ASEAN Vision 2040: Towards a Bolder and Stronger ASEAN Community

Executive Summary

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Stepping Boldly Forward Transforming ASEAN Community

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I.   Introduction

The Association of Southeast Asian Nations (ASEAN) adopted ASEAN Vision 2020 during the Second ASEAN Informal Summit in Kuala Lumpur in December 1997, a few months after the outbreak of the East Asian financial crisis and amidst depreciating currencies in the region. Although conceived during the heady days of late 1996, the adoption of ASEAN Vision 2020 at the height of the financial crisis in the region is a testament of the determination of the ASEAN Leaders to move boldly forward despite the immediate challenges of the time. This determination and dogged persistence to put flesh to the vision over the 2 decades since have borne tremendous fruit: an increasingly integrated and cohesive ASEAN Community that has entrenched itself as the hub of economic and political-security architecture in the wider region.

The subsequent ASEAN Community Vision 2025, signed by the ASEAN Heads of State/Government in celebration of the formal establishment of the ASEAN Community 2015, reaffirmed the continuing resolve of the ASEAN Heads of State/Government to 'forge ahead together' to realise the vision of a peaceful, integrated, stable, prosperous, and sharing community as articulated in ASEAN Vision 2020, and indeed expanded to

embrace people centredness and people orientedness, sustainability and resilience, and a greater regional role anchored on ASEAN centrality.

The geo-economic, geo-political, and technological landscape has been changing dramatically since ASEAN Vision 2020 and the subsequent ASEAN Community Vision 2025 were adopted. These changes call for ASEAN Vision 2040. ASEAN Vision 2040 seeks to assess the challenges ASEAN faces now and set out a vision for the next 2 decades and the strategies to achieve it.

The considerable achievements in developing the three ASEAN Communities, the fast changing geo-economic and geo-political environment in the wider region, as well as the huge digital transformation and fourth industrial revolution shape ASEAN Vision 2040. Facing greater uncertainty, ASEAN must, more than ever, maintain its unity and centrality, adjust to and benefit from economic and technological transformations underway or emerging worldwide, and ensure that ASEAN engages and benefits its people and the ASEAN community as an embodiment of 'unity in diversity' bonded together in peace, security and prosperity.

II.   Context of ASEAN Vision 2040

ASEAN's remarkable achievements. The past 50 years have seen ASEAN deliver remarkable achievements. The achievements are well known, and documented in the ASEAN@50 volumes prepared by the Economic Research Institute for ASEAN and East Asia (ERIA) in 2017 for ASEAN's 50th anniversary. In 1993, Prime Minister Mahathir Mohammad described himself as an ASEANist with deep commitment to ASEAN because of the critical role that it has played in transforming an area of turmoil and conflict into a zone of peace and prosperity (Pitsuwan et al. [eds.], 2017). The ASEAN region has been an economic success story in the developing world, with virtually all of the ASEAN Member States (AMS) being global growth outperformers over a long period (1965–2016, for Indonesia, Malaysia, Singapore, and Thailand), a shorter period (1995–2016 for the

CLMV countries[1]), and more recently for the Philippines (Das et al., 2018). ASEAN has been the most successful regional integration area in the developing world and a model of 'open regionalism'. It has also been a leading destination for foreign direct investment (FDI), second only to China over the past decade.

ASEAN has transformed a region where peoples were largely cut off from one another by colonial powers to one where there is common cause amongst a growing number of people in the ASEAN community. The successes in the political-security, economic, and socio-cultural arenas are being nurtured by the ASEAN Political Security Community (APSC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASSCC) blueprints since the mid-2000s.

ASEAN peoples' aspirations and expectations. Looking forward to ASEAN 2040, the aspirations and expectations of ASEAN peoples for ASEAN as a region and their respective countries provide the context and the setting. In an ERIA survey undertaken during 2016–2017 for ASEAN@50, more than 2,300 respondents from all the AMS, including students, government officials, businesspeople, civil society, academics, and researchers, were asked about their aspirations and expectations (what would be likely to happen) by 2025, the end year of the current ASEAN blueprints. The nature of the concerns raised by the respondents and the scale of the aspirations–expectations gap indicate that, not just for 2025 but beyond to 2040, they will remain compelling challenges (See Intal and Ruddy, 2017).

The survey results suggest that ASEAN peoples aspire to an integrated and connected ASEAN that is inclusive and resilient. They aspire to an ASEAN region of good governance, rid of corruption. They aspire to a region with less urban pollution and more sustainable management of its natural resources. They aspire to an ASEAN that has a significant voice globally and is a critical facilitator for peace in the wider region.

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[1]   Cambodia, Lao PDR, Myanmar, and Viet Nam.

There is a considerable gap, however, between the peoples' aspirations and what they expect is likely to happen, especially with respect to good governance and lower levels of corruption, equitable access to opportunities, and urban pollution. Indeed, corruption ranks highest amongst the pressing concerns of the respondents at both the regional and national levels. This is followed by income disparity and social inequity at the national level, and climate change and natural disasters at the regional level.

Thus, ASEAN has to be an instrument that addresses these concerns amongst its peoples. As President Fidel Ramos of the Philippines said in 2013,[2] ASEAN peoples need to see ASEAN as having pervading beneficial influence on their lives in order for the ASEAN peoples to consider ASEAN as their Community in all its dimensions.

Key global, regional, and technological developments. The world that ASEAN has to deal with in the 2 decades to 2040 will be vastly different from that in which its centrality in regional geo-political and economic affairs has evolved over the past 5 decades.

- The digital transformation and the fourth industrial revolution will accelerate in the world, East Asia, and ASEAN in the next 2 decades.
- Asia will continue to drive world growth and trade in the next 2 decades as the scale of India's emergence increases alongside that of China. Indeed, the India–ASEAN–China corridor will arguably be the world's golden arc of growth opportunity in terms of the huge number of people moving up the middle and upper middle class in the next 2 decades. In the 2020s and the 2030s, China, India, and ASEAN (viewed as a single entity) are projected to be the biggest, second biggest, and fourth biggest economies in the world in 2016 purchasing power parity terms, respectively.

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[2] Address at the ASEAN Executive Management Programme for High Level Executives of Public and Private Sectors of Thailand, Bangkok, 8 August 2013.

- The huge shift in economic power in Asia is complicated by the United States' retreat from multilateralism and the fracture of Brexit in Europe. These developments, alongside a China that is increasingly assertive and a rising India, have resulted in tremendous geopolitical uncertainty arising from the process of realignment of powers in the region.
- The surge in protectionism and anti-globalisation in the developed world, exemplified by the electoral victory of Donald Trump in the United States, accentuates the importance of the pursuit of inclusive growth in the drive for economic openness and regional integration.
- The changing demographics in Asia mean that the region is bifurcated by an increasingly aged Northeast Asia and a much more youthful India and ASEAN, although within ASEAN ageing will be a growing concern in countries like Singapore, Thailand, and Viet Nam.
- High vulnerability to the effects of climate change will make the call for sustainable and resilient ASEAN development more compelling.

III. Stepping Boldly Forward to Transform the ASEAN Community

All these developments bring tremendous challenges and offer huge opportunities to ASEAN, as member states work in ASEAN to achieve the aspirations of their peoples. More than ever, bold steps forward are needed to secure inclusive and sustainable ASEAN growth, its centrality in regional affairs, and its new position in the world.

The Vision is of ASEAN stepping boldly forward towards the year 2040 transforming the ASEAN Community and securing its position in the region and globally. The ASEAN Community transformed is a nimble, pro-active ASEAN with a common diplomatic stance and driver of the principle of collective leadership (**ensuring *ASEAN Centrality***); an adaptive and innovative ASEAN successfully adjusting to 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 (***Inclusive ASEAN***); harnessing new technologies, networks, and people

engagement to build a deep sense of ***ASEAN belonging and identity***; and supported by a strong and effective ASEAN institutional ecosystem for the ASEAN Community.

