacific essential.

A combination of macroeconomic identity equations, the Solow Growth Model, Harrod-Domar Model, and Cobb-Douglas production function demonstrates that economic growth acceleration necessitates a country's competitiveness as reflected in its net exports and long-term investment.³³ The formula

$$^{33}\frac{\partial y_{nt}}{y_{nt}} = \frac{\left\{ [I_{nt} + (X_{nt} - M_{nt})] - \left[\left(\partial_{nt} + \rho_{nt} + \frac{\partial E}{E}_{nt}\right) \cdot \sqrt{\frac{(K,k)_{nt}}{(L,l)_{nt}}} \right] \right\}}{c_{nt}} \text{ where:}$$

 $I_{nt} = manufacturing strategies - based investment;$

 $X_{nt} - M_{nt} = current \ account; \ \partial_{nt} = depreciation \ and \ depletion \ of \ environment; \ \rho_{nt} = population;$

³² GVCs are essential to economic growth, as they cover long-term investment flows (i.e. foreign direct investment [FDI]) and net exports (i.e. current accounts). They are not only concerned with the production side but also the services sector in general and logistics specifically.

 $[\]frac{\partial y_{nt}}{v_{nt}}$ = real economic growth, country n time t;

shows that economic growth depends on additional capital that reflects the savings rate from foreign direct investment (FDI) and current accounts. A country requires both a net export surplus and FDI inflow, and a strong connection between the two grows its economy.

Moreover, a strong FDI inflow share in a country's exports indicates that the country has become a global production base (i.e. backward participation). The more significant the relationship between FDI inflow and net exports, the higher the backward participation of a country. Developing countries need to be a vital part of the global production network, which is evidenced by the strength of the country's backward participation indicator. The greater its strength in backward participation, the stronger its position in global production networks and its strategic position in global services networks.

ASEAN aims to be a global production base region, transforming itself from forward participation (i.e. dependent on raw materials and final product assembly) to backward participation (i.e. production of intermediate inputs). FDI inflows from outside of its 10 member states is thus needed because of ASEAN's donut-shaped economic form.³⁴ Therefore, ASEAN needs to adopt an open regionalism framework to receive FDI inflow from non-members to reach its export-orientation objective - a production-based region (Verico, 2017). This will help shift ASEAN from raw material export competitiveness to an intermediate input producer.

In terms of economic cooperation at the regional level, ASEAN also aims to increase equal economic growth with openness and convergence principles. The Indo-Pacific is a necessary platform to help ASEAN become a part of global production networks and GVCs, as ASEAN can be both a productionbased and export orientation region. This paper aims to explain the relationship between ASEAN and the Indo-Pacific, including ASEAN centrality and its outlook on the Indo-Pacific.

2. The ASEAN Way: ASEAN Centrality and Outlook on the Indo-Pacific

To understand views towards the Indo-Pacific, a survey was conducted of 1,000 influential persons in South-East Asia (ASEAN, 2019). It revealed that more than 61% thought that the Indo-Pacific concept is 'unclear and needs further elaboration', and 25% perceived that the term 'Indo-Pacific' was designed to contain China.

The Free and Open Indo-Pacific campaign has thus increased, introduced by the United States (US) (Le Thu, 2020). South-East Asia is indeed becoming more confident in the Free and Open Indo-Pacific approach, which emphasises development and connectivity (Le Thu, 2020). It focusses on (i) developing an environment for international peace, stability, and prosperity, and sharing universal values; (ii) addressing global issues toward achieving the Sustainable Development Goals, and

 $k_{nt}/l_{nt} = level of technology (manufacturing strategy); c_{nt} = ICOR;$

 $[\]frac{\partial E}{E_{nt}} = marginal \ productivity \ of \ labour; \frac{K_{nt}}{L_{nt}} = infrastructure \ availability;$

³⁴ That is, ASEAN does not have a centralised Member State. Its pattern of power looks like a donut, with nothing in the middle. Indeed, no ASEAN Member State has both a large economic size in terms of gross domestic product (GDP) and a significant high-income per capita. Indonesia has the largest economy, but it is not in the high-income group. Singapore has the highest income per capita but does not have a big economy.

promoting human security; and (iii) promoting economic diplomacy that targets quality growth together with developing countries and contributes to regional revitalisation.

