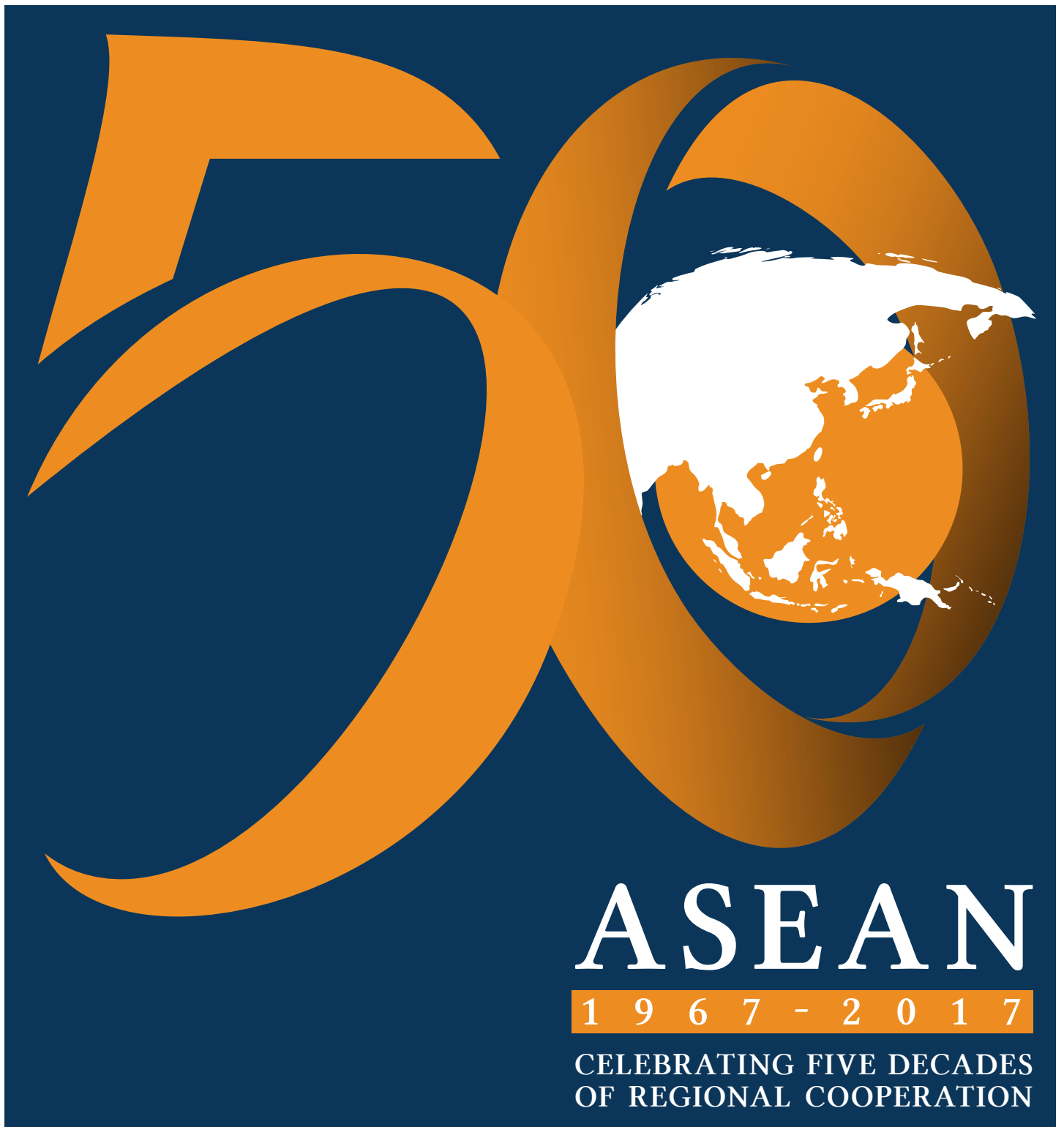




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ASEAN Focus



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The ISEAS-Yusof Ishak Institute (formerly Institute of Southeast Asian Studies) is an autonomous organisation established in 1968. It is a regional centre dedicated to the study of socio-political, security, and economic trends and developments in Southeast Asia and its wider geostrategic and economic environment. The Institute's research programmes are grouped under Regional Economic Studies (RES), Regional Social and Cultural Studies (RSCS) and Regional Strategic and Political Studies (RSPS). The Institute is also home to the ASEAN Studies Centre (ASC), the Nalanda-Sriwijaya Centre (NSC) and the Singapore APEC Study Centre.

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ASEAN

Over the past two months, the world is in awe of the major powers in contrasting ways. China lavishly organised the Belt and Road Forum for International Cooperation in May, signalling Beijing's ambition to become a new champion for globalisation through the Belt and Road Initiative with a focus on infrastructure development. Although the details of this grand project remain vague, what is crystal clear is China's desire to tie its fortunes to that of Eurasia, coastal South and Southeast Asia, parts of Europe, Africa and the Gulf states. Meanwhile in June, US President Donald Trump, true to his "America First" calling, pulled the US out of the Paris Agreement on climate change, declaring that he was responsible only to the voters of "Pittsburgh, not Paris". Southeast Asia is watching the unfolding of these developments in both excitement and anxiety.

Closer to home, regional countries are on high alert for terrorism and violent extremism, stunned by the twin bomb blasts in Jakarta on 24 May. Just a few days later, the siege of Marawi city in southern Philippines by ISIS-affiliated local militants dramatically redefined the region's counter-terrorism landscape. Traditional Islamic fundamentalist groups are taking a backseat as new ISIS-linked groups or ISIS-inspired lone wolves emerge into the spotlight. To shed light on the context and regional impacts of the Marawi crisis, we feature the thoughts of Ms. Sidney Jones, a renowned terrorism expert, in *Insider Views*.

In this issue, we continue to play close attention to some of the most important issues facing the region and ASEAN. Ms. Moe Thuzar explains the roadblocks to ASEAN's decade-long journey of developing a regional instrument to protect the rights of migrant workers. Dr. Termsak Chalermpananupap and Dr. Tang Siew Mun debate the merits of admitting Timor-Leste into ASEAN. Further afield, Ms. Hoang Thi Ha analyses the potential ramifications of the North Korean nuclear programme to Southeast Asia and how ASEAN should respond.

The 16th Shangri-La Dialogue recently held on 2-4 June provided a timely platform for Southeast Asian countries and its closest extra-regional partners to discuss challenges to the regional rules-based order as well as other pressing security concerns. *ASEANFocus* is pleased to feature some thoughts on the state of the region as shared by the selected participants in the Southeast Asian Young Leaders' Programme which was held on the sidelines of the Shangri-La Dialogue.

This issue's *Outlook at 50* focuses on the transformative and disruptive impacts to the region's economy brought about by new technologies. As the world is bracing for the Fourth Industrial Revolution, what does the future hold for the emerging new economy in the ASEAN region? Mr. Jonathan Rees of Ernst and Young outlines how Southeast Asian countries are priming themselves to take advantage of the new opportunities in the digital age. Prof. Lee Der-Hong and Mr. Sreyus Palliyani expound on the challenges and opportunities for the taxi industry across the region with the rise of ride-hailing apps. By telling the story of the Lazada Group, its CEO Mr. Maximilian Bittner then highlights the massive potential of e-commerce in the region. Mr. Phu Huynh, Mr. Gary Rynhart and Ms. Jae-Hee Chang, experts from the International Labour Organisation, examine the disruptive impacts of new technologies, especially automation and robotics, to key manufacturing sectors in the ASEAN region. *ASEAN in Figures* illustrates these new trends with thought-provoking statistics on disruptive technologies and the new economy.

For *People and Places*, we are proud to feature Bruneian international superstar Wu Chun and Singapore's idyllic Pulau Ubin. For *Know Your ASEAN*, Mr. Roberto Oliva – Executive Director of the ASEAN Centre for Biodiversity – introduces you to the good work of the Centre in preserving the region's rich environmental heritage.

We would like to take this opportunity to wish all our Muslim readers a joyous Eid Mubarak. ■

ASEAN-DPRK: Business as Usual?

HOANG THI HA discusses ASEAN's response as the situation in the Korean Peninsula heats up.

ASEAN is unwittingly casted in the spotlight on the Democratic People's Republic of Korea (DPRK) issue in recent months. The DPRK, through an unusual letter by its Foreign Minister in April, sought ASEAN's support in protesting US-South Korean joint military exercises. Meanwhile, the Trump Administration, after the first few months of neglect, eagerly reached out to ASEAN and its member countries in May to intensify international diplomatic isolation and economic sanctions against Pyongyang. Expectations on ASEAN from both sides of the spectrum are wildly divergent, and to some extent, undue.

ASEAN's common position on the Korean Peninsula rests on the principles of de-nuclearisation, de-escalation, peaceful settlement of disputes, self-restraint and compliance with the United Nations Security Council (UNSC) resolutions. With

these principles as parameters, the DPRK is most often on the receiving end of ASEAN's criticism which has recently increased in pace with the frequency of Pyongyang's nuclear tests and missile launches. In the first four months of 2017, the ASEAN Foreign Ministers issued four statements on this subject.

ASEAN's common position on the Korean Peninsula however never gets beyond the usual principles. To raise the bar of diplomatic pressure would require consensus of all ASEAN countries which remains elusive. ASEAN could not even issue a statement over the 13 February assassination of Kim Jong-nam in Kuala Lumpur despite the gravity of this incident – an alleged state-sponsored act of murder on the territory of an ASEAN country using a weapon of mass destruction.

A North Korean missile test in progress



An examination of ASEAN Foreign Ministers' statements over the years suggests a consistent pattern of response: loud and clear when the subject matter is straightforward but evasive on complex and sensitive issues. The South China Sea is the often cited example, but it is not the only one. When Malaysian Airlines MH17 was downed in July 2014, ASEAN issued an immediate condemnation. But when North Korea barred Malaysian citizens from travelling out of the country in March, an act contravening international law and diplomatic practices, ASEAN failed to mount a public reproach.

