

Introduction

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ASEAN in the Spotlight

The Association of South East Asian Nations (ASEAN) has been subject to considerable study and commentary, and deservedly so. The regional group is back in the spotlight in 2017 while marking its 50th anniversary. Yet it is not only for historical reasons that ASEAN is in the spotlight. After it inaugurated the ASEAN Community at the end of 2015, with its political-security, economic integration, and socio-cultural pillars, steps to further develop this Community are already planned for the coming years; both deepening and broadening the existing ASEAN agenda up to 2025.

These are considerable achievements for the regional group. When it began in 1967, with just the original five members,¹ many doubted its sustainability and effectiveness. When the Asian Financial Crisis started in 1997, triggered by the sharp devaluation of the Thai Baht, ASEAN was badly affected. The crisis led many ASEAN members to face abrupt changes in their political and economic systems.

The group has not only survived, but arguably, gained a great deal from meeting these challenges. In the Cold War, the original ASEAN members learnt lessons of cooperation and deepened their relationships. There has been a resulting “peace dividend” on which it has been possible to build economic prosperity. In the aftermath of the Asian Financial Crisis, economic and financial discipline have become the norm. So, when the global financial crisis broke in 2008 in the USA, the region maintained stable. In the decade since, it has continued to grow at rates that outpace the global norm. In the last few decades, ASEAN has also expanded to include Brunei Darussalam and the remaining mainland Southeast Asian countries so that its membership has doubled.² These countries too have participated in the development of the ASEAN Community and have achieved, albeit from a relatively lower base, high growth rates.

These achievements, the subject of many studies about ASEAN, set the broad context for this book. However, this book focuses on the ASEAN Economic Community (AEC) and,

¹ Indonesia, Malaysia, Philippines, Singapore and Thailand

² Brunei Darussalam joined ASEAN in 1984, followed by Viet Nam in 1995, Lao People's Democratic Republic and Myanmar in 1997, and Cambodia in 1999.

more specifically, how the AEC may be impacted by and can respond to megatrends. In this brief introduction, the editors begin by introducing the AEC. We then discuss what we mean by “megatrends” and those we have selected for discussion, and then offer brief synopses of the chapters contributed by the different authors.

The ASEAN Economic Community: Starting and Moving Ahead

The AEC was formally established as part of the ASEAN Community on 31 December 2015. While the AEC itself is recent, its antecedents go back to the origins of the group, when hopes for economic cooperation figured prominently in the first and originating ASEAN Declaration³ signed in 1967. The Declaration stipulates the aim and purpose “...to accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian Nations.” After a number of early attempts, economic integration in the region intensified in the early 1990s following the adoption of the ASEAN Framework Agreement on Economic Cooperation and the ASEAN Free Trade Area, agreed in 1992.

The AEC was first envisioned as the goal of economic integration by leaders in the 2003 Bali Concord II, with 2020 set out as the original completion date. In 2007, ASEAN leaders agreed to accelerate the establishment of the AEC by five years, moving the deadline forward to 2015. In that same year, a concrete roadmap was adopted to chart the path towards the establishment of the AEC, in the form of the first AEC Blueprint (2008-2015).

Two other Blueprints -- for ASEAN Political-Security Community (APSC) and for ASEAN Socio-Cultural Community (ASCC) -- followed, and together the three form the Roadmap towards an ASEAN Community (2009-2015). But while the ASEAN Community has these three different pillars, for many the AEC has been the most visible and measurable marker of regional integration. It has been scrutinised accordingly, with a mix of criticism and appreciation.

There is agreement, however, that the AEC goes further than the group has ever ventured, not only in the pledges made by members but also and most importantly, in real change and implementation. This is visible across a range of economic policies -- from the virtual elimination of intra-regional tariffs, gradual removal of formal restrictions in the services sector, continued improvement of the investment regime, reduction in trade costs

³ The ASEAN Declaration, Bangkok, 8 August 1967.

through the streamlining of cross-border trade processes, enhancement of business-friendly regulatory framework and connectivity. Just as importantly, targeted efforts have been made at narrowing the development gap as well as integrating the region to the global economy.

Further work remains to be done. To follow up the AEC Blueprint (2008-2015) and the establishment of the AEC at the end of 2015, ASEAN Leaders have adopted the AEC Blueprint 2025.⁴ There is increasing attention being paid to ASEAN as a collective economic unit, rather than just its individual members.