However, during the 33rd ASEAN Summit in November 2018, Singapore Prime Minister Lee Hsien Loong stated that ASEAN sees growing geopolitical uncertainties with this concept. Each Member State has dynamic relations with different global powers, notably the US and China. Thus, amidst the increasing rivalry between the US and China, ASEAN has crafted the *ASEAN Outlook on the Indo-Pacific* to support ASEAN's position by absorbing potential geopolitical shocks (Pramono, 2021). As outlined by this document, ASEAN is working to maintain its centrality by standing together and keeping its economy convergent. It feels that 'the ASEAN way' — that is, non-interference — is a vital strategy for ASEAN to remain relevant, agile, and flexible.

In the Indo-Pacific context, China will continue to rise, albeit at a slower pace, while the US will stay engaged in the region despite being distracted by domestic and other global challenges. The Indo-Pacific aims to keep autonomy over alignment with these powers, as it has successfully done in recent years. Indeed, most Indo-Pacific countries adopted the principle of non-interference as far back as 1955, during the Bandung Conference. However, the most likely outcome in the Indo-Pacific is a multipolar approach, continuing the dynamic relationship amongst countries (Levy and Thompson, 2010). Undoubtedly, South-East Asia is trying to obtain the best possible benefits from both China and the US, so it is pursuing a dual strategy — 'omni-enmeshment' — to attempt to balance the power influence (Goh, 2005).

The ASEAN way employs a regional organisation mechanism with a 'soft approach', allowing ASEAN to adopt consultation and consensus (*Musyawarah dan Mufakat*) in its decision-making processes, contrasted to a legally binding mechanism when member states vote (Goh, 2005). In the decision-making process, unlike the European Union (EU), which has a regional parliament that decides public policies for the region based on voting, ASEAN adopts consultation and consensus to make its regional decisions.

The open regionalism principle of the ASEAN way also aligns with ASEAN Plus One, ASEAN Plus Three, and ASEAN Plus Five, and the Regional Comprehensive Economic Partnership (RCEP), which involves several non-member states with the purpose of increasing FDI inflows and export values of ASEAN.

ASEAN is also applying not only a free but also inclusive principle to the Indo-Pacific, in line with the ASEAN way and converging with the idea of a Free and Open Indo-Pacific. This strategy means that ASEAN is open to all countries, as evidenced by the Plus agreements, so it must be pragmatic in developing regional economic integration. This requires secure, stable geopolitical circumstances to secure the region's economic situation.

At the 34th ASEAN Summit in June 2019, ASEAN leaders formally adopted this *ASEAN Outlook on the Indo-Pacific* (MOFA, 2017). This outlook aims to strengthen ASEAN's centrality in the concept of the Indo-Pacific, entrenching the ASEAN way principles of being open, soft, free, and inclusive. It adopts the principles of transparency, a rules-based framework, good governance, and respect for sovereignty through a non-interference principle according to the *Treaty of Amity and Cooperation in Southeast Asia*.³⁵

³⁵ ASEAN, *Treaty of Amity and Cooperation in Southeast Asia*, <a href="https://asean.org/our-communities/asean-political-security-community/outward-looking-community/treaty-of-amity-and-cooperation-in-southeast-asia-tac/#:~:text=Publications-,Overview,in%20the%20region%20and%20beyond

ASEAN has complemented its principles towards existing cooperation frameworks under equality, mutual respect, mutual trust, mutual benefit, and respect for international law in the past. These frameworks include the United Nations Charter and various treaties and conventions, including the 1982 Convention on the Law of the Sea. The ASEAN Charter and other various treaties and agreements, as well as EAS principles, have likewise helped create mutually beneficial relations (ASEAN, 2019).

From the Indo-Pacific perspective, ASEAN is aiming to preserve its market mechanism-led instead of government-led tenets. It is also applying inclusive principles that adopt non-discriminative actions towards every economic partner's domestic political system. This focus on inclusiveness will also be a path forward for the digital economic development of ASEAN and the Indo-Pacific.

ASEAN's view of the Indo-Pacific has two characteristics that differ from other conceptions (Haruko, 2020). First, ASEAN recognises the Indo-Pacific as an aggregation of two existing regions of Asia —the Pacific and the Indian ocean regions — which have already regional or sub-regional mechanisms, rather than as an aggregation of the two oceans. Second, it puts the Asia-Pacific region first and the Indian Ocean region second, despite the Indo-Pacific word order.

