ASEAN Vision 2040: Towards a Bolder and Stronger ASEAN Community

Brief
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Stepping Boldly Forward
Transforming ASEAN Community

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New Challenges, Key Priorities and Strategies

The original ASEAN Vision 2020 and the ASEAN Community Vision 2025 were founded on the economic and diplomatic successes of ASEAN and the subsequent ASEAN Community. The original Vision 2020 became a testament of ASEAN Leaders’ determination to move boldly forward despite the challenges ASEAN faced during the Asian financial crisis when it was commissioned. To a large extent it shaped the key initiatives that gave rise to the ASEAN Community blueprints. The ASEAN Community Vision 2025, the first after the establishment of the ASEAN Community in 2015, embodies the Leaders’ commitment to build a cohesive, competitive, resilient, and sustainable ASEAN community for the ASEAN peoples. The optimism that underpins the Community Vision 2025 reflects the mood of a robustly growing, expanding, and rising ASEAN region.

Vision 2040 also rests on the foundation of ASEAN success, with ASEAN acknowledged as the hub of economic and political-security architecture in the Asian region. Virtually all the member states of ASEAN have been growth outperformers globally. But ASEAN 2040 is being conceived in a period of great uncertainty. That uncertainty is a consequence of a
huge shift in the regional and global geo-economic and geo-political landscape and the revolution in digital technology, including the emerging Fourth Industrial Revolution, and its potential impact on the economy and society. ASEAN Vision 2040 seeks to assess the challenges that ASEAN faces now and sets out a vision for the next 2 decades and the strategies to achieve it. At base, in light of the new deeply uncertain environment the region faces, ASEAN Vision 2040 calls for ASEAN to step boldly forward and be more pro-active, nimble, forward looking, united, and more deeply focused on people empowerment and engagement.

**New Challenges**

The world that ASEAN has to deal with over the next 2 decades will be vastly different from that in which its centrality in Asian geopolitical and economic affairs has evolved over the past 5 decades. By 2040, ASEAN, China and India will belong to the top 4 economies in the world in purchasing power parity terms. More and more, Asia will be the centre of the global economy. That will make it imperative for ASEAN and the rest of Asia to secure an open trading system and plural global order which has been at the heart of Asia’s and ASEAN’s success.

The next 2 decades will see the acceleration in the region and the world of the digital transformation and the Fourth Industrial Revolution. These technological changes present a huge opportunity for economic and social progress, but also risks from economic and social change that ASEAN will have to manage.

ASEAN sits at the geographic centre of the world’s largest fast growing market in the world where India–ASEAN-China trade and investment growth is a new potential golden arc of development. At the same time, ASEAN will face intense competition because it has less technological capability, skilled manpower, and scientific and engineering talent than China and India or Japan and the advanced economies of Northeast Asia. The sustainability of ASEAN growth will also be under increasing stress and ASEAN is highly vulnerable to the effects of climate change.
Sustainable and resilient ASEAN development must thus be a higher priority over the next 20 years.

To meet these challenges, ASEAN must adopt a new, proactive regional and global diplomacy with clear strategies for projecting core ASEAN interests, and effective structures and arrangements through which these strategies can be advanced. The tremendous opportunities and risks arising from the new technological revolution and the greater economic openness amongst ASEAN, China, and India calls for further reforms within ASEAN, stronger ASEAN institutions and deeper internal integration, as well as integration with the wider region.

**ASEAN Vision**

ASEAN Vision 2040 is a vision of an ASEAN that steps boldly forward towards the year 2040 to transform the ASEAN Community and secure its position in the region and globally. The ASEAN Community will need to be nimble and pro-active with a common diplomatic posture underpinned by the principle of collective leadership (ensuring ASEAN Centrality); adaptive and innovative, embracing and harnessing the digital transformation and Fourth Industrial Revolution (a Digital ASEAN); embracing the new technologies and best-practice policies to achieve a resilient and energy-secure Sustainable ASEAN; integrated and connected Seamless ASEAN underpinned by good regulatory practice and governance; focused on people empowerment and inclusion (an Inclusive ASEAN); harnessing new technologies, networks, and people engagement to build a deep sense of identity (ASEAN belonging and identity); and supported by a strong and effective ASEAN institutional ecosystem for the ASEAN Community.