Specifically, the vision emphasises:

- the imperative of collective and cooperative leadership and ASEAN centrality for peace, security, and prosperity in East Asia and the Indo–Pacific region that engenders open regionalism, integration, and connectivity in the wider region;
- the embrace, adapting to, and harnessing of the digital revolution and Industry 4.0 which, together with good policies and strengthened institutions, could drive Digital ASEAN forward in upgrading and transforming the ASEAN economies, enhancing ASEAN resilience and sustainability reinforced by the complementarity of robust green and inclusive growth, identifying and satisfying social demand, engendering people empowerment, strengthening people engagement and connectivity, improving governance, and strengthening and reframing the innovation ecosystem in ASEAN;
- stepping up boldly realising the integrated and connected Seamless ASEAN underpinned by good governance into a single market and production base to get the most of being at the geographic heart of the 'golden arc of opportunity' in the world;
- emphasis on people empowerment and 'leaving no one behind' that define Inclusive ASEAN;
- the flowering of a people-centred ASEAN through stronger people's voices, engagement and networks deepening the peoples' sense of ASEAN community and identity; and
- the consequent reframing of the ASEAN institutional eco-system.

ASEAN Centrality and Collective Leadership: the importance of nimble, pro-active, and united ASEAN diplomacy for collective leadership in Asia

A major shift in economic power is underway in Asia. The adjustments to it have been made harder with the rise of protectionism from the United States and the fracture in Europe. The multilateral economic regime is

under threat and with it Asia's – and ASEAN's – economic and political security. ASEAN and other countries with a major stake in it will need to work together to preserve the open multilateral trade regime. Although consumption in East Asia is rising, the region still relies on open markets elsewhere and an open global system for efficiency in production for global markets and its growing prosperity. The weight and importance that Asia now has in the multilateral system means leadership must come from the region to preserve and strengthen that global system.

No one country can lead in Asia which includes several large powers and divergent interests. Asian collective leadership is critical to global economic policy outcomes at the core of ASEAN interests. Collective leadership emphasises consensus, shared leadership and partnerships to achieve shared interests, and shared commitment to multilateral principles and processes.

Amidst the major economic and geopolitical transitions and challenges that face the region today, ASEAN is central to mobilising and making effective the collective leadership that is needed for stability and progress in East Asia. Only ASEAN is acceptable to all the contending parties. In addition, ASEAN has the mechanisms and history of facilitating dialogues and trust building. The networks that have been built around ASEAN have created a region of peace that has achieved remarkable development, reduction in poverty, and brought prosperity to millions of people.

At the same time, the strength, cohesion, and sustainability of ASEAN now depend not only on its relevance to members but also on how the group can manage relationships with and between the major powers and mediate the increasing great power competition. The challenge for ASEAN and its middle power partners is how to pro-actively facilitate the search for 'win-win' solutions and temper down the destabilising ratcheting up of the strategic competition between the two biggest economies in the world. Although anchored on ASEAN and other middle powers in the region, each country in East Asia and the Asia Pacific, including China and the United States, has a role and stake in strengthening collective and cooperative leadership in the region. The challenge for ASEAN is how to engage all Asian economies in the same

endeavour, strengthen ASEAN centrality in Asian institution building and cooperation, and thereby further collective and cooperative leadership in East Asia.

The Regional Comprehensive Economic Partnership (RCEP) provides one concrete avenue for ASEAN shepherding collective leadership in the wider region. RCEP has three characteristics that can be a model for deeper and wider regional integration for the whole world – a gradual and sequential approach instead of a single undertaking, promotion of economic cooperation as a means of achieving equitable economic development amongst member states, and support for open regionalism. The completion of RCEP version 1, together with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), is a shot in the arm for the multilateral trading system and economic openness that is currently under threat from the rise of protectionism in the world, especially the West.

The successful completion of RCEP is critical to ASEAN's anchor role in the region. Failure to deliver a substantial RCEP outcome would seriously damage ASEAN's anchor role in the region as well as its ability to defend its interests in the global system. One crucial aspect of RCEP is that it provides a framework for furthering multilateral-based economic and political cooperation with China, which as indicated above would be the number one economy in the world in purchasing power parity terms. The failure of RCEP would make such multilateral-based cooperation far more difficult to achieve, and this would create risks to ASEAN.

ASEAN's exercise of collective leadership can involve working with dialogue partners to pursue initiatives with regional and global impact. An immediate objective is to defend the multilateral framework for settling trade disputes and framing negotiation of the big new issues in global trade and World Trade Organization reform. ASEAN can encourage China and Japan, the region's two most important funders of infrastructure investments, to develop a more coordinated approach together with ASEAN and other important stakeholders in addressing the huge infrastructural backlog in the region, especially in ASEAN. ASEAN and India also can work together to develop the 'blue economy', initially centring on the Indian Ocean. ASEAN can encourage its dialogue partners

to adopt the principles that embody the Treaty of Amity and Cooperation in Southeast Asia (TAC) to shape bilateral relations between and amongst ASEAN's dialogue partners themselves.

In an age of trade policy uncertainty, Asia – with ASEAN playing a central role – would have to take the global lead on how to move forward given that Asia is increasingly the economic centre of the world and that Asia relies heavily on a stable, predictable, and open global trading environment for its growth. ASEAN and East Asia are already building two key pathways for the way forward – RCEP and the earlier signed CPTPP, and the connectivity initiatives. If done well and successful, they can help reinvigorate multilateralism.

Given that it is increasingly difficult for the World Trade Organization (WTO) to undertake trade negotiations encompassing 'Rounds' in view of the failure of the Doha Round, one key way of moving is precisely the RCEP model (and implicitly, the ASEAN model) of a process of gradually expanding and deepening the integration process, coupled with a degree of economic cooperation, and which follows the ethos of open regionalism. This model of deepening regional integration through open regionalism and consistent with WTO rules complements the WTO's global initiatives at the sectoral level, such as the WTO Trade Facilitation Agreement. Thus, the successful conclusion of RCEP, expected in 2019, strengthens ASEAN centrality and credibility as a platform for pushing forward the open and predictable multilateral trading environment upon which ASEAN's progress depends.

In addition, in the absence of the traditional 'rounds', rules are most likely to be developed in plurilateral and multilateral groupings, whether regional or sectoral. Hence, ASEAN and its RCEP partners can help exercise global leadership by collectively innovating and adopting rules of trading and integrating in the RCEP region consistent with the changing global and regional economic and technological environments. The successful implementation of such innovations in RCEP may be copied by other regions, and in the process reframe and improve the international trading rules and system.

ASEAN and East Asia are also at the forefront globally of regional and pan-regional connectivity initiatives. These initiatives complement the regional integration initiatives by emphasising the other side of integration, which is connectivity. The connectivity initiatives have had a strong ASEAN imprint: connectivity encompasses physical connectivity, institutional, and people to people connectivity even if the connectivity initiatives have different connectivity emphases and perspectives.

The importance of East Asian collective leadership and ASEAN centrality for the world does not rest on deepening and widening regional integration and regional and pan-regional connectivity initiatives only. As increasingly the centre of the global economy, East Asia and ASEAN will need to play a significant leadership role in addressing the weaknesses of the World Trade Organization and make the rules governing the international trading system more attuned to the changing global technological and economic environments. In the absence of traditional 'Rounds', the rules are most likely to be developed in plurilateral and multilateral groupings, whether regional or sectoral. Moreover, the process would likely be one of trial and evaluation, with successful innovations being copied everywhere. In short, ASEAN and East Asia could use or complement the integration and connectivity initiatives by innovating on new rules on issues and areas that may impact on international trade and linkages.