In the Indian Ocean Rim Association (IORA) context, ASEAN has adopted a central geostrategic position across the Indian and Pacific oceans. IORA is the only region-wide body designed to facilitate regional dialogue at the government-to-government level. Countries, such as Australia, India, and Indonesia, have committed resources to revitalise the IORA to enhance its relevance and utility. ASEAN should consider joining the IORA as a dialogue partner to enable mutually beneficial sharing of information, experience, and ideas, and help emphasise Indo-Pacific maritime congruence.

ASEAN does adopt regional economic convergence as a sufficient condition for completing the open economic principle (Verico, 2021b, Verico, 2022). In the context of the Indo-Pacific, the RCEP offers a better opportunity for economic convergence than the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (Verico, 2020a). Indeed, the combination of open and convergence principles is reflected in the *ASEAN Community Vision 2025* of unity and cohesiveness; this condition ensures that all member states join any mega-regional cooperation at the same time (Verico, 2020a). This guarantees that all ASEAN Member States will obtain benefits from its open regionalism approach by staying convergent in all Asia-Pacific or Indo-Pacific platforms.

3. ASEAN Enlargement: East Asia Summit Role in the Indo-Pacific

The Asia-Pacific landscape has potential to become a powerhouse in the unfolding 'Pacific Century' – a prosperous era for the Pacific in both the Asia-Pacific and Indo-Pacific. However, there are also risks of conflict, the most destructive of which are arguably territorial disputes (e.g. the South China Sea). As noted, tense US—China relations also complicate Asia-Pacific regional relations (Lai, 2013). Despite the overall perspective of safe and secure maritime activities in the Indo-Pacific, a vision of a peaceful Indo-Pacific may be difficult to achieve (Chauhan, De, Parmar, and Kuarasamy, 2020).

East Asia Summit (EAS) members have different opinions on the evolving Indo-Pacific architecture. China views it solely as a Western-driven narrative to contain its rise, while ASEAN argues that ASEAN-led mechanisms can guide it towards the above vision of a peaceful and prosperous Indo-Pacific (Ao, 2020).

As South-East Asia's largest economy and population, Indonesia has become central to ASEAN's politics and economy. This position makes Indonesia one of the Indo-Pacific's middle-power countries, along with the Republic of Korea and Australia (Parello-Plesner, 2009; Darmosumarto, 2013; Lee and Lee, 2017). Indonesia agrees with the non-interference principle for both the landscape of the Asia-Pacific and seascape of the Indo-Pacific. At the 13th EAS in November 2018, Indonesia President Joko Widodo proposed cooperation instead of rivalry in the Indo-Pacific and emphasised the importance of increasing maritime cooperation in the Pacific and Indian oceans (Office of the Assistant to the Deputy Cabinet Secretary for State Documents and Translation, 2018),

The table below shows that both China and the US are Indonesia's two strongest bond countries. If Indonesia's economic network figure is assumed as the closest to that of ASEAN, this table confirms that both countries have huge political and economic influence in ASEAN and the Indo-Pacific.

Table 7.1: Indonesia Top 12 Most Influential Countries, 2019

Top 12 Export Destination	Export Share	WCIM	Combination
China	15%	3.4	18.4
United States (US)	10%	4.7	15.0
Japan	11%	3.1	13.9
Singapore	7%	5.8	13.0
India	8%	3.1	10.7
Korea, Republic of	5%	3.7	9.0
Malaysia	5%	2.6	7.8
Thailand	4%	2.5	6.3
Philippines	4%	2.1	5.9
Viet Nam	3%	1.9	4.4
Australia	2%	2.3	3.8
Netherlands	2%	1.1	3.3

WCIM = weighted composite index measurement.

Notes:

- 1. Export share by country destination per total Indonesia's exports.
- 2. WCIM was calculated based on Verico (2020b).
- 3. Combination represents the summation of export share in nominal value and WCIM.

Source: Author.