With a combined GDP of almost US\$2.6 trillion, ASEAN is the world's sixth largest economy and the third largest in Asia.⁵ In terms of population, at 635 million people, ASEAN is the world's third largest market, signaling its potential in terms of both market size and work force. ASEAN collectively is also a trade powerhouse, ranked as the world's fourth largest exporting economy. The region has also gained prominence as a preferred investment destination; investments into ASEAN were as high as 11% of global FDI flows in 2015, and remain considerable for 2016, at just under 6%.⁶

The AEC in a Global Context

While the AEC is an indigenous regional undertaking for economic integration by its members, efforts have been made in the context of global trends and forces. These can either help drive integration or hinder efforts.

In the early years of ASEAN, economic cooperation was hampered by the then prevailing policies among members (and most developing economies generally) that emphasised import substitution strategies to jump start domestic manufacturers through preferential policies and high tariffs. In contrast, when ASEAN economic integration intensified in the 1990s with the ASEAN Free Trade Area (AFTA), there was a growing consensus at the end of the Cold War on the potential benefits from economic liberalisation and a more open trade and investment regime. In that period, it was common to speak of the "East Asian Miracle" and the newly industrialised economies, and to see the possibility of the majority of ASEAN members making progress along similar paths.

⁴ The AEC Blueprint 2025 was adopted as part of the integral document ASEAN 2025: Forging Ahead Together, along with the Kuala Lumpur Declaration on ASEAN 2025: Forging Ahead Together, the ASEAN Community Vision 2025, the APSC Blueprint 2025 and the ASCC Blueprint 2025.

⁵ The ASEAN Secretariat (2017), ASEAN Economic Integration Brief, No. 01, June 2017, p.5.

⁶ UNCTAD (2017), World Investment Report 2017: Investment and the Digital Economy. New York and Geneva: United Nations.

In the wake of the Asian Financial Crisis, ASEAN decided to intensify existing cooperation to be better able to respond to global and regional shocks. The cooperation amongst ASEAN and its Northeast Asian partners – China, Japan and Korea – through the Chiang Mai initiative to provide safeguards for financial stability, has been expanded and multi-lateralised in subsequent years.

When the AEC was first envisioned in 2003, the group had come to see how China's growth had surpassed its own – in contrast to the early 1990s. In part, the AEC can be seen as an effort to bring the 10 ASEAN members together to scale up and sharpen competitiveness vis a vis emerging major economies, particularly China and also India. Following the global financial crisis, the group has continued with its agenda of deepening integration. Underscoring this is the rationale that the 10 economies, working together, could provide more stability and also increase growth prospects than any member could acting alone.

There is a clear understanding among ASEAN members that the AEC has to be set in the context of global developments and megatrends – whether in the field of security and politics or in economic patterns and other phenomena. A question, however, remains on whether the AEC could be more proactive in responding to global megatrends, going beyond addressing the challenges that arise to cultivate the opportunities that arise.

Understanding Megatrends

Seeing how ASEAN and the AEC have responded to changes in the wider region and at the global level, brings us to key questions for the AEC, and also the focus of this book. What are global megatrends? What are the upcoming megatrends that ASEAN needs to consider and respond to?

There seems to not be a single agreed definition of global megatrends (see Table 1). However, common themes include that they are phenomena that are already unfolding, whose implications are broad, cross-cutting, profound and transformative, and would change the way individuals, businesses and societies live and do business for many years to come. Given the lasting impact of global megatrends, it is important for any community, including the AEC, to learn to adapt to, address and — to the extent possible — capitalise on them.

Table 1 Definition of Global Megatrends: Select Literature

Source	Title of Literature	Definition of Global Megatrend
Yoost, Dean A. and D.J. Peterson (2015)	Embracing Global Megatrends	Megatrends are not predictions, but certainties—events with ramifications that are significant, already unfolding, and affecting businesses. Many megatrends are global in scale in that they impact business in multiple geographies and in various ways.
Singh, et al (2009)	Global Megatrends and the Web: Convergence of Globalization, Networks and Innovation	Global megatrends are overarching global forces that stem from the past, are shaped in present and will transform the future. These forces impact developments in various areas i.e. geo-political, social, cultural, economic and technological environment.
Choudhury, 2010	Global Megatrends and the Community	A megatrend is identified with a prominent feature of global politic-economic change brought about by or against the recent thrust of capitalist globalization. It is also a pattern of thinking and action that is entrenched in a certain perception of historical change and ownership relationships.
Hajkowicz, 2013	The Future of Tourism in Queensland, Global megatrends creating opportunities and challenges over the coming twenty years	Megatrend occurs at the intersection of multiple trends of social, economic, environmental, political, and technological activity playing out over the next twenty years.
KPMG, 2014	Future State 2030, The global megatrends shaping governments	Megatrends are larger forces shaping the policy choices available to governments to deal with emerging issues. They are projected to have relevance for at least 20 years and relevant worldwide to nations of different sizes, regions, and levels of prosperity.
Meharg, et al., 2015	Australia-Indonesia Centre Megatrends: Infrastructure	Megatrends are significant shifts in social, environmental, economic, technological, or geopolitical conditions that have the potential to reshape the way a company, industry or society operates over several decades into the future.