As an organisation, there is little ASEAN can do to meaningfully affect the situation on the Korean Peninsula. Acknowledging this reality is necessary to avoid misplaced expectations and undue pressure. But ASEAN does have some space for leverage, albeit with limited effect thus far, through the ASEAN Regional Forum (ARF) where the DPRK is a member. How ASEAN should now leverage this space is subject for debate.

A proposition which is gaining traction is to discharge North Korea from the ARF. Setting aside its feasibility given the lack of ASEAN consensus and the absence of ARF member expulsion provisions, this proposal goes against ASEAN's DNA which pursues dialogue and engagement. What ASEAN can do is to offer a venue on the ARF sidelines for dialogue between the parties concerned. Quiet diplomacy can help keep the lines of communication open when other official tracks of engagement are not viable.

Despite ASEAN's limited role in this respect, now is no longer the time for business as usual. Some ASEAN countries have come to recognise the heightened urgency and gravity of the problem with long-term consequences for Southeast Asia. A conventional or nuclear war on the Korean Peninsula involving the major powers would disrupt the ecosystem of peace and development that has prevailed for decades in Asia-Pacific. Equally daunting is the risk of nuclear proliferation and other arms sales from North Korea to non-state actors at a time when ISIS is gaining a foothold in Southeast Asia. Furthermore, ASEAN countries would become more vulnerable with a nuclear-armed North Korea. The long-range rocket launched by Pyongyang in December 2012, a part of which fell into Philippine waters, bears a grim reminder of this troubled, though remote, reality.

Closer to home, DPRK agents have committed nefarious acts on the territory of ASEAN countries. Kim Jong-nam's assassination is but the latest in a long-standing list of those acts in ASEAN states, including the Yangon bombing to assassinate South Korean President Chun Doo-hwan during his visit to Myanmar in 1983, and the abduction of a defecting North Korean diplomat and his family in 1999 in Thailand. Even a suspect in Kim Jong-nam assassination was reported to have prior rehearsals in Cambodia.

“As an organisation, there is little ASEAN can do to meaningfully affect the situation on the Korean Peninsula. Acknowledging this reality is necessary to avoid misplaced expectations and undue pressure.”

Furthermore, the DPRK has manipulated diplomatic ties with and regulatory loopholes in Southeast Asian countries to overcome the UN sanctions through illicit activities such as counterfeits, money laundering, drugs and arms trade. The Philippines for example is a hub for North Korean methamphetamine. A ship registered under Cambodia's flag and captained by North Koreans was found last year to carry a huge amount of ammunitions.

Increasingly apprehensive about DPRK defiance, some ASEAN countries have quietly distanced themselves from Pyongyang. Singapore for example has imposed new financial sanctions and re-inserted visa requirement for North Koreans since last year. Vietnam in 2016 placed entry bans on 28 North Koreans in the UN sanctions list and is curbing North Korean travel to Hanoi. Stepping up measures to cut off the DPRK's illicit revenues in line with the UN sanctions is necessary to match ASEAN's principled statements with concrete measures. Their duty as responsible members of the UN calls for such a course of action.

ASEAN countries should not wait until the danger comes to their doorstep. As alerted by Malaysian Defence Minister at the 17th Shangri-La Dialogue, the assassination of Kim Jong-nam brings home the truth that Malaysia and the whole region are not isolated from the troubles on the Korean Peninsula. In that sense, the incident could be a turning point which triggers serious re-thinking of ASEAN countries' bilateral ties with North Korea towards greater discipline, in full observance with the UNSC resolutions. ■

Ms. Hoang Thi Ha is Lead Researcher II (Political and Security Affairs) at the ASEAN Studies Centre, ISEAS-Yusof Ishak Institute.

ASEAN’s Long and Winding Road to Protecting Migrant Workers

MOE THUZAR analyses roadblocks to the development of an effective ASEAN instrument on protecting the rights of migrant workers.



Burmese migrant workers at a garbage dump in Mae Sot on the Thai-Myanmar border

Rohit Radhena

Nearly seven million – or two-thirds – of approximately 10 million international migrants living and working in ASEAN come from within the region (World Bank, 2015). ASEAN members such as Cambodia, Indonesia, Myanmar, the Philippines and Vietnam are the main “sending” countries, and Thailand, Malaysia and Singapore are the main “receiving” countries.

Labour migration flows in ASEAN have been managed mainly by bilateral agreements or Memoranda of Understanding (MOUs) between the specific labour-sending and receiving countries. These arrangements cover neither undocumented migrants nor migrant workers’ families.

The conditions of migrant workers are governed by domestic laws and regulations in the receiving countries. They are also affected by their own country’s labour export policies and exploitative practices of unscrupulous employment agencies. Many of them are low-skilled and fill the gaps vacated by nationals of the destination countries. For example, migrant workers from Cambodia, Laos and Myanmar, many of whom are women and under-age, work excessive hours in dismal conditions in the Thai fishing industry. Meanwhile, Thai

workers migrate to more developed economies within the region and beyond in search of higher skilled employment.

Human trafficking for forced labour, or exploitation of migrants fleeing persecution from their home countries has also come to light in recent years. Aspiring migrants are vulnerable to exploitation by recruiters/employers, and not all have recourse to assistance and redress. Much of the initial assistance and support is provided by civil society organisations which themselves may face restrictions in their work scope. In 2016, Andy Hall, a British migrant rights advocate working in Thailand and Myanmar on migration policy issues, left Thailand after facing judicial harassment.

Female migrant workers from countries such as Cambodia, Laos, Myanmar, Thailand and the Philippines are vulnerable to sexual exploitation and modern-day slavery in the entertainment or service industries. Culture shock/clashes, and a glaring uneven-ness of pre-departure preparation procedures, have affected the lives of many domestic helpers. There are severe cases of abuse by employers, as well as cases of murder or violence committed by domestic helpers. Myanmar has emulated Indonesia’s move to restrict its nationals from

working as domestic helpers overseas, yet many still indebted themselves to recruitment agencies to get the job.

The annual ASEAN Labour Ministers Meeting provides a venue for discussion of region-wide concerns on labour and employment, and also for relevant member states to discuss bilateral issues. Labour migration was put on ASEAN's agenda in 2007 when the Philippines – the then ASEAN Chair – managed to obtain regional consensus to adopt the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers at the 12th ASEAN Summit. The Declaration called on countries of origin and destination to ensure the dignity of migrant workers through protection from exploitation, discrimination and violence, improve labour migration governance, and combat trafficking in persons.

The ASEAN Committee on Migrant Workers (ACMW) was set up in July 2007 to follow up on the Declaration, including the formulation of an ASEAN instrument in this regard. The ACMW created the annual ASEAN Forum on Migrant Labour (AFML), bringing together relevant stakeholders from governments, civil society and international organisations to discuss issues regarding migrant workers in Southeast Asia, and provide recommendations to the drafting of the instrument.

The drafting process started in 2009, but almost immediately, the sending and receiving countries found their positions clash on issues such as the nature of the instrument and undocumented workers and migrant workers' families in its scope. Indonesia and the Philippines have pushed for a legal instrument with the inclusion of undocumented workers and migrant workers' families. Meanwhile, Singapore, Malaysia and Thailand are concerned that this may invite higher numbers of undocumented migrants, placing stress and strain on their existing policies, regulations and infrastructure. Eight years have passed with little progress on these key issues.

At a retreat in Davao in February 2017, ASEAN Labour Ministers reached agreement on “almost all aspects of the three principal issues” so that it could be finalised for

adoption at the 30th ASEAN Summit in April 2017. This would be a main deliverable of the Philippines' ASEAN Chairmanship which coincides with the 10th anniversary of the 2007 Declaration. To this end, the Philippines had ceded that the instrument would be a morally binding document. However, an eleventh-hour insistence by Indonesia on the instrument's legally binding nature has stalled its adoption. Meanwhile, the destination countries continue to have reservations on recommendations of extending protection to migrant workers' families.

There is a big reluctance among the receiving countries to depart from the established “comfort” of dealing with migrant worker issues bilaterally and under existing domestic legal frameworks. As a general rule, ASEAN members' conclusion and implementation of regional agreements are subject to their national capacities and domestic political consensus. Therefore, even after the advent of the ASEAN Charter, ASEAN countries still prefer non-binding declarations to enjoy flexibility in the transposition of regional commitments to their national plans.

Even if ASEAN governments can agree for the instrument to be legally binding, civil society stakeholders have highlighted their concern that some ASEAN members may drag out the national ratification processes which will in turn affect enforcement of the instrument's provisions.

In the meantime, issues and concerns of migrant workers will not disappear from the regional agenda. Pending the completion of the instrument, a building-block approach would help. Bilateral arrangements, regional fora such as the AFML, and regional projects supported by international organisations provide other platforms for continuing discussions. The 2016 ASEAN Guidelines for Corporate Social Responsibility on Labour, which includes recommendations for enterprises to protect the human rights of migrant workers, is also the right move to enable a more humane and fair migrant labour landscape in ASEAN. ■

Ms. Moe Thuzar is Lead Researcher (Socio-Cultural Affairs) at the ASEAN Studies Centre, ISEAS-Yusof Ishak Institute.

“There is a big reluctance among the receiving countries to depart from the established “comfort” of dealing with migrant worker issues bilaterally and under existing domestic legal frameworks. As a general rule, ASEAN members' conclusion and implementation of regional agreements are subject to their national capacities and domestic political consensus.”

The State of the Region

ASEANFocus spoke to six young Southeast Asian thought leaders at the 16th Shangri-La Dialogue for their assessments of the region's geostrategic developments.

North Korea, Terrorism and South China Sea in the Spotlight

Coming on the heels of North Korea's latest ballistic missile launch, Jakarta bombings and the on-going Marawi City siege by ISIS-affiliated militants, this year's Shangri-La Dialogue (SLD) on 2-4 June was seized with the issues of terrorism and the Korean Peninsula alongside long-standing concerns over the South China Sea (SCS).

According to Dr. Fitriani from the Center for Strategic and International Studies in Indonesia, terrorism and violent extremism have become a top security concern for the region. She held that ASEAN countries should intensify law enforcement coordination, intelligence sharing and coordinated patrols in high-risk cross-border areas, such as the Sulu Sea patrols.