The table underscores that Indonesia must have a balanced relationship with the US and China. Even amid the global COVID-19 pandemic, China and the US remain Indonesia's top two major export destination countries, with the share of these exports to Indonesia's total exports to the world at

18.3% and 11.0%, respectively.³⁶ Both countries are also major sources of FDI inflows to Indonesia after Singapore and Malaysia and then Japan (Government of Indonesia, MOI, 2017).

Similarly, ASEAN cannot take sides in regard to the US or China; it should encourage and facilitate the convergence of views towards an open, transparent, inclusive, and rules-based regional architecture, including over leaders' joint statements, communiqués, or chair's statements during ASEAN summits or through direct diplomatic engagement. As an example, the ASEAN initiative on the RCEP fits with ASEAN characteristics of the soft and open regionalism of the ASEAN way (Verico, 2021b). During the 16th EAS on 27 October 2021, the chair stated that the EAS acknowledged the importance of ASEAN's role in the ASEAN Outlook on the Indo-Pacific and vice versa. ASEAN Member States are always open to non-members, yet EAS members actively participate in priority areas based on the Manila Plan of Action to Advance the Phnom Penh Declaration of the East Asia Summit Development Initiative, 2018–2022 (Bolkiah, 2021).

The combination of open, soft, inclusive, and free regionalism principles and ASEAN centrality can guarantee that ASEAN will securely cooperate with any non-member, merge with any mega-regional cooperation agreement, and develop its own mega-regionalism such as through the RCEP. These activities require that ASEAN adopt more broad economic liberalisation to enhance potential FDI. Although this economic cooperation enlargement must be secure, ASEAN still must also keep economic convergent as its primary purpose. The latter can be achieved through supply-side convergence.

ASEAN's strong and sustainable regional value chains in the Indo-Pacific are key to the ASEAN Economic Community (AEC) (Ishikawa, 2021). The AEC theoretically is a way for ASEAN to transform its economic cooperation from the intra-trade focus of the ASEAN Free Trade Area to intra-investment — but in the absence of a customs union. Verico (2017) posited that the AEC is a way that ASEAN can increase intra-regional investment by implementing the ASEAN Plus frameworks to substitute for a customs union. Moreover, the AEC is an example of implementing open and soft regionalism as a necessary condition and economic convergent as a sufficient condition.

Further, the AEC platform with the ASEAN Plus frameworks will assist ASEAN in possessing a central economic role in the Indo-Pacific. This collaboration will generate a robust regional supply side in South-East Asia with East Asia, South Asia, and the Pacific. It will not only strengthen Indo-Pacific economic networks but also those in Asia-Pacific, as it fits with the Free Trade Area of Asia-Pacific (FTAAP).³⁷ Regional supply chains will connect ASEAN's trade and integration of investment (i.e. FDI inflows), making its manufacturing sector the most important and strategic sector (Verico, 2021c).

One 1996 study found that the proliferation of regional free trade arrangements, such as the integrated European market and the North American Free Trade Area, influences or even threatens ASEAN (Kodama, 1996). Such arrangements in other regions, including those in less-developed countries as in Latin America, tend to have the same effect. These influences on ASEAN can also affect the Asia-Pacific, such as through Asia-Pacific Economic Cooperation (APEC), which uses ASEAN's trade plan as a model.

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³⁶ OEC. Indonesia, https://oec.world/en/profile/country/idn?yearSelector1=exportGrowthYear26 (accessed 30 September 2022).

³⁷ APEC, Pathways to FTAAP, 2010 Leaders' Declaration, https://www.apec.org/meeting-papers/leaders-declarations/2010/2010 aelm/pathways-to-ftaap

Regional economic convergency requires that all ASEAN Member States stick together, ensuring that no one is left behind in any enlargements, including in the landscape of the Asia-Pacific and seascape of the Indo-Pacific. As for regional geopolitical stability purposes, ASEAN-led mechanisms such as the EAS, ASEAN Regional Forum, and ASEAN Defence Ministers Meeting Plus must continue to facilitate talks between the global powers to avoid unnecessary miscalculations and understand each other's red lines (Kien, 2020).

4. The ASEAN Economic Network in the Indo-Pacific: Central Gravity

ASEAN must enhance its member states' forward and backward participation at the regional and global value chain levels through the manufacturing sector (Kien, 2020). This will transform its economy at the Member State level and achieve economic convergence at the regional level. ASEAN needs a peaceful market mechanism based on mega-regional economic cooperation, including in the Indo-Pacific. Therefore, ASEAN must apply its open, soft, free, and inclusive principles to build peaceful market mechanism-based trade in the Indo-Pacific. For this purpose, ASEAN should opt for security cooperation instead of military cooperation in the Indo-Pacific.