A nimble, pro-active, and coherent ASEAN diplomacy is thus critical for furthering collective leadership and ASEAN centrality in East Asia. The following are some key responses for the ASEAN agenda moving forward into 2040:

- **Complete RCEP stage 1.** RCEP is a process, with commitments and action areas that can be scheduled for deepening and widening in RCEP stage 2, RCEP3, and subsequent stages on agreed schedule. The completion of RCEP stage 1 is important for ASEAN's credibility and for furthering economic openness and regional cooperation and integration in the face of rising protectionism in the West.

- **Facilitate the development of common principles, norms, practices, governance, and coordination arrangements of connectivity projects** in the region to enhance trust and shared leadership in East Asia. This includes the encouragement of the multilateralisation of the Belt and Road Initiative (BRI), China–Japan cooperation with ASEAN and other countries amidst competition in infrastructure investment in the region that is complementary to ASEAN's development, and integration and connectivity. Thus, for example, ASEAN may initiate high-level regional dialogue on infrastructure cooperation and the development of multi-country infrastructure and connectivity projects for possible funding under BRI or jointly by BRI and Japan and other infrastructure investment funds for the region. The latest memorandum of understanding between China and Japan on private economic cooperation in the third countries must be encouraged. The memorandum of understanding is pivotal for further multilaterisation of infrastructure projects under BRI and ASEAN connectivity. Good cooperation between China and Japan in all dimensions is a pillar of ASEAN well-being and prosperity.

- **Deepen dialogues and cooperation with the region's middle powers,** including Australia, India, Japan, and the Republic of Korea. The dialogues and cooperation can be ASEAN plus one or ASEAN plus two or other configurations depending on the cooperation initiative or dialogue issue at hand. With deeper dialogues and cooperation, ASEAN can harness the complementarity of the unique strengths of its partners and thereby help ASEAN drive collective and cooperative leadership for peace and prosperity in the region.

- **Pro-actively frame the Indo–Pacific concept** towards the ASEAN and middle powers conception of it focusing on inclusion, cooperation, and connectivity centred on ASEAN centrality. The Indo–Pacific concept centring on inclusion, cooperation, and connectivity; as well as on shared principles in the region embodied in such documents as the Treaty of Amity and Cooperation in Southeast Asia (TAC), is best embedded in and pursued by the East Asia Summit (EAS). This will thus widen and deepen EAS which hitherto primarily focused on security issues. The new Indo–Pacific concept that focuses on cooperation and connectivity and lodged in the EAS will complement RCEP with its integration and cooperation commitments.

ASEAN voice on this issue helps ASEAN strengthen its role as the centre of regional architecture in the wider region.

- **Step up ASEAN diplomacy** from convening to agenda setting, from passive to active building trust amongst partners, as well as from neutral or divided diplomacy to a united, nimble, and engaged diplomacy fastening a 'chorus of concerns' together with other middle powers with respect to issues between the two superpowers (China and the United States) in the region. Within ASEAN this would call for the stepping up of the ASEAN leadership, especially the Leaders to understand the issues and decide accordingly in principle, to be implemented by the foreign ministers (and other relevant ministers) with the ASEAN Secretary General and supported by the ASEAN Secretariat. This may call for the ASEAN Secretary General to work with the foreign minister of the ASEAN Chair to facilitate consensus making within ASEAN towards the establishment of a common ASEAN voice.

Digital ASEAN: Adapting to and harnessing the digital revolution and Industry 4.0 for ASEAN transformation

The ongoing digital transformation and emerging Industry 4.0 are revolutionary because of the technological breadth, speed of change, and depth of its anticipated effects. The depth of its anticipated effects includes the 'service revolution' that will come with the so-called third unbundling[3] and the disruptive production revolution of Industry 4.0. The third unbundling happens when face-to-face interaction can be done virtually and reliably at very low cost, using technologies like the coming 5G, allowing for the international division of tasks at the individual level. The third unbundling deepens further service outsourcing, thereby

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[3]   Globalisation is a process and aftermath of overcoming distance. The first phase of globalisation or 'first unbundling' was the consequence of declining transport cost that made moving goods across countries profitable; i.e. separation of production and consumption across borders. The improvement in information and communication technology reduced the cost of moving ideas, so that production processes could be linked and therefore dispersed across longer distances. This is the so-called 'second unbundling' and is associated prominently with the expansion of global and regional production networks; i.e. production fragmentation across borders. The current frontier of technology will make virtual face-to-face interaction amongst people across longer distances cheaply, thereby making physical movement of people no longer necessary. This results in the 'third unbundling' where tasks that comprise a smaller part of production may be performed in different locations; i.e. task fragmentation across borders.

providing more employment opportunities with good-paying jobs in ASEAN. Even before the emergence of the third unbundling, a drastic reduction in the matching cost between businesses and consumers and consumers and consumers has started changing people's daily lives by enhancing access to information, communication, and business matching. At the same time, Industry 4.0 at the production level tends to be labour saving while improving productivity. Thus ASEAN faces the risk of structural unemployment from Industry 4.0 as applied to industrial production unless labour is continuously upskilled and the Industry 4.0 technologies (for example, robotics, artificial intelligence) are more judiciously applied in the more labour abundant and less advanced AMS.

At the same time, the potential impact of the digital transformation and the fourth industrial revolution on the economy and society is huge, including

- empowering micro, small, and medium-sized enterprises (MSMEs) and individuals with enhanced access to markets, finance, and technology;
- accelerating modernisation of agriculture;
- improving natural resource management;
- strengthening resilience to natural disasters from the effective use of information and communication technology (ICT), remote sensing technologies, and big data analytics;
- improving the quality of government services arising from extensive use of e-governance;
- enhancing people to people connectivity amongst ASEAN peoples through technologies like block chain; and
- improving the quality of the urban environment where most ASEAN peoples would be living by 2040; this is best reflected in the drive towards smart cities such as ASEAN's Smart Cities Network.

The statement of the ASEAN Heads of State and Government during the 32nd ASEAN Summit in Singapore on 28 April 2018 on the Fourth Industrial Revolution leaves no doubt about the importance that the ASEAN Leaders assign to embracing and adapting to the digital transformation and the fourth industrial revolution. Leaders recognise the transformative potential of the digital and new industrial revolution.

They also emphasise the need for ASEAN to have a long-term and holistic perspective, address constraints, and raise capabilities in the region to effectively utilise the new technological revolution for the benefit of the ASEAN peoples.

There are substantial opportunities as well as significant risks for ASEAN and its member states from the new technologies. The challenge for member states and ASEAN is how to utilise the new technologies for economic development and for accelerated technological and economic catchup with the developed countries. The way forward for ASEAN and member states is purposeful adoption of, and adaptation and adjustment to, the new technologies consistent with the evolving comparative advantage of each member's economy.

Building an adaptive, inclusive, and innovative Digital ASEAN into 2040 to harness the new technologies to further inclusive growth and ASEAN's economic and societal transformation entails a much greater focus on harnessing the beneficial potentials of ICT innovations and big data analytics, more judicious application of Industry 4.0 technologies at the production level, and greater encouragement in the application of both ICT and IT technologies to address societal concerns (education, environment, disaster resilience). This entails (business) innovations and applications of the frontier technologies mainly from developed countries that are customised to the unique characteristics and environments of each of the member states. That is, innovation strategy and the ecosystem need to be geared for the new technological revolution and facilitate dynamic creative imitation that is part imitation and part innovation to adapt to the domestic or foreign markets.

The emergence of the fourth industrial revolution and the third unbundling does not mean the end of the second unbundling industries or sectors like agriculture. There remains large scope in ASEAN for the deepening of regional production networks in manufacturing that is the hallmark of the second unbundling. Many of the measures in the AEC Blueprint are supportive of the deepening of the second unbundling in the region. Digital ASEAN enhances the second unbundling industries through the adaptation, application, and development of

new technologies that upgrade the industries and make them more competitive in the fast changing local, regional, and international markets.