Meanwhile, Ms. Gullnaz Baig, a Singaporean doctoral researcher at the London School of Economics and Political Science, saw divergent views among regional leaders with regard to the definition and gravity of terrorism, which create impediments to effective regional cooperation. Some considered it an existential threat while others did not see it as a strategic challenge but a by-product of socio-economic problems.

The SCS remained a major concern and was reaffirmed by many speakers as a litmus test of the regional rules-based order. Ms. Angelica Mangahas, Deputy Executive Director of the Albert Del Rosario Institute in the Philippines, did not subscribe to the view that the "game was over", noting that China's continuing militarisation of the SCS will provoke a backlash in the future. She also observed a disconnect between President Duterte's political leadership and the Philippine

Scenes from the 2017 Shangri-La Dialogue



public opinion on relations with China and the SCS, referring to a decrease in China's trust rating among Filipinos in a recent Social Weather Stations survey.

Mr. Luc Anh Tuan, a Vietnamese doctoral researcher at the University of New South Wales, highlighted the USS Dewey's latest freedom of navigation operation within six nautical miles of the Mischief Reef as a sign of the US continuing to be seized on the matter although it in itself was not enough. He said that China appeared to come out victorious, having almost finished militarising its seven artificial islands; and China's militarisation of the Scarborough Shoal will no longer be a distant scenario if the US does not send a stronger message.

On US engagement in Asia-Pacific

Another highlight of this SLD was US Defence Secretary James Mattis' speech, which was expected to provide some contours of the US' Asia policy. Dr. Hoo Chiew Ping of Universiti Kebangsaan Malaysia opined that his speech reflected continuity from the Obama Administration. One such continuity, as noted by Angelica, is the paramount importance attached to bilateral alliances, which gave a sense of reassurance after so much anxiety had been stoked by President Trump's transactional approach towards US allies.

“The message on the rules-based order was as much directed to China as it was to the US.”

Hoo Chiew Ping

Asked if they were reassured by Mattis' pronouncements, the feelings were mixed. Despite his strong rhetoric, Mattis was vague about the means for the US to achieve its goals, according to Fitriani. While appreciating Mattis for his voice of reason and continuity, Gullnaz observed that he was not helped by US domestic politics and Trump's actions. Mattis' commitment to the rules-based order rang hollow in light of Trump's decision to withdraw from the Paris climate change agreement. Trump's refusal to endorse the mutual defence commitment at the recent NATO summit also sent a chill through the Asian allies.

According to Fitriani, regional countries do not seem to believe that the US will be on their side when push comes to shove, and they would have to enhance their self-reliance and defense capabilities to hedge against uncertainties caused by a retreating US. From Tuan's observation, many questions were left unanswered in Mattis' speech and during the Q&A session.

One silver lining noted by Ms. Kornchanok Raksaseri of *The Bangkok Post* was the revitalisation of Thailand-US military relations. Trump's invitation to Thai Prime Minister Prayuth Chan-o-cha to visit Washington marked a major shift. In another example, Kornchanok referred to the recent visit to Thailand by US Army Pacific commander General Robert B. Brown along with offers of military training and exercises to Thailand.

On China

For Tuan, it is not the question of whether but to what extent China would push to change the regional order to pursue its national interests. Kornchanok noted that as China becomes more confident and influential, Beijing wants respect and recognition for its geopolitical role. While acknowledging China's ability in using its economic leverage to get its way, she was of the view that China's security influence in the region remains limited in comparison with the US, and many regional countries try to keep a balance between the two.

Gullnaz saw the SLD's value in providing a platform for the Chinese government to engage and express their views. "Before coming to any judgement, it is critical for all sides to listen to each other fairly", she said. She however emphasised that Beijing needs to behave responsibly if it wants recognition from others.

On the role of major and middle powers

The young leaders were unanimous on the need to enhance the role of other powers, including Japan, India, Australia and the EU. For Gullnaz and Fitriani, these major and middle powers have no choice but to be more proactive and fill the vacuum left by a more isolationist US.

Chiew Ping observed that these efforts by the other players resonate with German Chancellor Angela Merkel's awakening remarks that it was time for Europeans to take their fate into their own hands. While a post-US world order may not be an immediate reality, it is no longer as remote as it once was; thus the rules-based order should not be left at the whims of the major powers. Chiew Ping and Fitriani therefore urged regional powers and groupings to be more proactive in shaping the rule of the game through trust-building, norms-setting and regional cooperation. The decision to push ahead TPP-11 is a good example of that.

Tuan saw India's absence from this SLD as a technical mishap rather than a lack of New Dehli's strategic interest in regional affairs. He suggested that Australia, India and Japan should enhance their security partnerships in a more self-reliant model, similar to the 'democratic security diamond' introduced by Japan's Prime Minister Shinzo Abe.

“Maintaining the rules-based order is critical as the power configuration in the region is rapidly shifting.”

Kornchanok Raksaseri

“There was a discrepancy between the ‘rules-based order’ rhetoric and the underlying dictate of big power politics, with multilateral institutions being sidestepped by state-based and realist solutions.”

Gullnaz Baig

From an ASEAN point of view, Kornchanok and Gullnaz emphasised ASEAN's existential interest in not being under the exclusive domain of any single power. They therefore expected ASEAN to continue seeking closer relations with second-tier powers, including the EU and Canada. Multilateralism is the game that ASEAN must play with the more diversified players, the better to keep the strategic equilibrium.

On the role of ASEAN

ASEAN's role, especially in promoting a rules-based order, rang loudly throughout the dialogue. Kornchanok however was concerned over whether the norms advocated by ASEAN could be embraced by all, be it a 'big fish, small fish or shrimp'.

The young leaders saw the urgent need to strengthen ASEAN centrality in the context of declining US engagement and rising geo-strategic competition in the region. They however pointed to ASEAN's big challenge in managing different stances among its member countries and improving its efficacy in dealing with security issues. Chiew Ping and Kornchanok noted that ASEAN should do more to address regional security problems that emerge not only from the sea but also the Mekong River, given its importance to mainland Southeast Asia.

Fitriani highlighted the lack of leadership within ASEAN, noting that Indonesia is currently distracted from the grouping due to its pre-occupation with domestic concerns and the more pragmatic and self-interested foreign policy under President Joko Widodo. Fitriani held that as the biggest member, Indonesia should step up its leadership to bolster ASEAN centrality amid the major power rivalries.

Angelica opined that ASEAN needs to consolidate and revamp itself to manage changes to the regional order, including the application of the ASEAN-X decision-making principle to security cooperation. A case in point is the Malacca Strait Patrols and the Sulu Sea joint patrols among the directly concerned countries. In the same vein, Gullnaz saw the 50th anniversary this year as an opportunity for ASEAN to have soul-searching about how it can improve its crisis-response mechanisms, where its boundaries lie and whether they can be stretched for the grouping's relevance in the regional landscape. ■

ASEANFocus thanks the International Institute for Strategic Studies (IISS) for facilitating us in showcasing the thoughts and analyses of the Southeast Asian Young Leaders' Programme participants.

Timor-Leste: In or Out?

TERMSAK CHALERMPALANUPAP and TANG SIEW MUN debate the merits of admitting Timor-Leste into ASEAN.

TERMSAK CHALERMPALANUPAP makes a case for early admission of Timor-Leste into ASEAN.

Timor-Leste gained independence in May 2002 and the young nation with a population of 1.2 million applied for ASEAN membership in March 2011. But so far there has been no ASEAN consensus to admit Timor-Leste into its fold.

At the 30th ASEAN Summit in Manila on 29 April 2017, the ASEAN Leaders could merely agree to continue to do more of the same: providing capacity-building assistance to Timor-Leste, mostly on bilateral basis. A working group of the ASEAN Coordinating Council has been reviewing the findings of three independent studies on the implications of Timor-Leste's admission. The working group is reportedly considering a working visit to Timor-Leste to assess the progress of the country's preparations for ASEAN membership. All these bureaucratic steps reveal that the political will among all ASEAN members to embrace Timor-Leste is still lacking.

“With Timor-Leste within the family, ASEAN will be seen as living up to its aspiration of creating a caring and sharing community of all Southeast Asian nations, and ASEAN’s footprint will be across the whole region.”

Timor Leste clearly fulfils the *pro forma* requirements of ASEAN membership as stated in the ASEAN Charter, namely location in Southeast Asia, recognition by all ASEAN member states, compliance with the ASEAN Charter, and ability and willingness to carry out membership obligations. The main argument against the early admission of Timor-Leste focuses on its government's obvious lack of human resource to fulfil all of membership responsibilities. These include attending over 1,000 meetings per year and assuming the ASEAN Chairmanship when it comes to Timor-Leste's turn. This concern is valid but not insurmountable. The Timor-Leste government has taken active steps to address the concern, including opening its embassy in all ASEAN members, building infrastructure to host ASEAN meetings and providing English language training to its officials.

Timor-Leste needs a great deal of capacity and institutional building, and ASEAN and its members have the experience

and resources to assist. Furthermore, there is no faster and more effective way than learning on the job. Once within the organisation, Timor-Leste will be able to better appreciate the ASEAN way and processes as well as the institutional requirements and responsibilities of an ASEAN member. That had been the path to ASEAN membership of the previous ASEAN fellow countries.

Timor-Leste has recently sworn in Mr. Francisco “Lu-Olo” Guterres from the Fretilin Party, who got the support of national hero Xanana Gusmao, as the fourth President. The new president is expected to team up well with Prime Minister Dr. Rui Maria de Araujo, also from the Fretilin Party. The old concerns about political infighting and instability in Timor-Leste have subsided. Timor-Leste is becoming a young yet confident democracy in Southeast Asia.

Given Timor-Leste's close ties with other regional powers such as Australia and China, there is also the concern that admitting Timor-Leste would further complicate ASEAN consensus decision-making and undermine the already fragile ASEAN unity. But would it be wise to leave the country out in the cold, thereby pushing it closer still to the major powers, and then embrace it later into ASEAN's fold? To buttress ASEAN unity, ASEAN should review its decision-making rather than shutting its door to a new eager member.