In addition to the Keynesian approach of multinational companies' roles in ASEAN economic integration, given the Fourth Industrial Revolution, ASEAN must also encompass the digital economy of fintech and e-commerce in its digital economic interconnection (*The Jakarta Post, 2022*). ASEAN sees the Indo-Pacific as necessary to empower the maritime economy (Kamaruddin, 2019). This cooperation will complete the role of the Asia-Pacific in enhancing ASEAN's connection to global production networks. The Asia-Pacific is the landscape for global production networks, while the Indo-Pacific is the seascape platform for global services networks such as logistics (i.e. maritime-related shipping services, customs administrative services and clearances, seaport interconnections, and mother vessel transport).

Both the Indo-Pacific and Asia-Pacific are necessary for ASEAN to have a solid and sustainable linkage to global production networks, which involves Asia and Pacific networks and African and European grids. These networks will help ASEAN become an innovative, competitive, and resilient region in the dynamic global economy. They are also valuable to ASEAN in enhancing its regional digital economic capacity and collaboration with non-members.

Indeed, ASEAN is striving to become the central institutional platform in the Asia-Pacific and Indo-Pacific. Fundamental challenges for ASEAN centrality still exist, however: (i) its neutrality, which means adopting the non-interference principle by not taking sides in the global power rivalry; and (ii) its multiple tracks of cooperation, in which ASEAN does not discriminate against any Member State's political system (Acharya, 2017).

The non-interference principle proves that in South-East Asia, ASEAN Member States that are committed to multilateralism and strategic independence have fundamentally shaped the region's response to major power competition (Nabs-Keller, 2020). In keeping with its centrality, ASEAN must continue to balance a strategic commitment to both the US and China under the basis of peaceful dispute resolution and a web of regional multilateral fora. ASEAN must continue to adopt the multilateral approach of the ASEAN Regional Forum and EAS in preserving ASEAN's relevance and ability to balance the regional distribution of power (Goh, 2008).

5. Governance Tools for the Indo-Pacific: ASEAN and Indonesia's Perspective

ASEAN has adopted open and soft regionalism instead of the closed and hard regionalism of the EU. This means ASEAN can enlarge its membership to non-members through ASEAN Plus frameworks to increase investment inflows from non-members (Verico, 2017). Open regionalism also means that ASEAN does not interfere with external tariff rates between member states and non-members. Soft regionalism refers to non-legally binding consultation and consensus decision-making processes. Soft regionalism fits within the ASEAN format, as ASEAN does not have a regional parliament nor court of justice. Both open and soft principles help ASEAN enrich its regional economic cooperation amongst member states and between member states and non-members.

ASEAN also does not discriminate in its economic cooperation towards member states and non-members based on political systems. Therefore, in adopting the Free and Open Indo-Pacific process, ASEAN will continue to emphasise this inclusiveness, which should also encompass the digital enhancement economy in South-East Asia. Indeed, economic convergence is ASEAN's sufficient regional economic integration condition, freeing ASEAN from any potential economic divergence damages of its intra- and extra-regional cooperation (Verico, 2021b).

Concerning future regional architecture, Indonesia Foreign Minister Retno Lestari Priansari Marsudi stated that Indonesia will work with countries in the region to develop an Indo-Pacific cooperation umbrella, with ASEAN centrality as the primary focus (Government of Indonesia, Ministry of Foreign Affairs, 2018). This centrality carries both ASEAN's necessary and sufficient regional economic integration condition. Indonesia has also pushed the Indo-Pacific concept bilaterally within ASEAN. A September 2018 joint statement highlighted Indonesia's appreciation of Viet Nam's support for ASEAN's primary principles of centrality, openness, transparency, inclusivity, and respect for international law within the Indo-Pacific (*Vietnam+*, 2018).