Not all of Vision 2040 is new but ‘business as usual’ will no longer suffice. ASEAN needs to pro-actively shape regional diplomacy beyond dialogue facilitation; have stronger commitment to the implementation of the reform and integration agendas embedded in ASEAN blueprints and with more robust implementation monitoring and review; and have a strong, coordinated, and effective ASEAN institutional ecosystem that extends beyond the ASEAN Secretariat and ASEAN bodies. ASEAN needs
to engage its peoples more deeply in its integration, community building, and structural reform agendas. A future-oriented mindset and approach, combined with a structural ability to adapt quickly to rapidly changing situations will help make the ASEAN Community better prepared for the challenges and ensure the sustainability of ASEAN policies. This higher level of commitment, future orientation, unity, coordination, performance, and people engagement will characterise a transformed ASEAN Community.

More than ever, for ASEAN to strengthen centrality and community, it will need greater creativity, connectivity, continuity, and complementarity. More than ever, this will need strong political will to keep and grow the ASEAN Community together and make it work better for the benefit of ASEAN's peoples.

**Big Picture Strategic Issues and Priorities**

ASEAN centrality will be secured if ASEAN focuses on the big issues that now confront it and makes the political commitment to address them one by one. Success requires building coherent ASEAN strategies and engaging regional and global partners in collective leadership to address each issue. Internally, addressing these issues will require enhanced policy capacity, policy coordination and steady institutional change.

The key priorities are:

- The biggest threat to ASEAN’s open and inclusive development is the challenge to the rules-based multilateral trade regime and the rules-based economic order. This system is a core interest of ASEAN and other countries in Asia. The trade war between the United States and China has highlighted the deficiencies in the World Trade Organization and the global trading system that need to be addressed. ASEAN and Indonesia, through their prominent participation in the Group of Twenty process, have an urgent and common interest with like-minded dialogue partners in framing Asia’s proactive response to this challenge.
The process of its continuing economic integration underpins ASEAN centrality in Asian affairs. The Regional Comprehensive Economic Partnership (RCEP) is important to entrenching and expanding that process for ASEAN and is crucial for ASEAN’s capacity to manage its economic and political security interests with its big neighbours in the region. Better connecting the existing regional economic and political cooperation through building an effective, ongoing RCEP cooperation arrangement will help to navigate and manage the current and future challenges to regional prosperity and security. At the same time, ASEAN’s concerted drive to realise an integrated, cohesive, connected, and seamless ASEAN single market and production base ensures ASEAN’s continued centrality in efforts for greater integration and connectivity in the wider region.

The recent discourse on Indo–Pacific has the potential of creating a wedge amongst countries in the wider region. ASEAN would need to proactively reframe the Indo–Pacific concept towards inclusion, cooperation, and connectivity centred on ASEAN centrality. In so doing, the Indo–Pacific concept, properly lodged in the East Asia Summit (EAS), strengthens EAS by embedding cooperation and connectivity into EAS, which hitherto had a security emphasis. In so doing, it complements RCEP (and CPTPP) in the widening network of cooperation, openness, integration, and peace building that animate the ASEAN-centred regional architecture.

ASEAN’s role in peace building in the wider region would be enhanced further with a successful, credible, and fair conclusion and implementation of the Code of Conduct on the South China Sea and with the ‘multilateralisation’ of the Treaty of Amity and Cooperation (TAC) and its principles not only between ASEAN and non-ASEAN countries but also amongst the non-ASEAN countries especially in the Indo–Pacific region.

The successful conclusion of RCEP (preferably with built- in agenda for deepening and widening of commitments and action areas in later stages of RCEP), a united ASEAN voice on the Indo–Pacific issue, successful conclusion and implementation of the Code of Conduct on the South China Sea, and the multilateralisation of the TAC will help ASEAN
strengthen its role as the centre of regional architecture in the wider region.

• ASEAN will fail to achieve its development potential and bring credibility to these crucial international agendas unless it strengthens the momentum of structural reform across the ASEAN economy as it moves to consolidate the ASEAN single market. Structural reform, as detailed in Vision 2040 Report, is essential to lifting incomes through middle- to high income and to the creation of a modern digital economy.

• ASEAN’s integration agenda depends upon vastly increased provision of infrastructure and public goods. Initiatives like China’s Belt and Road Initiative can play an important role in financing infrastructure and improving connectivity. There are immense benefits that can arise from infrastructure that can link and assist the development across the region. But there are considerable risks – financial, social, political, and environmental – as well. ASEAN itself must play a larger role in this. Provision of international public goods from individual countries in Asia is more likely to succeed and be sustainable if it is born of regional consensus. ASEAN’s role in the evolution of international rules to strengthen global governance can begin with the development of principles for infrastructure development and financing in the region.