President Duterte exhibited his breath-taking outside-of-the-box thinking when he spoke in mid-May in support of Mongolia and Turkey to join ASEAN; but on this particular issue, it was misplaced. Since ASEAN membership is open only to Southeast Asian nations, neither Mongolia nor Turkey is qualified to join ASEAN. Yet it is still not too late to assist Timor-Leste now. President Duterte can spearhead a renewed effort to mobilise consensus for Timor-Leste to join ASEAN this year. And if he succeeds, his ASEAN chairmanship will be remembered for this historic milestone.

Extending ASEAN membership to Timor-Leste will have tremendous positive impacts. The membership will boost Timor-Leste's self-confidence and help the young nation reconcile faster with Indonesia, and settle its territorial disputes with Australia in a more amicable manner. Furthermore, with Timor-Leste within the family, ASEAN will be seen as living up to its aspiration of creating a caring and sharing community of all Southeast Asian nations, and ASEAN's footprint will be across the whole region. This will be good for Timor-Leste and even better for the ASEAN Community as a whole. ■

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TANG SIEW MUN argues for careful considerations and preparations before Timor-Leste could join ASEAN.

The issue of Timor-Leste's accession to ASEAN is an emotive one. Longing to see the region united, many Southeast Asians lament the fact that Timor-Leste remains the only organic Southeast Asian state left outside the regional organisation. However, regional affairs should be informed by the head and not by the heart. Ultimately, when Timor-Leste joins ASEAN in the not too distant future, it should be because it has fulfilled all the criteria specified in the ASEAN Charter and not due to sentimental reasons.

ASEAN has completed three feasibility studies covering the political-security, economic and socio-cultural pillars to evaluate the merits of Timor-Leste's application since it was filed in 2011. While there is broad agreement that Timor-Leste is located in Southeast Asia, there remain serious concerns over its ability to meet ASEAN membership obligations. How would Timor-Leste fare within the ASEAN Economic Community (AEC) framework? It is unreasonable to expect Timor-Leste to meet all AEC requirements overnight, but even a graduated and phased-in embrace of the AEC by Timor-Leste needs careful consideration.

Timor-Leste could take heart in the "CLMV precedent" in which Cambodia, Laos, Myanmar and Vietnam (CLMV) were granted special dispensation under the "ASEAN minus X" provision to stagger the full implementation of AEC requirements. However, it bears reminding that the learning curve for Timor-Leste is steeper than for the CLMV states who were eased into the AEC through their participation in the ASEAN Free Trade Area (AFTA) over the past two decades. Rather than bolting the door, ASEAN and Timor-Leste could explore some form of limited partnership on a reciprocal basis to ease Timor-Leste into ASEAN processes and activities. The three feasibility studies could provide Timor-Leste with a roadmap to build its capacity in carrying out the membership obligations, especially in the economic pillar.

However, Timor-Leste's membership in ASEAN is not just a straightforward matter of capacity-building to set up institutions and train up a pool of officials to participate effectively in ASEAN deliberations. Nor is it only a matter of catching up with the AEC requirements. The biggest hurdle to Dili's accession is its potential impacts on ASEAN's political dynamics, especially its effectiveness and cohesion as a collective body.

The ASEAN Charter specifies that "decision-making in ASEAN shall be based on consultation and consensus" and "where consensus cannot be achieved, the ASEAN Summit may decide how a specific decision can be made." But the ASEAN Summit, just like any other ASEAN organ, works on the basis of consensus. The two clauses therefore come around in a circle to reinstate the veto power of each ASEAN member country. Without prejudice to Timor-Leste, expanding ASEAN's membership from 10 to 11 would effectively introduce another veto-yielding member into the fold, making consensus on political-security issues more daunting than it already is.

“The biggest hurdle to Dili's accession is its potential impacts on ASEAN's political dynamics, especially its effectiveness and cohesion as a collective body.”

ASEAN's steadfast hold to the consensus decision-making model shines the light on its failure to recognise that over the last two decades the regional body has swung from a close-knit brotherhood of nations to an increasingly rigid body organised along expedient considerations. Admittedly, it is grossly unfair for Timor-Leste to shoulder the burden of ASEAN's institutional stasis. But the high stakes involved in potentially further aggravating ASEAN's political impasse through a rush admission cannot be ignored. In short, ASEAN should carefully weigh the consequences of the consensus model for its future before doubling down by bringing in an additional veto-holding member.

A positive decision on Timor-Leste's membership may not come anytime soon, but this should not hold ASEAN and Timor-Leste back from working together. ASEAN should consider enhanced relations with Timor-Leste, focusing on specific forms of partnership on a reciprocal basis. In fact, the delay in admission may be a blessing in disguise in allowing Timor-Leste to familiarise with and participate in ASEAN processes and mechanisms on a selective basis at a pace comfortable to Dili. At the end of the day, ASEAN has to ensure that bringing Timor-Leste into its fold serves its interests and not just Dili's. ■

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Seizing the Upsides of Digital Disruption

JONATHAN REES explains how ASEAN can ride the digital revolution as it pursues economic growth.

The business world can feel pretty uncomfortable right now. It is increasingly difficult to keep up with disruptions, and understand and harness the potential of new technologies that emerge at a startlingly fast rate. We are living in a time of unprecedented change, where disruptive digital innovation is fundamentally transforming the business and social landscape and the way we live – how we shop, travel and work.

Industries are converging, new entrants are challenging incumbents, business models are changing and customers are more powerful than ever before. As companies look for new ways to grow and protect themselves, old models no longer apply.

Disruption occurs in many forms and the key to understanding the power of digital is that disruption occurs when the underlying business model and allocation of capital is re-architected. Technology is a by-product of the new business model. This is most commonly demonstrated by some of the big “platform plays”, such as the various ride-hailing, hospitality rental and e-commerce apps that typically do not own assets in the same way as traditional companies, but see inefficiencies in marketplaces and step in to provide a platform solution to address them.

As one of the world’s fastest-growing region and a hotspot for manufacturing and trade, how can Southeast Asian countries ride the wave of the new economy and drive continued economic growth? Can digital support broader ASEAN economic integration?

The demographic make-up of the region’s population is youthful and becoming more urban and highly “connected” to the extent of being seemingly addicted to smartphones and social media. There is therefore a willing audience and customer base that can partner with governments and business in the region to fulfil the economic promise of the digital. However, this vision of success can only materialise if some infrastructural and regulatory roadblocks are successfully addressed.

“ASEAN nations can take advantage of the upsides of disruptive forces, so long as governments and organisations recognise the need to change, fundamentally challenge business models, overhaul outdated regulation and support the build-out of modern infrastructure.”

For example, a recent Ernst & Young research “Decoding Malaysia’s Digital DNA” indicates a disconnect between the expectations of citizens and the infrastructure available to them. Of the 1,018 people surveyed, many viewed Malaysia’s digital economy as ‘less advanced’ than leading nations; with over 50% of the respondents being dissatisfied with internet speed and the cost of accessing data, whether through fixed or mobile internet or while roaming. While the country was ranked 31st on the World Economic Forum Network Readiness Index, its sub-ranking for “network infrastructure, digital content, affordability and skills” was much lower at 73rd, which would account for the relatively nascent and modest growth of e-commerce in the country.

Malaysia’s digital DNA appears to mirror that of her Singaporean peer – with very high levels of connectivity of over 90% smartphone penetration and a real propensity to utilise digital technology. But on the other side of the spectrum, other less developed ASEAN countries do not fare that well. Cambodia, Myanmar and Laos, for example, still have poor digital access, usage and skills, ranking 125th, 140th and 144th respectively in the 2016 ICT Development Index by the International Telecommunication Union (ITU).

Regional governments do recognise the need to enhance their digital readiness and are putting in place initiatives to bridge the gap. The Malaysian government for example announced initiatives under its 2017 budget to upgrade Malaysia’s broadband infrastructure, develop digital hubs and a “digital free trade zone” – the world’s first special trade zone to promote e-commerce, with the aim of doubling e-commerce growth from 10.8% to 20.8% by 2020. This acknowledgement of the need to invest and the prompt actions to address the challenges is exemplary.

Another notable example is the ePayments policy taken by the Vietnamese government. Vietnam endorsed earlier this year a policy decision encouraging cash-free transactions. The aim was to reduce cash-based deals to less

The emergence of fintech is redefining banking and financial services



What's The Big Data?

than 10% of total market transactions by 2020, improving overall electronic payment methods and controlling tax evasion. While many would say that cashless payments are inevitable, the early acknowledgement of the need and a clear plan to execute this policy agenda is highly progressive.

In Myanmar, there are concerted efforts in place to drive greater financial inclusion, aided by dynamic technological advances in facilitating greater access to financial product information. This has led to a surge in Fintech organisations offering user-friendly digital financial products, such as simple money transfer offerings, at a price point that is accessible to the youthful population.

According to the World Economic Forum, we stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. A different approach to policy to drive effective support for young entrepreneurs is needed to enable them to develop established businesses. In fact, this idea of co-creation, or

bringing together the ecosystem of government, business and consumers may well hold the key to the region's success. Empowering customers and treating them as stakeholders (rather than buyers), who are invested in the success of an idea, generates a virtuous cycle where customers benefit from better products and services and companies are more likely to meet their needs. Empowering citizens helps governments to become more transparent and responsive, boosting efficiencies and helping to achieve policy goals.

ASEAN nations can take advantage of the upsides of disruptive forces, so long as governments and organisations recognise the need to change, fundamentally challenge business models, overhaul outdated regulation and support the build-out of modern infrastructure to mirror the needs and expectations of the young, savvy and connected people of Southeast Asia. ■

Mr. Jonathan Rees is ASEAN Digital Leader for Ernst & Young Solutions LLP. The views are his own.

Did You Know?

Bain & Co. estimates that approximately 30% of all online sales in 2016 in Southeast Asia – a region with 150 million digital consumers – took place via social networking apps such as Facebook, Instagram, Twitter, Line, Pinterest and WeChat.

Hailing the Ride of Innovation

LEE DER-HORNG and SREYUS PALLIYANI look into transformations taking place in the taxi and private-hire services.