6. Governance Rules for the Indo-Pacific: Trade and Investment Cooperation

Geopolitical stability is a necessary condition for ASEAN to achieve regional prosperity. The sufficient condition for achieving this objective is a practical approach to economic cooperation related to trade and investment competitiveness. However, such an approach can also affect a stable and secure geopolitical situation. It is therefore crucial that both necessary and sufficient conditions in this context are simultaneous, endogenous, and affect each other.

Despite its soft regionalism approach in both landscape of the Asia-Pacific and the seascape of the Indo-Pacific, official approval of proposed agreements must ensure that negotiated rules and principles are binding and durable. The US's Indo-Pacific allies and partners believe that US President Joseph Biden's *Indo-Pacific Economic Framework* will thus become a vital initiative (The White House, 2022). If implemented successfully, this framework will help remind the region of the enduring US commitment to the Indo-Pacific and a rules-based trading system that reflects high economic standards (Goodman and Reinsch, 2022).

In addition, both the EU and the Indo-Pacific are interconnected (European Commission, 2021). The EU holds over 70% of the global trade in goods and services and over 60% of FDI inflows. The EU's approach to the Indo-Pacific also fosters a rules-based international order, a level playing field, and

an open and fair environment for trade and investment, tackling climate change and supporting connectivity in the Indo-Pacific.

The US and EU aim to build more resilient and sustainable GVCs by diversifying trade and economic relations and developing technical standards and regulations. Yet these efforts must align with ASEAN values and principles.

Regarding ASEAN in Indo-Pacific strategy planning and implementation, external powers have gained the first-mover advantage. China's Belt and Road Initiative and the US's *Indo-Pacific Economic Framework* have already begun. In contrast, ASEAN has yet to effectively provide a policy framework or reform existing ASEAN-led institutions to address urgent regional issues in the Indo-Pacific (Hanada, 2019).

ASEAN is also eager for infrastructure initiatives from other sources, including Japan, Australia, and the US, due to the fear of overreliance on a single power. A series of Chinese initiatives, including the Asian Infrastructure and Investment Bank (AIIB) and Belt and Road Initiative, have been attractive to many ASEAN Member States, as they are developing infrastructure projects for economic growth and avoiding the middle-income trap. The total infrastructure investment needs in the region from 2016 to 2030 are estimated at \$2.8 trillion (ADB, 2017). The Belt and Road Initiative promises to provide more than \$90.0 billion for regional connectivity projects in addition to the AIIB investment of \$4.2 billion in 2017 from a capital stock of \$100.0 billion (Hillman, 2017).

ASEAN remains apprehensive about possible external interventions in domestic politics through the Free and Open Indo-Pacific initiative. If ASEAN wants to remain central with an open and soft approach but at the same time aim to promote a rules-based order, then ASEAN must contribute to the Free and Open Indo-Pacific initiative. ASEAN could enhance its unity and convergency by empowering its strategy, addressing regional security dynamics under the ASEAN way (Pramono, 2018).

The Indo-Pacific must promote its integration and synergise it with maintaining a free, open, inclusive, multilateral, and rules-based economic order (Hanada, 2019). In 2017, collectively, its members were their own largest economic partner. ASEAN holds an intra-ASEAN trade share of 24% of its total trade and an intra-ASEAN investment share of 15% of its total internal FDI (ASEAN, 2017). These shares may increase depending on the level of economic integration. The latter became more effective since the AEC started in 2015 as the further combination of the Bali Concord II and Bali Concord III.³⁸

A study in 2018 explained that regional trading agreements could be a building block to multilateral agreements (Ji, Rana, Chia, Li, 2018). In the context of open regionalism, another study in 2021 found that a single track of the RCEP has higher beneficial impacts than those of the dual-track RCEP and CPTPP (Verico, 2021b). Between the two mega-free trade agreements that currently define the landscape of trade governance in the Asia-Pacific, relevant parties should prioritise the RCEP over the CPTPP (Ji, Rana, Chia, Li, 2018). The RCEP is the only multi-party trade grouping that brings ASEAN together with the largest non-members, unleashing more substantial gains. The RCEP provides a higher probability of achieving regional economic convergence than the CPTPP, because the RCEP includes all ASEAN Member States and acknowledges ASEAN's centrality.

³⁸ The AEC consists of four significant frameworks: (i) Trade in Goods Agreement, (ii) Framework Agreement on Services, (iii) Comprehensive Investment Agreement, and (iv) Agreement on the Movement of Natural Persons Based on the ASEAN Agreements: Outcomes and Benefits.