• The rapid growth of ASEAN energy demand, high import dependence, and the continuing, dominant role of fossil fuels pose challenges in terms of energy security and environmental sustainability. As one on the areas in the world most affected by natural disasters, environmental policies too are areas of priority for internal and external policy coordination.

• Central to achieving an inclusive ASEAN that leaves no one behind is the task of increasing investment in education, research, and upskilling across all of ASEAN. And so too is recognising the importance of robust social protections (including for the elderly) and spreading of the gains from technological change and globalisation, to sustain outward oriented and open economies. The pace of change as ASEAN economies and societies digitalise will mean that social safety nets, tax and transfer systems, and lifelong skill enhancement will have to continuously be strengthened and upgraded.
• A separate issue that will require increased dialogue is that of financial resilience and the safety net against financial shock that remains inadequate as the risk of external shock has risen.

Entrenchment of ASEAN Institutions and Mission

To help deliver on the opportunities and to overcome the major challenges that ASEAN faces over the next 2 decades, five broad institutional reforms should be started immediately and implemented gradually:

• Building national ASEAN institutions, such as creating a ministerial-level interagency coordination council or committee in ASEAN Member States to coordinate a whole-of-government approach to ASEAN strategies in each member state.
• Breaking down the silos in ASEAN and improve the work across the three ASEAN Communities.
• Reforming the ASEAN Secretariat so it becomes a more forward looking technical resource and robust monitor of implementation.
• Putting in place an ASEAN Policy Review and Analysis Mechanism that reviews and analyses policies and regulatory structures across the ASEAN economies for consideration by the governments of member states.
• Encouraging regional research institutions and think tanks to work more closely with the Secretariat and ASEAN bodies to bring to bear broader capacities and thinking on ASEAN policies, initiatives, and reforms. The private sector and civil society networks should also be similarly engaged.

At the same time, ASEAN needs to strengthen the sense of ownership of the ASEAN peoples of the ASEAN vision and mission. It must build over time the communal identity, the ‘we feeling’, the ‘ours feeling’ and the ‘we are together’ feeling. ASEAN can harness new technologies, networks of people and institutions, and people engagement to deepen the sense of ASEAN belonging and identity. For in the end, it is when the people consider the ASEAN vision and mission as their own that ASEAN stands on firmer ground in managing the external uncertainties the region faces.
and help realise the aspirations of the people for their countries and for ASEAN.

**Reform and Integration**

Those institutional reforms will help ASEAN put in place the strategies and maintain the momentum of reform needed to achieve an integrated and seamless ASEAN towards a single market and production base. To do so, ASEAN will need to focus on:

- Instituting support systems to achieve good regulatory practice
- Freeing the flow of data and payments and aggressively building the digital economy and service sector ecosystem
- Facilitating capital market deepening and prudential management of financial integration
- Regulatory coherence in ASEAN in competition law and policy and on intellectual property
- Improving skilled labour mobility and skills development in ASEAN
- Promoting lifetime skill enhancement and strengthening arrangements that provide economic and social security in the face of continuing social and economic change
- Developing a strong, dynamic, and liberalised services sector and an open investment environment
- Implementing seamless trade facilitation and improve management of non-tariff measures
- Providing strong support for the development of innovation ecosystems and technology entrepreneurship
- Completing connectivity (including digital connectivity) within and amongst ASEAN Member States. At the same time, deeper connectivity within ASEAN needs to be in tandem with enhanced connectivity between ASEAN and the wider region, in large part because the bulk of ASEAN economic transactions remains with outside ASEAN, especially the wider East Asia and Asia–Pacific region.
An adaptive, inclusive, and innovative Digital ASEAN moving towards 2040 is achievable with upgraded education and training, and institutional reforms within countries and across ASEAN.

Managing External Uncertainties and Enhancing Internal Cohesion

Reforming and strengthening ASEAN institutions and coordination around these strategic priorities will ensure that member states can better manage the rapid changes underway, through reform and integration into the regional economy, and it will also strengthen ASEAN’s regional influence, proactive agenda internationally, and global voice. These are not mutually exclusive but deeply complementary goals. ASEAN will not be able to support the multilateral trading system effectively; prepare for managing climate change, protecting its environmental assets, and manage natural disasters; have a sound framework for infrastructure investment; and achieve a game-changing RCEP agreement, without strong, outward looking and open ASEAN economies. ASEAN must help to shape the external environment for its member states to create the conditions needed to undertake difficult reforms within and across ASEAN for delivering the goals of ASEAN Vision 2040.