As Clayton Christensen rightly says, “new organisations innovate easier with disruptive technologies because they are not tied to outdated values or organisational norms.” The truth is ubiquitous no matter what the industry is, including transport. In terms of car bookings, there is a greater chance of response due to the larger network of private hires and stringent availability protocols, hence customers prefer private hires. Today, Grab has the largest driver base in the region (more than 710,000 drivers) and the most comprehensive booking system, encompassing its own network of private hires plus 40% of Singapore’s entire taxi fleet, in addition to the 55 cities housing Grab operations across seven Southeast Asian countries.

Take Singapore for example. Before the entry of ride-sharing apps like Uber and Grab, each taxi company in Singapore had individual apps or phone numbers for booking. Since it was public knowledge that the largest operator was Comfort-Delgro, it was intuitive to call the company for a booking. However, only 60% of Singapore’s fleet share was at the disposal of Comfort-Delgro and therefore the response availability of the booking calls was not always guaranteed, which affected the reliability of Comfort/City service.

However, the arrival of the ringer to the “level-playing field” – the private hire – has had the effect of whipping the taxi industry into shape in order to survive the competition. Comfort-Delgro, in its efforts to provide simplified fares and cost certainty, recently rolled out the flat fare option in its booking app. This move was in direct retaliation to the JustGrab launch which offered dynamic pricing system with demand variation. However, the opposing interest between taxi drivers who prefer to offer rides with higher fares and consumers opting for rides with cheaper fares is unlikely to be resolved soon, if ever.

The industry is moving towards a platform-based industry, and the “winner takes all” rule overwhelmingly favours the company with the largest market share. For example, AirBnB’s home listings has gone up to one million for instant booking, making them the largest hotel chain in the world without owning a single room. Likewise, we see aggressive market expansion through out-of-the-world promotional fares by private hire, leaving the taxi industry helpless.



Grab motorcycle drivers zig-zag the streets of Hanoi

Uber and Grab are now marching into the future by extending research and development to driverless vehicles. They stand to reap enormous gains from the development and adoption of these autonomous cars by cutting off the cost of paying its drivers. In doing so, Uber and Grab could dramatically reduce their fares to the point that taking private-hire rides would be a cheaper option for most people than owning a car.

We might also see on the horizon the Transportation-as-a-Service (TaaS) that combines mobility services from public and private transportation providers into an integrated trip-management gateway with a single account payment for ride-sharing, car-sharing, bike-sharing, etc. all under one app. Under such circumstances, we would most probably see the billion-users club contenders like Facebook or Google step into the game, perhaps unifying taxi and private hire.

The private-hire intervention has been disruptive across major cities in Southeast Asia, with taxi companies and traditional-hire drivers often times resorting to lawsuits or violence to protest the threat to their livelihoods. Vinasun, a major taxi company in Vietnam, recently announced its intention to sue Grab and Uber for unfair competition in terms of price. At least 10,000 taxi, auto rickshaw and bus drivers joined large-scale protests against ride-hailing



Taxi drivers protest the presence of ride-share apps in the streets of Jakarta

applications in Jakarta in March 2016. Blue Bird, Indonesia's largest taxi operator, saw its net profit drop by 38% in 2016 due to competition from app-based services. Further into the future, the spectre of job loss would be even worse as and when self-driving cars hit the market.

Ride-hailing services are increasingly coming under the regulators' scrutiny due to concerns over the welfare, safety requirements and code of conduct of private-hire drivers as more and more people join these services for work both full-time and part-time. Since March this year, Singapore has required that all ride-hailing drivers apply for a vocational license that involves medical examination and background checks.

Furthermore, a cure here might lead to a problem elsewhere as in the case of New York City, where Uber, Lyft, and other app-based ride services exacerbated traffic congestions. The introduction of Go-Jek in Indonesia is another example since it has enabled more trips in big cities like Jakarta, aggravating an already congested traffic network.

Despite looming regulatory constraints, the online ride market in the region is expected to rise from US\$2.5 billion in 2015 to US\$13 billion by 2025, according to a 2016 Temasek

and Google report. New entrants like Uber and Grab are forcing taxi companies to better themselves. New markets enabled by disruptive technologies require a new set of capabilities. Moving forward, taxi companies must move beyond their conventional way of doing business. Building upon their resources (historical data, fleet), they should also join the ride of innovation. Blue Bird's partnership with the Go-Car ride-hailing, a charter car service of Go-Jek, since early 2017 is an experiment of turning competition to partnership in the emerging sharing economy.

Apart from Singapore – the favourite testbed for innovations in Southeast Asia – other cities such as Jakarta, Bangkok, Ho Chi Minh City and Kuala Lumpur are aggressively developing smart mobility initiatives. Even Phnom Penh has recently seen the introduction of hailing apps for tuk tuks and taxis. As the wind of change is irreversible, it is important to craft a balanced policy in shaping future mobility landscape, which will require a careful discernment of the impacts upon the industry and the needs of customers. ■

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Internet & Mobile Phone Penetration



Thailand has the highest mobile cellular subscriptions (153) out of 100 people, followed by Singapore (147) and Malaysia (144).
(World Bank, 2015)



The fixed broadband subscriptions in Vietnam in 2015 are **7.6 million**, the highest in the region. *(World Bank, 2015)*



67% of ASEAN's population (417 million people) do not have access to basic internet services.
(A.T. Kearney, 2015)



Between 2008 and 2013, the number of Internet users in Southeast Asia grew at 16% annually, and would grow to **480 million** by 2020.
(World Bank, 2014; Google and Temasek, 2016)



70% of online users in ASEAN are younger than 35 years old and love social media (29% of their time online compared to 20% globally). *(A.T. Kearney, 2015)*

The New Economy in ASEAN

BY PHAM THI PHUONG THAO



Digital Banking

Only 30% of adults in ASEAN countries reported having a debit card and 9% reported having a credit card. In fact, only 1.6% of adults above 15 years in Indonesia and 1.9% in Vietnam had a credit card in 2014.
(Global Findex database, 2014; World Bank)



In ASEAN, 8% of adults use the internet to make payments; 61% sent remittances by cash and 33% used informal channels to do their transactions.
(Global Findex database, 2014)



Singapore had the highest level of digital banking penetration in Southeast Asia at **94%** in 2014, followed by 44% in Vietnam, 41% in Malaysia, 36% in Indonesia, 19% in Thailand, and 13% in the Philippines.
(McKinsey & Company, 2015)



2 million credit and debit cards have been issued in Myanmar since its re-introduction in 2015.
(Myanmar Times, 2016)



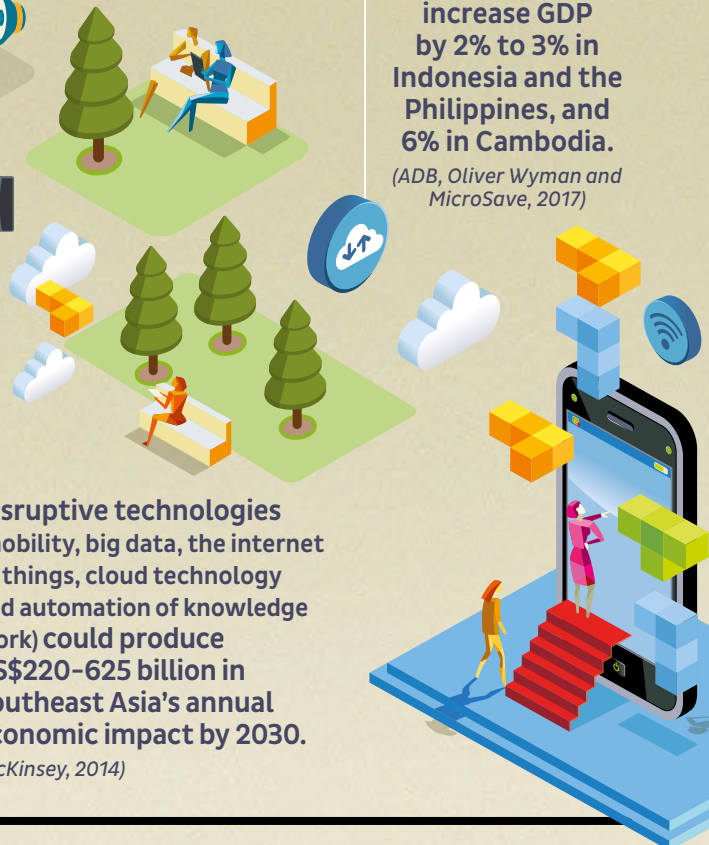
Digital financial solutions could increase GDP by 2% to 3% in Indonesia and the Philippines, and 6% in Cambodia.
(ADB, Oliver Wyman and MicroSave, 2017)



Digital Economy

ASEAN's digital economy generates **US\$150b** in annual revenues. It could be among the top five globally with receipts topping **US\$1 trillion** by 2025.
(A.T. Kearney, 2015)

Disruptive technologies (mobility, big data, the internet of things, cloud technology and automation of knowledge work) could produce **US\$220-625 billion** in Southeast Asia's annual economic impact by 2030.
(McKinsey, 2014)





Retail



In the six major ASEAN economies (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam), less than one in six people shop online, accounting for less than 1% of global online retail.

(A.T. Kearney, 2015)



E-commerce accounts for less than 1% of the ASEAN retail market. Even in Singapore, e-commerce accounts for only 3.4% of total retail sales. (ILO, 2016)



Singapore's mall vacancies grew to 8.4% in the third quarter of 2016, the highest level in a decade, even as rents declined 1.5% in the same period. (Bloomberg)



5 million people in Indonesia, or 12% of its internet users, shop online, and Indonesia's e-commerce market is expected to reach US\$46 billion by 2025.

(A.T. Kearney, 2015, Google and Temasek, 2016)

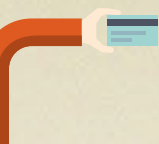


The Thai e-commerce sector is expected to expand by 20% to US\$7.1 billion in 2017 alone. (The Nation, 2017)



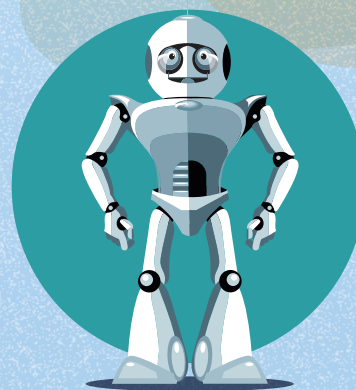
The online retail sales across Southeast Asia is expected to reach US\$70 billion by 2020.