Amongst the key policy strategies for an adaptive, innovative, and inclusive Digital ASEAN by 2040 to benefit more from the emerging the third unbundling and Industry 4.0 are:

- **Aggressively build the digital service ecosystem for MSMEs affordably, reliably, and ubiquitously.** The digital revolution addresses at least two critical bottlenecks to MSMEs' dynamic growth and transformation – access to finance through fintech and access to markets (both domestic and foreign) through e-commerce. This calls for efficient digital connectivity and affordable access anywhere within and amongst AMS, prudential expansion of fintech including digital payments within and amongst AMS, efficient logistics and seamless trade facilitation for e-commerce within the region, and training of MSMEs on effective management of firms in the digital integration in ASEAN that characterises Digital ASEAN. Given that MSMEs are the preponderant establishments in all member states accounting for more than 95% of the total enterprise population of ASEAN, digitising MSMEs and their business ecosystems in all ASEAN is one of the most powerful means towards Inclusive ASEAN while at the same time ensuring a more competitive and dynamic Digital ASEAN.

- **Improve the quality of and access to education across the different education levels. Institutionalise continuous and life-long learning and skills upgrading.** Industry 4.0 technologies appear to be more skilled labour-intensive and at the same time they tend to make people doing repetitive, low skilled tasks redundant. The third unbundling is expectedly more skilled labour-intensive. As a deliverable for its ASEAN chairmanship, Thailand's planned guidelines on skilled labour and professional services development in response to the Fourth Industrial Revolution is a very good start at strengthening the human capital in ASEAN to better prepare for the new technological revolutions. Skills development is discussed further in the section on Seamless ASEAN.

- **Liberalise the service sector and reduce the barriers to the movement of skilled labour and professionals.** Service sector liberalisation and skilled labour mobility are sensitive policy areas in virtually all AMS. However, the adaptation, customisation, and expansion of new technologies may call for intensive interaction of specialised technical and support skills from anywhere including the rest of ASEAN and the source countries of frontier technologies. The issues of service sector liberalisation and movement of skilled labour are discussed further in the section on Seamless ASEAN.

- **Complete connectivity within and amongst ASEAN Member States with a focus on digital connectivity.** This supports inclusive growth. This is the basic foundation of an inclusive Digital ASEAN. In addition, ultimately, ASEAN connectivity needs to be linked with the wider Asia-Pacific and Indo–Pacific region.

- **Harmonise the approach to data protection at the same time that there is freer flow of data and payments in ASEAN.** Data is the new 'oil' in the digital transformation and fourth industrial revolution. At the same time, there are significant policy and regulatory issues to be addressed. The issue of freer flow of data and payments and data protection is discussed in the section on Seamless ASEAN.

- **Support the development of innovation ecosystems and technological entrepreneurship in AMS.** This includes the formation of industrial clusters promoting technological spillovers, innovation facilitation institutions such as incubators and technology license offices, incentives such as research and development investment tax credits including research and development to adapt the new technologies to upgrade industries and sectors like agriculture, and technology entrepreneurship education. Develop ASEAN-wide innovation performance benchmarking and platforms for sharing best practices in innovation policy.

- **Deepen participation in international production networks and form industrial agglomerations within AMS and ASEAN.** For all the excitement and anxiety about the digital transformation and the Fourth Industrial Revolution, much of the ASEAN economy will remain in the world of second and first unbundling. There is so much more scope in many member states especially the more

labour abundant and less advanced AMS for deeper participation in production networks regionally and globally. Equally, there is so much more to be done to have competitive and dynamic industrial agglomerations in many member states. Implementing the AEC and Master Plan on ASEAN Connectivity (MPAC) measures would go a long way to providing the conducive environment for growing industrial agglomerations and deepening production networks in ASEAN that are linked to the wider East Asia region and indeed the world.

- **Focus on improving the overall business and investment climate and less on sectoral incentives.** It is more difficult to pick and choose sectors under Industry 4.0. Moreover, MSMEs benefit more from general improvement in the ease of doing business than from fiscal incentives geared to sectors that tend to go to large enterprises anyway. Incentives and grants would have to be more functional, not sectoral, such as support for technopreneurship or skills development.

The ASEAN Smart Cities Framework (ASEAN Secretariat, 2018), though it is non-binding at present, exemplifies the coming together of new technologies, good governance, stakeholder engagement, and infrastructure towards sustainable development and living environment in urban areas where most of the people in the region would live by 2040. Good urban amenities and livability as well as ease of doing business are expected to turn the smart cities into innovation hubs in the region. Moving forward towards 2040, the articulation and implementation of the Framework, together with forward-looking leadership, partnerships, and investment fostered by the ASEAN Smart Cities Network will have significant impact on ASEAN, the shape of the ASEAN economy and society.

At the same time, the challenge of the urban-rural divide will need to be addressed. In light of the technological possibilities and assuming accessible digital connectivity and services everywhere, complementary ideas such as an ASEAN Smart Villages Network may be explored. In addition, the dynamic interplay of the urban and rural economies and societies in the new technological environment will need to be understood towards the embedding of inclusive and sustainable development in the region.

Thailand's planned priority economic deliverables for 2019 underline the ASEAN Leaders' call during the 32nd Summit to build ASEAN's readiness for the digital revolution and Industry 4.0. These include the development of the concrete short-term action plan of the ASEAN digital integration framework, setting up of a roadmap and an expert group to implement the ASEAN declaration on innovation, preparation of the guideline on skilled labour and professional services development for the Fourth Industrial Revolution, preparation of a declaration for cooperation amongst member states in common targeted industries to prepare readiness for Industry 4.0, and development of policy directions for the formalisation and promotion of digitised MSMEs. The implementation of the ASEAN Single Window, ASEAN-wide self-certification, ASEAN agreement on electronic commerce, ASEAN trade repository, and ASEAN trade in services agreement also contribute to a more conducive environment for MSME development and readiness for Industry 4.0 as well as facilitate deeper participation of ASEAN firms in regional production networks (Iemsawasdikul, 2018).

Harnessing new technologies, good policies, and institutions for a resilient and energy-secure Sustainable ASEAN

ASEAN is a region under sustainability stress and vulnerable to natural disasters. The region's biodiversity – the world's second richest – is rapidly declining, with about 40% of its genetic biodiversity already extinct. The region's water bodies are severely impacted by excessive extraction of groundwater and uncontrolled pollution, so much so that the region may face a 30% shortfall in fresh water needed to support its economy in the 2030s. The region's forest resources face increasing pressures from rising demand for timber, land, minerals, and other resources. ASEAN produces 9% of the world's solid and industrial waste although accounting for only 4% of the world population; this 9% is expected to double by 2050. ASEAN is amongst the world's top two plastics polluters in the seas. It experiences a disproportionate share of global floods with high fatalities and economic damage, hence the impacts of climate change and natural disasters are pronounced in the region.

What makes the ASEAN scenario more worrying is that a number of member states are still on the rising portion of the so-called Kuznets inverted U-curve where per unit environmental pollution and degradation will continue to rise as per capita national income rises. The challenge is to reduce the negative impact on the environment – and climate change – of the expected robust growth of the ASEAN economies, and thereby ensure a more sustainable development path for the region.

To foster sustainable development in the region, there is a need to strengthen natural resource management; encourage and empower communities to engage in biodiversity conservation and sustainable use; promote deeper connectivity of the ecosystems of the hills, the lowlands, and ultimately the seas in the region; build livable and low-carbon cities; and promote clean energy in the region. One huge opportunity is from the harnessing of the new technologies in tandem with good policies for improved natural resource management, lowering pollution and reducing resource waste. Indeed, the new technologies provide some avenues for sustainability leapfrogging while at the same time improving competitiveness. For example, online and mobile banking is reducing the need to build physical networks. Localised and close-looped production networks with 3D printing could reduce the need for raw materials and produce less waste. Small and medium-sized enterprises (SMEs) have large environmental impacts as a group; Industry 4.0 technologies including the Internet of things (IoT) and artificial intelligence could empower SMEs to produce in a more eco-efficient way. The growth of circular economy, which emphasises recycling, can reduce the environmental burden.