Tinnila, 2012	Impact of Future Trends on Banking Services	Global megatrends are predominant global forces that have their foundations in the past, are shaped by present actions, and will transform the future (Singh, et al., 2009). The impact area of megatrends is wide, including geopolitical and social development, cultural issues, economic trends, and technology environment.
Turkington, et al., 2004	High-rise housing in Europe, Current trends and future prospects	Megatrends are structural movements which go beyond local developments and operate in the technological, economic, political, demographic, social-cultural and environmental domains.
PricewaterhouseCoopers, 2016	Five Megatrends and Their Implications for Global defense & Security	Megatrends are macroeconomic and geostrategic forces that are shaping our world and our collective futures in profound ways. The implications of these forces are broad and varied, and they will present us with both tremendous opportunities to seize as well as extremely dangerous risks to mitigate.
Ernst & Young, 2015	Megatrends 2015: Making Sense of a World in Motion.	Megatrends are large, transformative global forces that have a far-reaching impact on business, society, culture, economies, and individuals.
Menon, 2011 (Frost & Sullivan)	Mega Trends: Asia Pacific Market Insights	Megatrends are global, sustained and macroeconomic forces of development that impact business, economy, society, cultures and personal lives, thereby defining our future world and its increasing pace of change.

Sources: Authors' compilation from various sources.

To an extent, ASEAN has already anticipated a number of megatrends. The new AEC Blueprint 2025 is forward-looking in that it goes beyond the deepening of existing cooperation areas to also cover new focus areas, many of which are global megatrends or are indirectly relevant to them (see Box 1). Most importantly the Blueprint includes a dedicated element on global megatrends and emerging trade related issues. This is a step that recognises the value of a social dialogue process to ensure greater competitiveness, dynamism and inclusiveness of ASEAN, and also stipulates how ASEAN can further maximise the benefits of regional integration and cooperation by capitalising on global megatrends. It envisages practical steps, with sectoral working groups making efforts

to proactively consider the impact of these trends and integrate it into their future work programmes, and undertaking consultations with relevant stakeholders.

Box 1: Global Megatrends in the ASEAN Economic Community (AEC) Blueprint 2025

Megatrends: The Blueprint has a dedicated “element” on Global Megatrends and Emerging Trade-Related Issues (B9) that envisages the formulation of appropriate strategies to address them.

Interconnectedness: The elements of Trade in Goods (Element A1), Trade in Services (A2), Investment Opportunities (A3), Financial Integration, Financial Inclusion and Financial Stability (A4), Facilitating Movement of Skilled Labour and Business Visitors (A6) as well as Enhancing Participation in Global Value Chains (A6) define various strategic measures to enhance ASEAN’s participation in global markets and value chains, leveraging on increased interconnectedness of the economies. The broader ambition is set in the fifth main characteristic of the Blueprint of a “Global ASEAN.”

Innovation: Productivity-Driven growth, innovation, research and development and technology commercialisation (Element B4), strengthening intellectual property partnership (Element B3) and science, technology and innovation (STI) application (Element C9) address long-term competitiveness.

Digital economy: E-commerce (Element C3) and Information, Communication and Technology (ICT) (Element C2), and Consumer Protection (Element B2), among others, look at enhancing ASEAN’s digital readiness.

Sustainable economic development: Through promotion of renewable energy, low-carbon technologies, biofuels for transportation as well as developing best practices in agriculture and forestry (Element B8).

Stakeholder engagement: To ensure an inclusive and participatory process of regional economic integration, ASEAN seeks to strengthen the role of the private sector (Element D2) and enhance contribution of stakeholders to regional integration efforts (Element D5).

Source: AEC Blueprint 2025.

Notwithstanding the inclusion of those elements in the new Blueprint, the conversation on global megatrends in ASEAN is still at an early stage. This is at least partly contributed by the institutional structure of ASEAN. Each pillar or sectoral body is focused on the agenda and measures under its purview, whereas global megatrends, by nature, are often cross-cutting and hence do not easily fit into the current taxonomy of sectors or any single pillar of the ASEAN Community.