(Bain & Company 2016)



Only 2% to 11% of digital buyers in Thailand, Malaysia, Indonesia, the Philippines and Vietnam use e-payment, compared to 50% in Singapore. (Vela Asia Online Shopper Survey, 2013)

Automation



Automation and robotics will have the largest impact on lower-skilled jobs in the region's auto industry with 60% of workers in Indonesia and 73% in Thailand facing high risk of displacement. (ILO, 2016)

Over 60% of jobs in Indonesia, the Philippines, Thailand and Vietnam in the electrical and electronics industry are at high risk of automation. (ILO, 2016)

Textiles, clothing and footwear provides over 9 million jobs in ASEAN, of which 64% in Indonesia, 86% in Vietnam and 88% in Cambodia face high risk of automation. (ILO, 2016)

Software automation can reduce costs by 40-75% for business process outsourcing (BPO) clients, but also put 89% of workers in the Philippines' BPO sector at high risk. (ILO, 2016)

68% of retail workers in Thailand, 71% in Cambodia, 85% in Indonesia and 88% in the Philippines are at high risk of automation. (ILO, 2016)

6% to 8% of the total non-farm labour force in ASEAN alone (12-17 million workers) could be displaced by technology by 2030. (McKinsey 2015)



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E-commerce in Southeast Asia

MAXIMILIAN BITTNER assesses the future of e-commerce in the region.



E-commerce and the digital economy are driving economic growth in Southeast Asia. It is unstoppable and businesses should capitalise on this. Governments need to work on the infrastructure, and regulators should minimise roadblocks to ease the transfer of goods.

According to the 2016 ‘e-economy SEA’ report by Google and Temasek, an estimated 3.8 million internet users come online each month in Southeast Asia, making it the fastest growing internet market in the world between 2015 and 2020. Consequently, Southeast Asia is expected to grow to an estimated US\$200 billion internet economy by 2025, driven mostly by the growth of e-commerce.

Giving choice to the consumer

In many ways, the Lazada story has been about recognising

the power of the consumer and the growth opportunity of e-commerce in Southeast Asia. In five short years, Lazada has become the leading online shopping and selling destination in Southeast Asia with operations in six markets - Indonesia, Malaysia, the Philippines, Thailand, Vietnam and Singapore. With the growth of its online marketplace, Lazada now connects over 2,500 brands and 90,000 sellers offering a range of 80 million products, to a potential 560 million consumers across the region.

It is not just the choice in terms of products but also in payment methods. It is found that many markets are more comfortable with cash payments. Approximately 70% of Southeast Asian residents do not have access to traditional banking services, and credit card penetration is below 5% in some markets. To meet customers’ needs for flexibility and convenience, Lazada

“Southeast Asia is expected to grow to an estimated US\$200 billion internet economy by 2025, driven mostly by the growth of e-commerce.”

pioneered cash-on-delivery in the region which remains the most preferred payment method by its customers. Lazada also partners with convenience stores and supermarket chains to offer over-the-counter payments.

E-commerce is still in an early stage and some consumers remain wary of making transactions online although this is changing fast. Improving consumer trust is therefore a primary focus for e-commerce companies. Lazada, for example, has built-in safeguards to protect the customer and constantly challenges itself to do more especially through advanced technology. However, governments should play a greater role in the adoption of online banking and in promoting the security of using credit cards, e-wallets or alternative payment systems.

Building a logistics network

Logistics is a major challenge when it comes to delivering goods across all countries of Southeast Asia, including to remote places and islands.

Investments in some Southeast Asian countries are much needed to improve transport networks to ensure a fast, secure and efficient delivery system, and to facilitate the market growth for cross-border e-commerce.

Lazada itself has invested in building its own logistics capabilities. Nurturing a third-party vendor network has been its strategy since the beginning to tackle the lack of connectivity. Lazada now has 14 warehouses, 92 last mile hubs and work with over 80 local logistics partners in Southeast Asia. It also initiated collaboration with the governments, e.g. in Malaysia and Thailand, to build e-commerce logistics hubs.

Cross-border logistics is a major factor that can accelerate the market growth for e-commerce. Governments need to look at how they can facilitate the customs controls to become more transparent and reliable. This is essential for ASEAN to grow as an integrated market as well as for e-commerce to reach its potential and contribute positively to economic growth.

Internet infrastructure

Unquestionably, there is the need to continue to upgrade internet infrastructure to accommodate e-commerce.

‘Mobile’ is a keyword in driving the digital economy. In each of the six markets where Lazada operates, mobile subscription rate is more than 100% of the total population, serving as a primary access point to internet.

At the other end of the spectrum, slow internet speeds and low penetration rate due to regulatory and geographical constraints are still pervasive in less developed ASEAN countries. For example, the Philippines has the second slowest internet speed in Asia. But there are innovative private-public partnership (PPP) initiatives in place in the region to make high-speed internet a more affordable commodity in Southeast Asia.

A revolution that benefits ecosystems and economies

An effective e-commerce platform is about more than transactions. It is about the ecosystem where local and international brands and sellers, together with service providers in areas such as logistics, finance and tech, complement each other to provide a better experience for the customer. With governments’ support to grow e-commerce, the broader ecosystem – which is expanding rapidly – will benefit as well.

It is consumer demand that is driving e-commerce in Southeast Asia and elsewhere in the world. It’s not some ‘many-headed monster’ we have to fear. It is a retail revolution, yes, but it does not mean the demise of physical retail.

Some far-sighted retailers have certainly come on board the e-commerce bandwagon by opening their online marketplaces. Some multinational companies, like Unilever, are realising that they can provide more of their products to more consumers by working with a platform like Lazada to complement their traditional retail presence.

In the same way that new technologies are changing the hospitality industry and disrupting urban transport, we are seeing a transformation in the way products are bought, sold and delivered through e-commerce.

The economies and the businesses of Southeast Asia have more to gain by facilitating this than fighting it. As a private enterprise, Lazada will continue to work with its brands and sellers, as well as logistics, payment and technology partners to champion e-commerce growth.

The question we should ask ourselves is: What can governments, regulatory and industry organizations do to support the development of e-commerce which benefits the entire ecosystem? ■

Mr. Maximilian Bittner is Founder and CEO of the Lazada Group.

Transforming Manufacturing in ASEAN

PHU HUYNH, GARY RYNHART and JAE-HEE CHANG

look at how disruption will affect a region still very much dependent on the manufacturing sector.

For decades, manufacturing in ASEAN has fueled economic development and provided a vital pathway to better jobs outside of agriculture. Between 1991 and 2016, employment in manufacturing expanded by around 22 million jobs. Driven by deeper trade integration, opportunities increased rapidly as global demand grew for various ASEAN manufacturing products, ranging from garments and footwear to electronics and automobiles.

This development model, however, faces emerging challenges due to recent technological advances. New innovations such as robotic automation, artificial intelligence, additive printing and the Internet of Things (IoT) – commonly referred to as the Fourth Industrial Revolution – are reshaping factory floors and could fundamentally transform the future of manufacturing in ASEAN. Reflecting these trends, the stock of industrial robots grew considerably in Indonesia (211%), Vietnam (167%), Singapore (106%), Philippines (86%) and Malaysia (56%) between 2011 and 2015, according to the International Federation of Robotics. In comparison, growth in China was 245% during the same period. These technological advances are unprecedented in terms of their speed of diffusion and scope of impact across systems. Consequently, the implications are massive for both enterprises and workers.

A 2016 report by the International Labour Organisation (ILO) examines how this technological transformation may potentially impact the ASEAN labour market. Through more than 6,700 surveys and interviews with over 330 stakeholders, the study examines three manufacturing sectors: textiles, clothing and footwear (TCF); automobiles and automotive parts; and electronics. Collectively these sectors provide jobs for more than 12 million people in ASEAN and are critical for economic growth.

In the automotive and electronics industries, firms increasingly look to automation to boost productivity and product quality by investing in robots that can complement their workforce. In the more labour-intensive TCF sector, technology is now available to fully automate the process of garment cutting and sewing with minimal human engagement. The question therefore is not if but when the threshold will be reached where it becomes economically justifiable to see widespread

adoption of such technologies. In parts of ASEAN, that tipping point could be just 10-15 years away. In some cases it could be even sooner. The reality will be driven by not only the declining cost of technology but also rising wages and workforce skills, shifting consumer demands and political dynamics, among others.

Most of these manufacturing jobs involve performing routine, repetitive tasks which increasingly can be substituted by robotics. During the coming decade or two, innovations in engineering will make an estimated 60% of auto sector employees in Indonesia and 73% in Thailand at high risk of being “automated” out of their jobs. In the electronics industry, the estimates range from 63% in Indonesia to 75% in Thailand and Vietnam to over 80% in the Philippines. In TCF production, the projections are even higher: nearly 90% of employees in Cambodia and Vietnam fall into the high-risk category. Moreover, women and those with lower educational qualifications tend to be significantly more vulnerable to automation risks.

This outlook is further complicated by the globally integrated and competitive nature of these manufacturing industries. For instance, the emergence of additive printing and body scanning technology could allow TCF manufacturing to be re-shored to advanced economies so that production takes place closer to the final consumer. In addition, the accelerated deployment of robotics in China, to enhance productivity while offsetting labour force constraints, could deter the shifting of low-end manufacturing jobs to developing ASEAN economies.

On the other hand, new technologies may bring considerable gains if the region is well-prepared. Although ASEAN enterprises tend to lag in terms of technology adoption and innovation, they appreciate technology as a critical positive enabler to their business. Some are already deploying new technology to eliminate dangerous and precarious factory jobs, enhance product quality and upgrade skills. With the rising demand for electric vehicles and emerging prospects of autonomous cars, the automotive industry may need to reposition itself to meet shifting consumer preferences. Progress in developing prototyped smart clothes, or apparel

“Will ASEAN’s large and young labour force become a bane instead of a boon if automation is played out in full? To place ASEAN at the forefront of this technological transformation and mitigate disruptions, investment in skills development must be a priority.”

enhanced with electronic and digital capabilities, also presents vast potential for refashioning the TCF industry.