Fostering sustainability in ASEAN also entails enhancing the complementarity between the United Nations Agenda for Sustainable Development to which all AMS subscribe and the ASEAN community building measures under ASEAN's three blueprints. It also entails enhancing the complementarity amongst the measures and initiatives embodied in blueprints of the three ASEAN Communities – political-security, economic, and socio-cultural. This is because sustainable development under the UN 2030 Agenda does not mean only environmental sustainability but also ensuring that no one is left behind and that the economy is growing robustly at the same time. As a result,

the development and well-being of all people at present and in the future is well secured.

The following are key strategies to facilitate the effective use of the new technologies, which combined with good policies would improve sustainability and resilience in ASEAN into 2040:

- **Dialogues and partnerships between technology developers and environment experts**
  to co-develop innovations for the public good – sustainability and resilience – while minimising the risks of coordinated cyber security risks.
- **Innovative investment platforms, financing structure, and business models that can accelerate the scaling up of promising eco-innovations.**
- **Partnership with international institutions** to develop governance systems, including championing of common policy principles for managing new technologies, specific data protocols, and transparency mechanisms.
- **Developing governance systems – incentives and policies and institutions –** so that the practical applications of Industry 4.0 technologies will respond not only to market needs but also to the broader sustainability and resilience goals.
- **Develop bottom-up innovation and learning networks and rolling multi-year year action plans to strengthen the implementation of the ASEAN Socio-Cultural (ASSC) Blueprint 2025 for sustainability and resilience.**
- The pursuit of sustainable development as broadly defined in the previous subsection may call for the establishment of a centre for sustainable development (e.g. **ASEAN Centre for Sustainable Development and Dialogue** as proposed in the UNESCAP Complementarity Report), with a mandate of providing support and guidance for AMS as they address the complexities and intricacies of interrelationships and complementarity or otherwise of the considerable number of ASEAN measures for community building in the region.

Secure, modern, reliable, affordable, and sustainable energy supply for all is the lifeline of modern technology-driven ASEAN towards 2040. This cannot be taken for granted. The business-as-usual scenario indicates that ASEAN will become far more dependent on imported oil and natural gas. With regard to the power sector shaping the economic and environmental outlook, electricity demand will almost triple through 2040, with a continuing and dominant role of coal, resulting in critical environmental challenges. Hence, increased effort must be made within the AMS to change this pathway. Member states need to be prepared for possible oil supply disruption; enhance energy efficiency; reduce oil demand, particularly in the transport sector; clean use of fossil fuels, most notably, coal; and promote energy diversification to such sources as natural gas and renewable energy. These actions need to be pursued in tandem with robust economic growth, ensuring that energy is reliable and accessible to all at affordable prices. Given the many uncertainties between now and 2040, strategies should be pursued with a plan-do-check-act cycle with sufficient flexibility and multiple pathways.

The ways forward for ASEAN to secure an affordable and sustainable energy system include the following:

- A measured and well-targeted **cross-subsidy approach** to improve the affordability and reliability of energy infrastructure development (for example, differentiated electricity prices between rich and poor regions). Note that the cross-subsidy be measured, tempered, and targeted because significant subsidies distort pricing signals for both consumers and producers as well as environmental sustainability goals.
- **Distributed energy systems with micro-grid system** to provide an effective approach to enhance reliability of energy supply systems and the inclusiveness of serving remote, rural, and poor areas.
- **Enhance emergency preparedness** through development of early warning systems, oil stockpiling, measures for demand restraint, and fuel switching.
- **Enhance energy efficiency**, as the most cost-effective way to simultaneously achieve energy security, climate mitigation, and economic growth, through cost-reflecting prices, minimum efficiency standards, full utilisation of ICT, IoT, artificial intelligence, etc.

- **Regulatory and institutional reforms** to encourage private sector investment and incentivise pro energy-efficiency energy users' behaviour; for example, energy and environment performance standards, electricity and gas market liberalisation, phasing out energy price subsidies, etc.
- **Enhance ASEAN-wide energy-related collaboration** in emergency preparedness, regional interconnection, regulatory harmonisation, technology collaboration, peer review process, sharing long-term vision, etc.
- **Capacity building** in energy related policy, regulations, technologies, technical standards, environmental regulation, etc. needed especially in light of the emerging information technology, artificial intelligence, and IoT for energy.
- **Public awareness, education, and information on new technologies** and their benefits for facilitating uptake of such technologies, improving financial risks, and strengthening people's willingness to pay for the energy and environment agenda.
- **Research, development, demonstration, and deployment (RDD&D)** of more cost-effective low and zero emission technologies as the key to ultimate energy transition and decarbonisation.

Integrated and connected Seamless ASEAN: Realising an essentially ASEAN Single Market and Production Base underpinned by Good Regulatory Practice

The vision of an ASEAN single market and production base has been set out in principle in the AEC Blueprint 2015, as: *'An ASEAN single market and production base shall comprise five core elements: (i) free flow of goods; (ii) free flow of services; (iii) free flow of investment; (iv) freer flow of capital; and (v) free flow of skilled labor'.* In the light of the emergence of the digital economy, a sixth element would need to be added to the five core elements of the single market; that is, freer flow of data and payments.

This pure form of the ASEAN single market is set out operationally in the AEC Blueprint 2025 as thus: *seamless movement of goods, services, investment, capital, skilled labor [and data and payments] within*

ASEAN … as well as … a more unified market for [ASEAN's] firms and consumers. Seamless movement means minimised border and behind-the-border regulatory barriers and transactions costs to the movement of goods, services, data, skilled labour, investment, and financial capital. A unified market, as the antithesis of fragmented market, implies strong competitive pressures from both domestic and other ASEAN suppliers and investors within the ASEAN region.

In both the AEC Blueprint 2015 and AEC Blueprint 2025, the drive for a single market and production base is to facilitate the development of production networks in the region, enhance the region's capacity as a global production network, and strengthen the region's participation in global value chains. In addition, the deeper regional integration does not only lead to the better realisation of economies of scale and collective efficiency but also encourages the organic growth of innovation and development of innovation systems (ASEAN Secretariat, 2016). Indeed, it is widely accepted that a strong domestic competitive environment is a key foundation of a robust innovation environment.

Moving towards 2040, an integrated and connected Seamless ASEAN enables ASEAN to benefit the most from being at the geographic heart of the Golden Arc of Opportunity in the world (that is, the India–ASEAN–China corridor). It will enable ASEAN to compete better with China and India, especially as the growth corridor can be expected to liberalise further under RCEP and future regionalisation agreements. The measures needed to achieve an integrated and connected Seamless ASEAN engender good governance, which is a major aspiration of the ASEAN peoples. They also support ASEAN centrality because East Asia's economic integration rests importantly on the success of ASEAN economic integration.

ASEAN has been very clear about key strategies toward the realisation of an almost ASEAN single market in both the AEC Blueprint 2015 and AEC Blueprint 2025. The list of key strategies below largely echoes the measures in the 2015 and 2025 blueprints and expands and provides clearer pathways for the implementation of the strategies. With the

exception of the freer flow of data and payments, **the fundamental challenge is about implementation of these measures**.

- **Seamless trade facilitation 'plus'.** Efficient, safe, and seamless trade facilitation in 2040 requires that the National Single Window in each member state will be at least the average of Singapore, Thailand, and Malaysia today or beter still, the same as Singapore of today. It will be virtually paperless; incorporate integrated risk management with very close inter-agency coordination in order to have effective border management (against transnational threats) while at the same time ensuring effcient trade facilitation; and be guided by a whole-of-government mindset. Full operationalisation and well performing ASEAN Single Window, ASEAN Customs Transit System, National Trade Repositories, ASEAN Trade Repository and ASEAN wide self- certification. Trade facilitation 'plus' means developing a trade facilitating ICT eco-system for B2G and B2B that connects trade, logistics, business, and innovation communities and government together to better support the fast evolving business landscape and needs. Extensive use of Mutual Recognition Arrangements (MRAs)s with the Customs Authorities of non-ASEAN countries, especially RCEP countries, for seamless facilitation of trade between AMS and the non-ASEAN countries.