Verico also posited that the single-track RCEP provides more benefits with enough investment capacity and higher industrial integration (Verico, 2021b). Ji, Rana, Chia, and Li (2018) found that trade openness helps smooth regional economic transition from a 'noodle bowl' of preferential regional trade agreements to open regionalism. Open regionalism that extends preferential market accesses to the rest of the world will generate more significant economic gains than closed regionalism. Open regionalism with the implementation of the RCEP will make ASEAN economic integration stronger than before, and this achievement is beneficial to strengthening the Indo-Pacific economic network.

7. Enhancement of the ASEAN's Economic Institutions: Indo-Pacific's Stability and Prosperity

For regional stability, ASEAN's recent reaffirmation of the Zone of Peace, Freedom, and Neutrality (ZOPFAN) indicates that ASEAN desires stability in the Asia-Pacific region, softening the superpower rivalry between the US and China. ASEAN is working to avoid a potential 'new Cold War' in Asia (Westad, 2019). Yet, as a framework for regional security, the ZOPFAN needs further arms-length details. The concept of ASEAN centrality also needs an effective solution for containing any potential regional conflicts (Southgate, 2021).

Neutrality principles of the non-interference spirit have enabled ASEAN to enhance its regional economic cooperation centrally towards Australia, China, Japan, and 12 other Asia-Pacific nations that now form the world's largest single trading bloc (Jaknanihan, 2022). For the first time, China subscribed to the Indo-Pacific concept in a joint statement to commemorate 30 years of China—ASEAN dialogue. Beijing reaffirmed the principles of the outlook, recognising it as ASEAN's 'independent initiative,' which is 'open and inclusive.' The document represents a milestone for ASEAN in neutralising the Indo-Pacific discourse (ASEAN, 2021).

As for its market-based approach to achieving regional economic prosperity, ASEAN has adopted industrial projects that could encounter problems (Kodama, 1996). Governmental industrial policies always run the risk of harming private manufacturers. ASEAN's economic development has been primarily motivated by multinational firms' initiatives based on a market-led mechanism. Government intervention in industrial policy may negatively influence such flexible private economic activities, known as the 'crowding-out effect'. Prosperity in ASEAN is in line with the economic convergence purposes, and this needs government action at the regional level. ASEAN must adopt a market-led mechanism as a necessary condition for its economic integration and keep market-friendly government intervention as a sufficient condition (Verico, 2017).

8. Conclusion

The seascape of the Indo-Pacific has been promoted as a free and open region by the US and its allies. Open principles work with the open regionalism principle adopted for many years by the EAS and ASEAN Member States. However, the free concept that refers to domestic political systems does not meet the open and fundamental principle of ASEAN. ASEAN does not intervene in its member states' domestic matters, including their political systems.

The open principle of ASEAN works with the soft regionalism principle that ASEAN adopts for its decision-making process. Open and soft regionalism makes ASEAN cooperation flexible amongst

member states and between member states and non-members. These principles ensure that all economic partners feel secure and are not being discriminated against or even alienated. This becomes a vital factor in safeguarding and sustaining geopolitical stability.

ASEAN centrality with open and soft regionalism provides positive energy for the Indo-Pacific geoeconomic architecture. ASEAN is very open to any initiative to expand cooperation to enhance its economic capacity in global production networks and global services networks. However, this openness must consider the economic convergence purposes of ASEAN. In other words, ASEAN needs to grow, but it must keep the economic convergence and equality amongst member states. Ensuring ASEAN centrality in any economic initiative from major economies outside of ASEAN is the first best necessary condition.

Furthermore, ASEAN's open, soft, free, and inclusive principles are necessary conditions for solid regional economic integration in South-East Asia with economic convergence as a sufficient condition. The latter is also the fundamental objective of ASEAN economic integration.

Stable geopolitical and practical prosperous economies simultaneously affect each other. In the Indo-Pacific context, stable geopolitics require open, soft, free, and inclusive principles. Meanwhile, a prosperous regional economy requires pragmatic and regional economic convergence. In sum, although the Indo-Pacific's geoeconomics have simultaneous relations, geopolitics have the necessary principles, while geoeconomics bring sufficient principles.

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