But while it increasingly makes economic sense to replace manual labour with automation, how will this play out politically, especially in countries with a burgeoning young workforce? Will ASEAN’s large and young labour force become a bane instead of a boon if automation is played out in full? To place ASEAN at the forefront of this technological transformation and mitigate disruptions, investment in skills development must be a priority.

First, promoting higher education and training in science, technology, engineering and mathematics particularly among young women is critical to prepare a tech-savvy workforce. Second, the future of workplaces will require the ability to continually learn, adapt and acquire new skills, calling for innovative curricula that foster the passion to learn in different and new ways. Schools will also need to nurture originality, creativity and increasingly valued skills such as problem-solving, negotiating and communicating. Third, ASEAN enterprises need to seek collaboration with technology firms and educational institutions to accelerate the integration of advanced technologies and increase their capacity for sustained domestic growth.

ASEAN governments must play a critical role to facilitate a successful transition during this Fourth Industrial Revolution. In close partnership with employers’ and workers’ organisations, policymakers need to rigorously examine their own economies, identify the potential opportunities and prioritise the most vulnerable industries of the labour market. Stronger policy commitments and coordination efforts with business leaders and stakeholders are especially needed to transform education and training systems to foster greater cognitive, creative and social intelligence skills. These efforts would enable technological advancement to help accelerate and not disrupt the region’s dynamism. ■

Mr. Phu Huynh is Labour Economist and Mr. Gary Rynhart is Senior Employers’ Specialist at the International Labour Organisation (ILO) office in Bangkok; and Ms. Jae-Hee Chang is Employers’ Specialist at ILO Geneva.

ISIS is a clear and present danger in Southeast Asia

The troubles in southern Philippines have raised the spectre of a possible ISIS stronghold in the middle of Southeast Asia. **Sidney Jones** helps explain why the region should take note of this development.



Ms. Sidney Jones is Director of the Institute for Policy Analysis of Conflict, based in Jakarta. From 2002 to 2013, Ms. Jones worked with the International Crisis Group (ICG), first as Southeast Asia project director and then as senior adviser to the Asia program. Before joining ICG, she held senior positions in the Ford Foundation, Amnesty International and Human Rights Watch. She holds a B.A. and M.A. from the University of Pennsylvania.

AF: What is the basis of the relationship between the Abu Sayyaf and Maute groups and ISIS?

SJ: One faction of Abu Sayyaf led by Isnilon Hapilon, together with the Maute brothers and a number of other groups, formed an alliance in 2016 that they are now calling Islamic State-Eastern Region. Hapilon is currently the overall *amir*, or commander. They are in direct contact with ISIS central. It is important to note that many other Abu Sayyaf factions, including those doing the high-profile kidnappings and beheadings of foreigners, are not associated with ISIS but are loyal to Sulu-based commander Radullan Sahiron.

AF: Is the Marawi siege evidence that terrorist groups in Muslim Mindanao are uniting?

SJ: Unification under the ISIS umbrella had taken place long before Marawi. The September 2016 bombing of a night market in Davao was clear evidence of a pro-ISIS alliance that brought several different groups together. The team responsible included the Mautes, AKP (Ansharul Khilafah Philippines based in Sarangani and Sultan Kudarat), BIFF (Bangsamoro Islamic Freedom Fighters), Hapilon’s men from Basilan and a few converts from outside Mindanao.

AF: What effects do you think the Marawi siege and the declaration of martial law will have on the peace process between the Philippine government and the Moro Islamic

Liberation Front (MILF) and now Moro National Liberation Front (MNLF)?

SJ: The peace process was already stalled despite the efforts by President Rodrigo Duterte to expand the Bangsamoro Transition Commission and bring in the Nur Misuari faction of the MNLF. In many ways, that complicates the peace effort because Misuari is a spoiler. Martial law sets the process back even further.

AF: Why has the Philippine government been unable to destroy the Abu Sayyaf Group, Maute Group and other terrorist groups in Muslim Mindanao despite two decades of efforts and an overwhelming firepower advantage?

SJ: All of these groups have powerful clan ties to local politicians as well as the police and military. The Philippines political system is sclerotic and feudal, and until that changes, no counter-terrorism measures are going to be effective in the long term.

AF: How well-connected are the ISIS-affiliated forces in Marawi to other ISIS sympathisers in the region?

SJ: There is clearly a lot of communication via Telegram and other social media, especially between groups in Indonesia and Marawi but also involving Malaysia and beyond. The pro-ISIS Indonesian group, Jamaah Ansharul Daulah (JAD), opened communications in 2016 and began sending men to

Basilan for training in June 2016. A group of pro-ISIS Malaysians from Selangor and Johor arrived earlier, in April 2014, even before the declaration of a caliphate. One of those men, Dr. Mahmud Ahmad, now appears to be playing a leading role in Marawi and is the main contact for groups in the region who want to join the jihad.

AF: Is Muslim Mindanao or Lanao del Sur now the ISIS safe haven or province (wilayat) for Southeast Asia?

SJ: In many ways, it is irrelevant what you call it. The fact is that nowhere else in Southeast Asia could a pro-ISIS force marshal the human and material resources to plan the takeover of a city and occupy it for several weeks. Nevertheless, recent developments have raised the stature of ISIS-Philippines in the eyes of ISIS central and made Mindanao the go-to destination for young jihadis.

AF: What will be possible spill-over effects to neighbouring countries in the event the Philippine security forces fail or manage to contain the Maute Group?

SJ: The danger is that we could see attacks planned in Mindanao and carried out by returning fighters from Marawi or their sympathisers in the region. I think the risk of more serious violence in Malaysia, Indonesia and Singapore in particular has risen as a result of Marawi, but we could also see the impact extend to Thailand and Myanmar.

AF: How does the growth of ISIS in Southeast Asia compare with the situation 15-20 years ago when Al Qaeda established links with regional and local terrorists?

SJ: Jemaah Islamiyah members took part in some attacks in the Philippines, first with the MILF Special Forces unit and then with the Abu Sayyaf. But their main goal was to train, not fight. This is really the first time we have seen Indonesians and Malaysians joining forces in a common battle that goes beyond a nationalist struggle for autonomy or independence. Also, when al-Qaeda was most active in the Philippines around 1994-95, it was through al-Qaeda operatives close to Osama bin Laden. The Filipinos were bit players. This time, the leadership appears to be overwhelmingly Filipinos with

“Recent developments have raised the stature of ISIS-Philippines in the eyes of ISIS central and made Mindanao the go-to destination for young jihadis.”



a few Malaysians – and no Arabs or Pakistanis – in the command structure.

AF: What can Southeast Asian states and ASEAN do to limit the spread of ISIS influence in the region?

SJ: The “frontline” states – Indonesia, Malaysia and the Philippines – could strengthen immigration controls; work out common watch-lists so that they were all working from the same information; develop expertise on each other’s extremist networks; work to improve prison infrastructure, administration and monitoring of suspected terrorists (the Philippines is particularly poor in this regard, and martial law will make it worse); develop common protocols for DNA sampling of those killed in police or military operations so that foreign nationals

can be quickly identified; share examples of successful community initiatives; develop reintegration programs for those deported from Turkey who were caught trying to cross into Syria and pay closer attention to the role of women; and develop common strategies for trying to counter ISIS’ decentralised propaganda dissemination via social media. That’s just for starters. ASEAN is not going to be particularly useful in this regard – bilateral and trilateral meetings and initiatives will be more effective.

AF: Would the planned coordinated patrols in the Sulu Sea help?

SJ: They will not do any harm, but again, the Sulu sea pirates are generally NOT the ISIS groups. One group of Indonesians now in Marawi did not go by sea at all – they took regularly scheduled flights into Manila and then Cagayan.

AF: Given your extensive and long-standing study of terrorism in Southeast Asia, what is the single most important new development that worries you the most?

SJ: Marawi proves that extremist ideology has taken root in Mindanao, and the Philippine government is in a state of denial. Until officials acknowledge the extent of the problem and make a more serious, research-based effort to understand how individual fighters became radicalised, the problem is only going to grow. ■

From Moving Hearts to Moving People

Wu Chun might be known first as an entertainer, but he always has his home country of Brunei Darussalam in his heart.

BY JASON SALIM

The Mandarin music industry is long known to be one of the most competitive in the world. But a breakthrough has its abundant rewards in access to billions of potentially adoring fans not just in Asia but wherever there are Chinese speakers all around the world as well as possible crossovers to television and film – all in all a mosaic career promising fame and wealth. One young Bruneian managed to achieve all this before he turned 30, and has become not only a heartthrob sensation but a pride and joy of his country.

Ask any teenage Chinese girl in the 2000s if they knew who Wu Chun was, and she would most probably answer with gushes and excited screams. However, behind all of Wu Chun's stardom lies an abiding love for the charming little corner of Southeast Asia where he grew up in. Before he came into the limelight, Goh Kiat Chun was just another teenager living in Bandar Seri Begawan, the city of his birth and the capital of Brunei Darussalam. Born in 1979 to a prominent Bruneian Chinese family, he was educated in the prestigious Chung Hwa Middle School in his hometown before heading to RMIT University in Melbourne, Australia. Little did anyone know that it would be a holiday in Taiwan after his studies that perhaps changed Wu Chun's life forever.

After being spotted by a talent agent



From teen heartthrob



To fitness advocate

during that holiday, Wu became one of the five members of the boyband Fahrenheit (飞轮海), where he earned a massive following for his good looks and singing abilities. Just one year after he and Fahrenheit burst onto the Mandarin music scene, he successfully segued into television with hit shows such as *Hanazakarino Kimitachihe* and *Romantic Princess*, and even starred on the silver screen with some of the biggest names in the Chinese movie industry such as Leon Lai, Fan Bingbing and Donnie Yen.

With his days in Fahrenheit behind him, Wu Chun has scaled down his acting career and has instead immersed himself in social work in his home country, especially as perhaps his country's most passionate advocate for healthy living. Given Brunei Darussalam's alarming obesity rate especially among teenagers, Wu Chun has parlayed his celebrity status to not only raise awareness of this health crisis but also motivate Bruneians to live healthier lifestyles.