- **Improved management of NTMs:** This involves enhanced transparency, streamlining of certification procedures, harmonisation of NTMs where feasible to reduce regulatory distance between and amongst AMS, institutional improvements, and application of Good Regulatory Practice (GRP) with strong involvement of the private business sector and other stakeholders This is critical because the number of NTMs has been surging in a number of AMS during the past few years as indicated in the latest ERIA–UNCTAD data on NTMs in ASEAN for 2018..

- **Strengthened regional and national quality infrastructure (standards and conformance system).** Given that the majority of non-tariff measures (NTMs) are Technical Barriers to Trade (TBT) and sanitary and phytosanitary (SPS) measures, one major way of reducing the trade cost and burden on business and consumers is to invest in robust quality infrastructure and undertake extensive

mutual recognition agreements with other AMS and the rest of the world. Moreover, the focus of competition is no longer on price but on product and service quality. There is need for preponderant alignment to international standards as well as regular review of standards. ASEAN Member States need to be much more involved in international rule setting bodies by 2040. 'World class' conformity assessment and certification and accreditation bodies are needed. It is also important to have extensive capacity and institution building as well as the setting up of testing laboratories near the producers.

- **Develop strong, dynamic, and liberalised services sector and an open investment environment.** Services is a key growth driver in third unbundling and Industry 4.0. Liberalise service sector – shift to negative list approach with extremely few industries in the negative list. Open much more the investment regime because FDI is critical for technology upgrade and innovation. Raise allowable foreign equity share to at least 70% and expand areas with allowable 100% foreign equity participation; in addition, there needs to be at most an extremely small negative list disallowing foreign majority control. Minimise other restrictions on foreign investors. Develop an integrated investor after-care and investor-retention mechanism. Increase links between foreign and domestic investors in niche investment sectors identified for promotion and liberalisation to accelerate technological diffusion and absorption in key areas with large spillover effects.

- **Engender skills mobility and development in ASEAN.** Skills mobility and development is central to effective application of Industry 4.0 and third unbundling. ASEAN needs to give strong emphasis on and elevate regional cooperation in skills development in the region. It is important ot have effective implementation and further development of ASEAN Qualifications Reference Framework. There needs to be an ASEAN-wide accreditation system for universities and training institutions. There is a need for the development and expansion of ASEAN schemes similar to the Erasmus Programme and Bologna Process in the European Union. Allow the setting up of foreign (majority) owned specialised training institutions in the region, especially those that are linked to the digital revolution and Industry 4.0. The new technologies like EdTech can be used to institutionalise continuous skills development of workers and would-be workers. Ideally, an individual born anywhere in ASEAN needs to be given the

opportunity to develop his/her skill sets that are in demand in the region.

As the free flow of skilled labour is politically sensitive in virtually all member states, a measured and gradual approach towards greater skilled labour mobility within the region is sensible. An initial approach would be to have bilateral agreements to standardise and facilitate labour market access requirements and gradually extend to an ASEAN-wide basis. Give priority to the liberalisation of the mobility within ASEAN of highly specialised skills especially those supportive of innovation hubs in the region. Minimise the list of prohibited occupations in hiring foreign skilled workers as much as feasible. Emphasise the net welfare gains of ASEAN skills mobility. ASEAN can accomplish an integrated skilled-labour market through (a) mutual recognition of licenses, qualifications, and work experience; (b) a preferential employment of ASEAN nationals where labour market tests are deemed necessary; and (c) use of modern technology to widely disseminate information on job availability and terms and conditions in each AMS.

- **Engender deeper connectivity and efficient logistics.** Seamless ASEAN absolutely demands efficient logistics and deeper physical and institutional connectivity within and amongst AMS. Ease up cabotage restrictions at least in selected sub-regions like BIMP–EAGA towards greater maritime connectivity. Agree on seventh freedom towards more efficient air connectivity and eventual single aviation market. Liberalise further logistics services sector to foreign equity and competition. Fully operationalise the ASEAN agreements and protocols on land transport facilitation and transit as well as on air transport. Undertake substantial government investments and encourage private sector investments in transport infrastructure. Foster seamless trade facilitation while at the same time strengthening border management cooperation in the region against cross border risks like transnational crimes, disease outbreaks, terrorism, etc. Finally, ASEAN would need to enhance its connectivity with the wider region.

- **Engender regulatory coherence in ASEAN in competition law and policy and on intellectual property.** Amongst possible measures to enhance regulatory coherence are: Develop and adopt a 'model law' on the substance and procedures on patents, copyrights, etc. adapted

to the different legal systems in the region. Similarly, develop and adopt a 'model competition law' that imposes minimum standards of rules and procedures adapted to the different legal systems in the region. Mutual recognition of intellectual properties (IPs). Single intellectual property window for AMS' intellectual properties in each member state. Mutual recognition of cross-border anti-trust enforcement by applying positive comity whereby an AMS notifies another AMS about a particular anti-competitive conduct in the jurisdiction of the requested AMS which has effect in the requesting AMS. Underpinning the drive for regulatory coherence amongst AMS is the need for strengthening pro-competition measures within member states, including greater transparency, ensuring a level playing field between state-owned enterprises (SOEs) and the private business sector, and anti-trust measures especially in producer services (e.g. public utilities) which have large economy-wide linkages.

- **Freer flow of data and payments.** Free flow of data for seamless communication that permit new and innovative services is critical in the new technological revolution. At the same time, with goods and services increasingly moving online, an open digital economy in ASEAN is important or else the liberalisation commitments in the AEC would effectively get rolled back. There are however major regulatory issues to be addressed especially with respect to privacy regimes, flow of business data across borders versus data localisation, the determination of liabilities and data ownership, protection of operational data, etc. Cybersecurity is also a major concern. ASEAN has started examining the regulatory issues in its committee on electronic commerce. With the ASEAN digital integration framework and the planned ASEAN declaration on ASEAN industrial transformation to Industry 4.0, ASEAN would need to examine and develop ways to address many of the above mentioned issues. One way forward in addressing the privacy and data localisation issues is for ASEAN to develop and adopt rules similar to the APEC Cross-Border Privacy Rules (CBPR), which Singapore has subscribed to. Similarly, one way of addressing the cybersecurity issue is to develop an ASEAN framework cooperation on 'data embassies' that Estonia has pioneered.

- **Facilitate capital market deepening and prudential management of financial integration.** Greater autonomy, accountability, and access across financial firms and users are needed to foster complete,

efficient, and stable financial development. Engender financial inclusion through prudential adoption of fintech with key enabling government steps. Implement the Qualified ASEAN Banks (QAB) approach more fully in the region. Strengthen financial resilience through the Chiang Mai Initiative Multilateralisation (CMIM), robust forex reserves, bilateral swaps, macroeconomic surveillance together with the ASEAN+3 Macroeconomic Research Office (AMRO) frequent dialogue, plus adoption of Basel standards to improve the management of individual banks in the region.

The drive towards a Seamless ASEAN is best underpinned by the promotion of the principles of good governance, transparency, and responsive regulatory regime, well expressed in the AEC Blueprint 2025. As indicated above, the ERIA survey results suggest that ASEAN peoples aspire to a region of good governance given that their primary pressing concern is corruption in the region. World Bank governance perception indicators show a huge gap amongst AMS on the regulatory quality, government effectiveness, control of corruption, extent of stakeholder engagement, and transparency amongst AMS.