Overview of the Arguments

This publication aims to contribute to the conversation concerning global megatrends in the context of the AEC. In doing so, we have selected a broad range of megatrends — from politics, technology and the digital economy, human rights, the environment, to urbanisation. We recognise that many of these do not conventionally fall under the economic sphere. However, given the impact and complexity of megatrends, they can

influence or even determine economic policy and outcomes. While each chapter will speak for itself, we, as the editors, wish to offer a brief summary of each as follows, so that readers might more easily grasp the megatrends, the analyses within, and the arguments that are offered by our chapter-authors.

Political megatrends are discussed in the first chapter by Simon S.C. Tay, Cheryl Tan, and Shangari Kiruppallini, with a focus on (i) geopolitics and security, (ii) geo-economics and the international liberal order, and (iii) national politics and the resurgence of populism. These observations are offered in light of recent and still uncertain political changes across the world, with phenomena such as the rise of nationalist-protectionist sentiments in the developed economies of the west and the sense of rising major power competition.

After outlining these three global megatrends, the authors consider how they are affecting ASEAN and the AEC, both as a region and within individual member states. The chapter considers the assumption of the two-way relationship between national and regional-level effects of megatrends, and a one-way influence from global to regional level. Suggestions are offered on how best ASEAN should prepare and respond to these trends. Finally, the chapter concludes by taking ASEAN beyond just a unit of analysis but as a unit of response, highlighting how ASEAN needs to prepare for its future role in the world.

The second chapter by Sarah Box and Javier Lopez-Gonzalez discusses technologies in the digital economy – a megatrend that can most clearly re-shape global economic patterns (and societies) and impact the AEC. Economic activities have been facilitated by these technologies, contributing to productivity and economic growth. However, these developments raise some challenges in terms of infrastructural and skill readiness, digital risk management and privacy protection, and the slow pace of structural change. These challenges are amplified in a region with varying levels of development, such as ASEAN. Awareness of the opportunities and challenges that these technologies brought about could help inform the ASEAN integration agenda.

The chapter starts by discussing several digital technology trends emerging in the digital arena namely, the Internet of Things, big data analytics, artificial intelligence, additive manufacturing, and blockchain, and how these trends will change the trade environment for ASEAN economies and the way we trade. It then discusses the key enabling factors that will determine whether these trends can be seized upon as a driving force for economic and social advancement by ASEAN economies. The chapter concludes with suggestions on potential policy directions for ASEAN economies as they pursue their regional integration agenda in the digital world.

Next, the third chapter by Seree Nonthasoot considers a basic tenet at the core of ASEAN integration agenda – that development must benefit the peoples of the region. The interlinkages between social and economic issues are explored, in particular between human rights and the AEC as well as the relevance between the AEC Blueprint 2025 and the 2030 Agenda for Sustainable Development. Looking at AEC from the perspective of human rights, the chapter offers a candid assessment and refreshing recommendations on how the AEC can be better “humanised” to stay true to ASEAN’s people-centered and people-oriented vision.

The chapter starts by looking at economic integration and its impacts on development, as well as human rights as a concept and the human rights agenda and related mechanisms within ASEAN. The second section looks in detail at the links between AEC and human rights, from the structure of the ASEAN Community to the scope of AEC commitments and implementation. The chapter then assesses the opportunity of mainstreaming human rights in the context of the ASEAN Community Vision 2025, and in light of the 2030 Agenda on Sustainable Development. In the fourth section, the chapter makes key recommendations to enhance the humane aspect of the AEC, including the use of new tools address potential adverse impacts of integration.

Adding to the preceding chapter, the fourth chapter by Simon S.C. Tay, Chen Chen Lee, and Lau Xin Yi focuses on sustainable development issues, particularly on environmentally-related social concerns that are linked to economic integration. Using the transboundary regional haze pollution as an example, the chapter highlights the cross-cutting nature of the phenomenon, where environmental implications are linked directly with production activities under the economic sphere. By highlighting the different actors involved in the production and consumption chains, the authors highlight the cross-cutting nature of this issue, and the need for a new approach to work across pillars in the ASEAN Community, and also at the other levels including at the strategic level, the national level and the global level.

The chapter starts by looking at ASEAN’s existing environmental agenda, and the implication this may have on environmental concerns that are linked to economic integration. It then assesses in details the transboundary regional haze pollution issue in ASEAN to consider the roles of non-state actors from the small small-scale farmers and large companies, non-governmental organisations and consumers, and financial institutions, to better understand how sustainability challenges government- and state-centric policies. Policy recommendations offered include suggestions to incorporate environmental and sustainability issues with economic strategies, and to link ASEAN’s environmental issues to international level efforts, such as UN’s Sustainable Development Goals and Paris Agreement on Climate Change.