As the Bruneian Ministry of Health's ambassador for healthier living, he has become the posterboy for keeping fit and eating healthy. He and his gym regularly organise events such as mass exercises, yoga on the beach, and runs in the city

to get people moving and exercising. This is in addition to his other roles as an ambassador for the Brunei Anti-Narcotic Drug Association, the Brunei Tourism Board and the Royal Brunei Airlines. He is also an active supporter for efforts to empower women in his country by organising SheRuns as well as the disabled through the Special Olympics. In recognition of his contributions to Brunei Darussalam, he was awarded the Excellent Youth Award by Sultan Haji Hassanal Bolkiah in 2015.

Wu Chun is perhaps one of the few Bruneian and Southeast Asian celebrities who have achieved prominence on an international scale. For a man who once said that "We must believe in ourselves. Never give up on your dreams," he is certainly living the dream that many young people could only hope. But more importantly, he has made and continues to make a difference to his fellow countrymen. If young people are to be the hope of our region's future, they would do well to follow Wu Chun's example of giving back to the community and living out their passions for a better society. ■

Mr. Jason Salim is Research Officer at the ASEAN Studies Centre, ISEAS-Yusof Ishak Institute.

Urban Idyllic

Pulau Ubin is perhaps one of the last vestiges of pre-urbanisation Singapore – and the best preserved one.

BY NUR AZIEMAH AZIZ

Thriving from a small island to a first-world metropolis within decades, Singapore's landscape has transformed spectacularly with high-rise buildings dominating its skyline. Its people rush and hustle to be one step ahead of each other. But for those who seek a respite from this busy life, the destination is figuratively a stone's throw away. Less than 15 minutes away by a bumboat from the Changi Point Ferry Terminal, Pulau Ubin is nestled on the eastern end of Singapore – the last *kampung* (village) of the city state and a well preserved enclave free from urban landscaping.

Upon docking off at Ubin's jetty, the hustle and bustle of modern Singapore gets left behind. Walking along towards Ubin on the wooden jetty, visitors will be transported to a time where the joys of life are much simpler. The sound of the waves from the nearby beaches and the harmonious humming of birds and critters in the lush greenery accompany visitors as they wander around the 1020-hectare boomerang-shaped island. One could almost instantaneously slip into vacation mode by mingling with the relaxed and friendly inhabitants of Ubin scattered around the island.

Throughout the years, Ubin has seen changes to its landscape. A significant number of Ubin's native plants and wildlife had to be cleared to make way for mining activities in the late 19th and early

20th century. The population of Ubin was estimated at 2,000 in 1950-1970 when the mining industry was at its peak. It has now dwindled down to 38 in 2012. Most of Ubinites are senior citizens who yearn for the good old days of *kampung* life while their families live in the city. The younger generations are not too keen to continue the simple life in Ubin where residents rely on wells for water and generators for electricity.

Pulau Ubin is Singapore's second largest offshore island. Its name derived from its original Malay name Pulau Batu Jubin which meant Granite Island. The island was home to five granite quarries and used to be a thriving mining place in the 1960s. The granites were used in the Horsburgh Lighthouse built in 1851, the Singapore-Johor Causeway and many Singapore's early developments for roads and walkways. The mining economy eventually phased out with the closure of the last quarry in 1999. The quarries closure led to the regrowth of vegetation and forests all over the island, allowing various species of plants and animals to thrive once again. With the background of the abandoned quarries surrounded with lush greenery, visitors are treated to a picturesque scenery where ruggedness meets natural island beauty.

Pulau Ubin is also a popular spot for those who are into outdoor adventures



like mountain biking, camping, kayaking and hiking. The island is also home to two camping sites – the National Police Cadet Corp Camp Resilience and the Outward Bound Singapore.

Another prominent attraction of Pulau Ubin is the precious Chek Jawa, an intertidal flat at the eastern far-end of the island. With the size of about 100 hectare, Chek Jawa is home to several interdependent rich ecosystems – sandy beach, coral rubble, mangroves, seagrass lagoon, rocky shore and coastal forest. It can take up to one hour by hiking or biking to reach the flatland. The trek to Chek Jawa holds many surprises as lucky visitors can spot some of Ubin's native plants and wildlife such as large wild boars and monkeys.

There have been plans for the Singapore government to spruce up and modernise Pulau Ubin, such as adding roads and building holiday resorts to attract local and overseas visitors. Most of the plans and public consultations were met with negative responses from nature activists and, surprisingly, urban-dwelling Singaporeans who wish to retain the island's rustic tranquillity as the mainland develops at a dizzyingly rapid pace. Essentially, it is the old, authentic, pollution-free island life where many could take a break from their city life that capture their hearts. Pulau Ubin is a wonderful escape from the 21st century Singapore and also an important piece of living history to remind how far the city-state has come. ■

Ms. Nur Aziemah Aziz is Research Officer at the ASEAN Studies Centre, ISEAS-Yusof Ishak Institute.



ASEAN's Response to Biodiversity Loss

ROBERTO OLIVA introduces us to the ASEAN Centre for Biodiversity and its efforts to preserve our environmental heritage.



Local communities taking part in a zoning event in Nat Ma Taung National Park, Myanmar to draft the protected area's collaborative management plan

ASEAN Centre for Biodiversity

Biological diversity, or biodiversity, is the variety of life on Earth — from the biggest mammal to the smallest insect, and the places where they live in, which we call ecosystems. Everyone on Earth relies in one form or another on biodiversity for his or her livelihood.

The ASEAN region is widely recognised as a treasure trove of biodiversity. Even though it covers only 3% of the Earth's total surface, the region is home to 18-19% of all known plant, animal and marine species. Sadly, this web of life is fast becoming endangered due to the demands of growing human population, as well as wasteful and inefficient consumption patterns.

The ASEAN Centre for Biodiversity (ACB), located at the University of the Philippines at Los Baños, is ASEAN's response to the challenge of biodiversity loss. It is an intergovernmental organisation that facilitates cooperation among the ASEAN countries, in collaboration with other regional and international organisations, on the conservation and sustainable use of biological diversity, and the fair and equitable sharing of benefits arising from the use of such natural treasures.

ACB through the years

The ACB's beginnings date back to 1998 with the establishment of the ASEAN Regional Centre for Biodiversity Project funded by the European Union (EU). The project was implemented with two key objectives: intensify biodiversity conservation; and promote institutional networking among ASEAN countries and between ASEAN and EU partner organisations. Recognising the need to create an institution that would sustain the gains of this project, the ASEAN Environmental Ministers agreed to establish the ACB in 2005. The EU extended its funding support for the initial operations of the Centre.

Upon its establishment, the ACB worked quickly to strengthen itself as a mechanism for biodiversity conservation in the ASEAN region. In 2007, the ACB joined forces with the Secretariat of the Convention on Biological Diversity (SCBD) to act as a collaborative centre of excellence for the promotion of the Convention's objectives.

The ACB maintains the ASEAN Clearing-House Mechanism (CHM) to provide a platform for sharing of biodiversity



Park staff inspecting juvenile crocodile nursed at Kyaung Htauk Ranger Station in Meinmahla Kyun Wildlife Sanctuary, Myanmar

ASEAN Centre for Biodiversity

information, experiences and best practices to facilitate ASEAN countries in making science-based decisions on biodiversity conservation. Furthermore, as the secretariat to the ASEAN Heritage Parks (AHP) Programme, the ACB contributes to the conservation of some of the region's richest and most pristine nature and wildlife reserves spread across the 10 ASEAN member states. To date, there are 38 declared AHPs in the region.

To improve public awareness and knowledge on the value of biodiversity, the ACB, in collaboration with its partners, honors ASEAN Champions of Biodiversity – a recognition programme for outstanding contributions by individuals and organisations to biodiversity conservation in Southeast Asia.

The Government of the Philippines has been a strong and consistent supporter of the ACB, not only hosting the Centre but also providing it with funding support. The Centre has also enjoyed good collaborations with international donors and development partners in biodiversity conservation programs and projects. Some of these partners include the German international cooperation agencies GIZ and KfW, the United Nations Environment Programme, the ASEAN-Korea Environmental Cooperation Project, the Korea Economic Institute as well as organisations affiliated to ASEAN dialogue partners such as China, India, Japan, and the EU.

2017 and beyond

The ACB continues to enhance coordination with and facilitation of regional actions to implement the ASEAN Strategic Plan for Biodiversity (2016-2025) and comply with the Aichi Biodiversity Targets. In support of the ASEAN Socio-Cultural Community (ASCC) Blueprint 2025 and the emerging ASEAN Strategic Plan on Environment (ASPEN), the ACB continues to implement programs and projects covering various thematic and geographic areas.

One of the ACB's promising initiatives to date is the Small Grants Programme which provides funds to small communities living in or adjacent to selected ASEAN Heritage Parks. The intention is to improve biodiversity protection and the livelihood of those local populations; and address the problem of unsustainable livelihoods and over-exploitation of scarce natural resources in protected areas which threaten Southeast Asia's rich biodiversity. This initiative is being implemented in earnest in the Gunung Leuser and Way Kambas National Parks in Indonesia; the Alaungdaw Kathapa and Nat Ma Taung National Parks, the Indawgyi Lake and Meinmahla Kyun Wildlife Sanctuaries in Myanmar.

As ASEAN celebrates its 50th anniversary this year, the ACB will recognise ten exemplary citizens of ASEAN with outstanding efforts in biodiversity conservation through the ASEAN Biodiversity Heroes Award. Another important milestone is the forthcoming inauguration of the new ACB building headquarters in the University of the Philippines in Los Baños, Laguna in July 2017.

Moving forward, the ACB will seek new partnerships in the areas of agrobiodiversity, health and biodiversity, and business and biodiversity. The Centre also attaches high priority to securing financial sustainability for its operations so as it would continuously assisting ASEAN countries in conserving the rich biodiversity of the region for present and future generations. The Centre's continued success relies on the support of ASEAN member countries, the Philippines as the host country, and all of its partner organisations. ■

Mr. Roberto Oliva is the Executive Director of the ASEAN Centre for Biodiversity.

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