The AEC Blueprint 2025 points to the ASEAN commitment to furthering good regulatory practice in the region, which itself contributes to the effective implementation of AEC measures. At the same time, the implementation of many AEC measures will improve governance in the region. There is thus significant symbiosis between the drive towards a Seamless ASEAN and the furtherance of good governance in the region. ASEAN has agreed on the ASEAN Guiding Principles on new non-tariff measures (NTMs) which are the distillation of good regulatory practice principles. ASEAN has also agreed on the ASEAN Core Good Regulatory Practice (GRP) Principles. The ASEAN High Level Task Force on Economic Integration has recently mandated the ASEAN Secretariat and ERIA to undertake a baseline study on the regulatory management systems (RMS) in each member state. Moving forward towards 2040, the current ASEAN initiatives are stepping stones toward the institutionalisation of Good Regulatory Practice (GRP) and good Regulatory Management System (RMS) complemented by International Regulatory Cooperation (IRC) within ASEAN. The institutionalisation of GRP and good RMS begins

at the national level because they need to be adapted to the individual circumstances of each member.

At the regional level, ASEAN would need to strengthen international regulatory cooperation (IRC) within the region in part to address regulatory divergences across member states and thereby engender seamless trade flows, more competitive supply and value chains, an improved investment environment, and deeper economic integration in the region. The results of an ERIA survey on IRC in ASEAN indicate that most ASEAN officials are supportive of undertaking a wide range of IRC initiatives in ASEAN. In addition, an ASEAN Policy Review and Analysis Mechanism that undertakes reviews and assesses the impact of policies that impact on policy efficiency and performance across member states is recommended to enhance the momentum and credibility of ASEAN economic and regulatory reform.

Embedding people empowerment and leave no one behind principle toward Inclusive ASEAN

The range of ASEAN-related initiatives in pursuit and support of people-centred and people- oriented ASEAN is almost breathtaking in scope and number. ASEAN Summit statements in the past decade have invariably covered initiatives for a people-oriented ASEAN or people-centred ASEAN or both. This reflects the commitment of ASEAN Leaders to bring the people dimension in the regional community building agenda. One of the top pressing concerns toward 2025 and the future is the income disparity and social inequity at the national level (for most AMS) and for ASEAN.

The drive toward an Inclusive ASEAN entails a greater focus on people empowerment and embedding the leave no one behind principle in the region's drive towards deeper integration and adjustment in a sustainable manner to the changing technological environment in the region. People empowerment is engendered by the pursuit of robust growth with equity, centring on the development of MSMEs, improving quality and accessibility of education and opportunities for continuous skills development, and enhancing physical and digital connectivity of the

peripheral areas with the growth centres in the region. In turn, the drive for people empowerment through MSME development, human capital investment and greater connectivity of the peripheries to the growth centres have positive feedback on economic growth and competitiveness themselves.

Harnessing the new technologies will strengthen the connection between inclusiveness strategies and the robustness of economic growth. Online training programmes through EdTEch raises workers skills which help them adapt to the rising skills demands of the new technologies and thereby prevents structural unemployment and ensures AMS benefit from the digital transformation and fourth industrial revolution. Improved connectivity between the peripheries and growth centres facilitates the growth of production networks and expands the consumer markets in the region. Raising the productivity and improving access to markets and financing of MSMEs through innovative applications of the new technologies are key means of ensuring robust growth in the region.

Embedding the leave no one behind principle is central to the drive for Inclusive ASEAN. This will also help ensure that a sustainability mindset is maintained in ASEAN policies. The principle calls for all people to have sufficient access to the resources needed to generate an income, make a contribution to society, and live with dignity. The implementation of the leave no one behind principle includes all people of ASEAN having equal access to basic services like (basic) education and (basic) healthcare, as well as adequate social assistance and protection to the more vulnerable populations like children, persons with disabilities, undocumented persons, people living in remote places, indigenous people, and the elderly. This also entails consideration of social insurance, regulatory regimes for migrant workers, and emergency assistance during disasters, and (pension) support for the elderly.

Moving forward to 2040, inclusive growth, sustainable development, and people empowerment can be pursued through a number of avenues, including:

- Give special consideration to MSMEs in the implementation of many AEC measures; e.g. regular MSME training and even an MSME desk on export and export policies, procedures, non-tariff measures, etc. at home and abroad.
- provide support to MSMEs in digitisation and navigating the digital ASEAN so that they grow with greater access to markets, finance, and even technology.
- Improve connectivity of the peripheries with growth centres.
- Invest in institutionalised mechanism and new technologies of improving human skills especially the human capital from outside and inside the capital cities in AMS.
- Address malnutrition of children under 5 years old in AMS because children under five at present would be the key cohort of workers by 2040 who would not be able to reap the benefits of the digital age without proper nutrition and education now and in the near future.
- Institute lifelong learning and training for flexible and applicable skilled manpower. With the onset of the digital economy and Industry 4.0, skills and training would quickly become obsolete and unmarketable unless ASEAN workers are provided with lifelong learning and training facilities that are available to all levels of skill categories. Related to this is to provide vocational and technical training to 18–35 year olds, especially in skills related to the Fourth Industrial Revolution. Provide universal health care to ensure every citizen is sufficiently protected.
- Ensure basic education and basic social infrastructure (safe drinking water, sanitation, electricity) as well as robust social assistance for the vulnerable groups. Use ICT and the new technologies to widen the coverage and improve the quality of services especially in remote areas.
- Examine options for long term care provision and financing.
- Involve the civil society in the stocktaking and regular monitoring of the status of vulnerable groups and the analysis of issues they face.
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Harnessing new technologies, networks, and people engagement to deepen sense of ASEAN belonging and identity

The ASEAN Leaders have repeatedly confirmed their resolve to deepen the sense of belonging, connectedness, and ASEAN identity in their Summit statements. The results of the surveys of ERIA and ISEAS suggest that awareness of ASEAN and the sense of common cause and affinity amongst the ASEAN populace is growing. Nevertheless, both surveys involve the more educated populace – university students, government officials, academics, and the like. Outside of the capitals and the more educated populace, ASEAN is barely known. In addition, arguably the sense of ASEAN identity has been largely institutional as exemplified by all the ASEAN meetings and summits. So far, ownership of ASEAN has largely been with the governments in the region.

Towards 2040, the ownership of ASEAN has to be more inclusive and include the broader range of people. It is building the communal identity, the 'we feeling', the 'ours feeling', and the 'we are together' that have to be cultivated. That is, growing from ASEAN Community (big C) to an ASEAN community (small c). Amongst the pathways are the following:

- Embed ASEAN into the curricula of national educational systems, but less in terms of historical conflicts and colonisation and more in terms of understanding the shared history (including pre-colonial period), geographic proximity, and shared interests. This stronger articulation of the ASEAN identity would help create greater communal identity amongst the people of ASEAN.

- Enable greater mobility amongst the region's youth as they shape the future of ASEAN community by 2040 – through such schemes as an internship visa free scheme, student scholarships, and student exchanges. Greater interaction amongst the different nationalities of youth in the region certainly builds strong connections and through the sharing of knowledge can spark a robust exchange of ideas that can lead to greater collaboration to grow their countries and ASEAN as a region.

- There is so much that the digital revolution and new technologies can provide to develop a better understanding of ASEAN and instill a communal identity amongst the people of ASEAN. Interactive mobile apps about ASEAN with more engaging content can reach millions of people and help them understand what ASEAN is and does and more importantly, that it matters to their lives. New technologies like block chain allow for direct peer to peer communication between individuals and groups from different AMS and build partnerships. More powerful broadband capabilities would allow for the development of engaging special and general interest 'virtual galleries', 'virtual museums', etc. by ASEAN governments, the private sector, etc. and allow millions to have deeper understanding of unique aspects of the member states' cultures, societies and economies, as well as shared cultures, values, and beliefs.

- The private sector can promote platforms for best practices on issues reflecting concerns and aspirations of ASEAN citizens as well as in the communication and discussion on ASEAN.