The fifth chapter of this book, by Yap Kioe Sheng, brings to the fore urbanisation as a phenomenon felt across the region, albeit at different stages. Driven by connectivity, both physical and digital, urbanisation is changing the face of cities around the region. This phenomenon is worth the attention given cities are centres of economic activities and attract investment. Urbanisation has its implications both for the host and home areas, and require due consideration by policymakers at different levels, local, national, and to an extent also regional.

The chapter starts by providing an overview of urbanisation trends in ASEAN, and the impacts of enhanced connectivity, from the expansion of primate cities, the creation of mega-urban regions, the development of smaller cities and towns as well as booming border towns – the latter particularly relevant in the context of ASEAN. These trends give rise to the need for infrastructure and institutions that could respond to the demand of different stakeholders. The chapter then looks at the issues that policy-makers must consider – such as resource management, inter agency coordination, inequality, as well as the varying needs of the diverse range of stakeholders. The chapter closes by highlighting how ASEAN should leverage its regional agenda of Community and integration to address the challenges brought about by urbanisation.

Having covered different megatrends, the sixth chapter provides a different contribution. The authors, Risti Permani, Ma Fideles Sadicon, and Ruth Karlina Mahyassari, develop a conceptual policy approach and suggest practical steps to help strategise policy responses. There is a need to go beyond existing policy assessments that are often set in narrower contexts specific with certain approaches or methodologies. The authors point out there is room to recalibrate the commonly used policy process cycle to make policy making more responsive to global megatrends. This can be assisted by fresh approaches – such as emphasising innovation and participatory processes as well as scenario building.

The chapter starts by presenting a review of relevant frameworks and approaches of the policymaking process relevant to megatrend analyses. It then proposes practical steps to respond to global megatrends using the recalibrated four-stage public policy cycle approach -- agenda setting, policy formulation, policy pilots and full implementation, and evaluation. The chapter also reviews both existing ASEAN-wide as well as country-specific initiatives on addressing megatrends. The chapter concludes by exploring possible efforts at the regional level to better respond to megatrends that set within the parameter of ASEAN existing practices and in line with the AEC Blueprint 2025.

Moving Ahead in an Uncertain World

From its beginning, ASEAN has aimed to be an outward-looking group. This outlook has continued even as integration efforts for the ASEAN Community have increased the focus on what needs to be done amongst members. As briefly outlined in this introduction, ASEAN and its AEC have gained from, or else been stressed by, different changes at the global level and in a regional context, over time.

ASEAN has always sought to be responsive. However, sometimes this has been in a reactive manner. For example, in the aftermath of the Asian Financial Crisis, ASEAN worked with other Asian countries to develop an extensive and unprecedented system to provide emergency financial stability. At other times, the response is more protracted and long term. The very essence of the AEC is to provide all its members with greater scale and increased competitiveness to try to match the largest countries within it. The AEC is also anticipatory in providing members with more assurance and a ballast as part of a larger and relatively cohesive group in an uncertain world.

But despite this, ASEAN is facing challenges from the different megatrends that this book has surveyed. This is not only in the specific subject of each megatrend; the challenges relate to the processes and institutions that ASEAN currently uses to anticipate issues, analyse emerging situations, and reach decisions in a timely manner.

These are not insurmountable. Moreover, as earlier noted, ASEAN has already anticipated a number of megatrends. With the new AEC Blueprint 2025, several global megatrends are identified so that ASEAN-wide, collective responses can be considered. This must require further analysis and discussion, given the diversity among ASEAN members and the complexity of the megatrends.

It is the hope of the editors that this book, timed for ASEAN's 50th anniversary, can be a contribution to that discussion. For this reason, we have sought not only to observe the megatrends but to consider how policies -- and also the policy-making processes -- can be further developed. For this reason, the book has drawn on the insight offered by contributing experts and practitioners who have an in-depth understanding and familiarity of ASEAN and its institutions and processes. In fact, the last chapter in particular, offers suggestions on how practical steps for policymaking can be taken in the context of global megatrends.

There is a need for further dialogues, analyses and writings on this subject of global megatrends in relation to ASEAN. It is our hope that this effort may prompt more conversations among policymakers, researchers, experts and other interested stakeholders to inform policy-making which can take ASEAN and the AEC forward in an uncertain and changing world.

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