- Work with ASEAN Foundation and similar institutions to encourage more and more networks to grow and channel part of their energies towards building the ASEAN regional community, understanding and belonging, and identity. Such networks can lead to cooperation and public–private partnerships in support of ASEAN initiatives such as the ASEAN Heritage Parks system, the ASEAN Smart Cities Network, or the ASEAN Mayors Forum.

- A key theme of ASCC is to engage the people. Deeper engagement means that the people have greater opportunities to participate in shaping the ASEAN and corresponding national agenda. Have more working groups composed of the private sector and the civil society linked to the formal ASEAN processes similar to ASEAN Women Entrepreneurs Network (AWEN). Strengthen collaboration with the private sector and the civil society in monitoring ASEAN and corresponding national policies and programmes and their impacts on communities.

There are many possibilities for tapping other stakeholders like the media to help the people of ASEAN get to know one another better and make ASEAN more people-driven. The above mentioned strategies are not new in ASEAN. Stepping up is really one of expansion, implementation, wider reach, deeper engagements similar to letting and facilitating 'a thousand flowers bloom'. As former President Fidel Ramos said, 'if the Southeast Asian peoples are to embrace ASEAN as their 'Community' they must see it as pervading, beneficial influence on their lives. They must regard the ASEAN vision and mission as their own, being its most important stakeholders'.[4]

Strong and effective ASEAN institutional ecosystem

ASEAN has to step boldly forward and transform the ASEAN Community to adapt to and prosper in the very challenging geopolitical, geo-economic, and technological environments the region faces now and will face in the future while at the same time realise the aspirations of the people of ASEAN . There is much work to be done to realise a nimble, pro-active, and united diplomacy for collective leadership in East Asia **(ASEAN Centrality)**; build an adaptive and innovative **Digital ASEAN**; harness the new technologies and good policies towards a resilient and energy-secure **Sustainable ASEAN;** realise an integrated and connected **Seamless ASEAN** underpinned by good regulatory practice and governance; engender an **Inclusive ASEAN** focused on people empowerment and inclusion; and harness new technologies, networks, and people engagement to build a deep sense of **ASEAN belonging and identity,** and thereby grow and transform the ASEAN Community.

The huge undertaking outlined in Vision 2040 calls for a strong and effective ASEAN institutional ecosystem for the ASEAN Community. The ASEAN institutional eco-system is a complex one requiring effective coordination and collaboration to function well. The institutional eco-system consists of the national ASEAN body (bodies), ASEAN bodies,

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[4]   Address at the ASEAN Executive Management Programme for High Level Executives of Public and Private Sectors of Thailand, Bangkok, 8 August 2013. *Op. Cit. p.3*

ASEAN Secretariat, the Committee of Permanent Representatives (CPRs), and the regional ASEAN-linked and ASEAN supportive institutions. They all have to step up efforts to ensure a strong and effective ASEAN institutional ecosystem:

- **National ASEAN institutions.** The wide range of ASEAN initiatives covering the three ASEAN Communities makes it difficult for the national ASEAN secretariat, usually a sub-ministerial office in an AMS, to coordinate effectively all the national dimensions of the ASEAN agreements and blueprints. What may be needed is a **ministerial-level interagency coordination council or committee**, perhaps with the national ASEAN secretariat serving as secretariat to the council or committee, in the government in order for the country to have a whole-of-government approach, coherent national programmes with regional problems and mandates, and a review of implementation at the national level of the ASEAN measures and agreements at the national level. A ministerial level interagency body is preferable because many of the deepening blueprint measures are expectedly dealing more with behind-the-border policies and issues.

- **Regional ASEAN bodies.** The ever expanding areas being covered by the ASEAN bodies have made the three Communities of ASEAN work largely in silos. The challenge is to build greater coordination amongst the three Communities not just at the Council level but also at the sub-Council levels. More than ever, the ASEAN committees and high level task forces would need to work across the three Communities where warranted because of the increasing interrelatedness of the measures and initiatives to have beneficial impacts on the people of ASEAN.

- **ASEAN Secretariat.** More than ever, the Secretariat would need to be far less a secretariat and much more of a forward looking technical resource and a fair and robust monitor of the implementation and impacts of the ASEAN measures as agreed upon by the AMS with their individual commitments and action plans. More than ever, the Secretariat would need to determine, and advise the AMS accordingly of, the interrelationships of the various ASEAN measures and examine the impact of the totality of the interrelated measures on the agreed upon objective and the impact on the people of ASEAN. Clearly, the

ASEAN Secretariat has to be strengthened in its technical resource role. At the same time, the ASEAN Secretariat can work with regional institutions focused on ASEAN to strengthen the analysis of options and impacts of ASEAN measures. Additionally, the ASEAN Secretariat would be the first institution to institute amongst its offices and staff tight cross-Community coordination, analyses, and reviews to inform accordingly the ASEAN bodies on the cross-Community considerations.

- **Policy Review and Analysis Mechanism.** ASEAN will fail to achieve its development potential and bring little credibility to its 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 is essential to lifting incomes through middle to high income and to the creation of a modern digital economy. It is unwise to create supranational regulatory systems or policy approaches. Each ASEAN Member State must weigh its choices in pressing ahead with structural reform according to its own circumstances. The momentum of reform and the efficiency of policy development will be strengthened, however, if there is commitment to review of the performance and analysis of the impact of policies in key areas across all ASEAN economies. An ASEAN Policy Review and Analysis Mechanism that is owned by ASEAN and undertakes rigorous reviews and analysis for the information and consideration of member governments and the broader ASEAN community would serve that purpose. It would also significantly enhance international perceptions of ASEAN's commitment to policy development and reform.

- **Committee of Permanent Representatives (CPR) to ASEAN.** What is called for is more effective oversight and coordination of ASEAN initiatives. The recent decision to second officials on the economic and socio-cultural fronts to the CPR would enable the CPRs to be more strategic and forward-looking in their oversight function.

- **ASEAN Secretary General.** The SG would have to play bigger role in the 'bigger and better' ASEAN as a 'first voice' for ASEAN, working quietly with the ASEAN Chair on the regional and global agendas and to generate an ASEAN voice.

- **Parliaments.** There is a need for parliaments to decide and support political cooperation that is critical to answer the new strategic challenges for ASEAN. The parliamentarians have an important role to play in aligning legislations with the regional agenda, agreements, and commitments under ASEAN in these challenging times.

An effective ASEAN institutional ecosystem would entail harnessing the potentials of the varied networks in the region and beyond, not only amongst the private sector and the civil society but also of the research and academic institutions, think tanks, and the like. That is, an effective ASEAN institutional eco-system is akin to a networked system.

- **Research institutions, think tanks, etc.** Work closely with the ASEAN Secretariat and with the ASEAN bodies on the analyses of ASEAN-wide policies, initiatives, impacts, and options, as well as on the changing international environments. Examples of think tanks networks and research institutions that have provided significant support to ASEAN include the ASEAN Institutions for Strategic and International Studies, ERIA, and ERIA Research Institutions Network.

- **Networks, private sector, civil society.** To some extent, a strong ASEAN Secretariat and ASEAN bodies would call for the engagement and support of the networks of the private sector and civil society to effectively monitor the implementation and impact of ASEAN programmes and initiatives.

IV. Conclusion

While many of the elements of the ASEAN Vision 2040 are not new and built on the ASEAN 2025 Vision and blueprints, the circumstances that ASEAN faces now are fundamentally different from those in which it has evolved in the past. They require a much more proactive international and integration agenda and strategies over the next 2 decades. At the same time, ASEAN Vision 2040 is about ASEAN becoming a 'pervading beneficial influence on the daily lives' of the ASEAN peoples as President Ramos would put it, measures that can contribute significantly to the realisation of their aspirations on their countries and ASEAN.

Realising the ASEAN Vison 2040 would require, more than ever, for ASEAN to step boldly forward – with more coherence and nimbleness in diplomacy, more focused on people empowerment, and more forward looking in its initiatives. 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 ASEAN together and make it work better for the benefit of the people of ASEAN.

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