

**2023 ASEAN LEADERSHIP AND PARTNERSHIP FORUM  
“ASEAN Matters – Centre of Growth, Opportunities & Prosperity”**

**SPEECH AT THE SPECIAL ROUNDTABLE DIALOGUE**

**by**

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*Excellencies, Ladies and Gentlemen,*

1. First of all, I would like to extend my thanks to the conference organizers, the KSI Strategic Institute for Asia Pacific (KSI), the ASEAN Business Advisory Council (ASEAN-BAC), the Kamar Dagang dan industri Indonesia (KADIN), the ASEAN Economic Club (AEC) and the Foreign Policy Community of Indonesia (FPCI), for their kind invitation for me to address this conference, right after Indonesia has successfully concluded the 42<sup>nd</sup> ASEAN Summit in the beautiful sunset island of Labuan Bajo.

2. This special roundtable has tasked me to tackle a serious issue as to why ASEAN economic integration and ASEAN’s Centrality matters, what are the opportunities and challenges, and how would ASEAN deal with the regional and national pressure points. I must say these issues go to the core “raison d’être” of ASEAN itself and these are the topics of endless debates, with its pros and cons, and as the global and regional economic and security architecture evolved, at times much faster and more dynamic than others, the responses of our ASEAN leaders remain quite consistent. We must persevere and be pro-active in our pursuit of our community building, which mean by default a deepening of our economic integration. But in recent years, the global context has taken a dramatic turn for the worse, with the COVID-19 pandemic, the war in Ukraine, the reshaping of globalization and the ongoing and express attempt of decoupling, not only between China and the United States but also between Russia and Western countries.

3. In all humility, I have a few foods for thoughts to share this conference. But before that, let me set the context. First of all, globalisation is not dead. It is only changing shape. Certainly, last year has witnessed multiple shocks which have hampered a trade rebound: the disruption of global supply chains caused by the war in Ukraine, the lingering effects of the COVID-19 restrictions and export controls, the persistently high inflation, which all combined have led to the current slowdown of the global economic growth.

4. The prospects for this year are overshadowed by strong geopolitical tensions which will continue to shape trade dynamics and already companies are adjusting their global and regional supply chains and diversifying their supplier sources. The pace of economic fragmentation is picking up pace, and quite rapidly I must admit, with the rise of subsidies, export controls and investment restrictions. In the context of the Fourth Industrial Revolution, geopolitical tensions have accelerated digital fragmentation at an even exponential rate. Only God will know how fast the ChatGPT will enter this arena and deepen this growing rift.

*Excellencies, Ladies and Gentlemen,*

5. ASEAN's centrality matters in terms of our relations with our external partners, whether they are Dialogue Partners, Sectoral Dialogue Partners, and Development Partners. We continue to strengthen and broaden our engagement with them through our existing frameworks, and we have in the past and will certainly endeavor in the future to vigorously implement their respective plans of action, practical cooperation areas, and development cooperation programmes in support of our ASEAN Community-building and development efforts.

6. Obviously, under various ASEAN rotating chairmanship, each country had their own priorities and this year, ASEAN under Indonesia's Chairmanship has its core focus on delivering concretely numerous initiatives that reflect its theme of "ASEAN Matters: Epicentrum of Growth".

7. A good example is Indonesia's initiative to develop a regional electric vehicle ecosystem, which affirms the significant role of electric vehicle adoption as part of ASEAN's efforts in reducing greenhouse gas emissions, accelerating the energy transition, decarbonizing the transport sector, and ensuring energy security in the region.

8. My Prime Minister has launched his ASEAN Green Deal as well last year when Cambodia held the ASEAN Chairmanship. The initiative clearly demonstrates ASEAN's vision to become a global production hub of the electric vehicle industry to support sustainable economic growth. Of course, we recognize the different levels of economic development and the variety of national policies and measures pertaining to electric vehicles amongst ASEAN Member States, but it is nonetheless the right step in the right direction.

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9. As of March of this year, a total of 95 non-ASEAN Ambassadors have been accredited to ASEAN, while 55 ASEAN Committees in Third Countries and International Organisations continue to promote and raise ASEAN's interest and profile in their respective host countries and organisations. The ASEAN Secretariat, now headed by a

fellow compatriot, Dr Kao Kim Hourn, is the Coordinator for ASEAN's Sectoral Dialogue Partners and Development Partners, and I urge that we, and by we I mean all the five conference co-organizers, engage the Secretariat to assist us to reach out to the various ASEAN Sectoral Bodies and partners under the three pillars to explore and develop cooperation projects, including funding support, directed towards Community-building efforts. The ASEAN Secretariat is loaded with funding from these development partners but their disbursement modalities, I am afraid to say, are a bit heavy and convoluted.

10. Last year, ASEAN commemorated the 45<sup>th</sup> anniversary of its Dialogue Partnership respectively with Canada, the EU and the U.S. through the convening of the respective Summits with these partners. We have also established the Comprehensive Strategic Partnership with India and the U.S., and this year, we will celebrate our 50<sup>th</sup> Anniversary of ASEAN-Japan Dialogue Relations, with a Commemorative Summit scheduled to be held in December, in Tokyo.

11. ASEAN Centrality wise, ASEAN continues to underscore its importance in all our engagement with our external partners, including through broad ASEAN-led mechanisms. Cooperation continues to be strengthened in the ASEAN Plus Three (APT) framework in regional economic recovery and other responses to emerging challenges. We continue to strengthen the East Asia Summit (EAS) processes and mechanisms including enhancing the role of the EAS Ambassadors in Jakarta to play a larger role in dealing with the fast-changing regional and global developments.

12. For example, in the context of geopolitical tensions, the rivalry between our two main trading and investment partners, the US and China, will continue to deepen fragmentation and constrain trade in technologies, medical supplies, computer chips and rare earth materials. Since 2018, the rhetoric behind the US "decoupling" from China has become a reality and for its part China has been significantly reducing its interaction with the US in scientific collaborations and tourist arrivals.

13. As a result of the war in Ukraine, Europe is decoupling from Russia in the energy sector, forcing Russia to turn to Asian markets to compensate for the loss of European demand. With all these partnerships at play, for example, ASEAN can assert its role to accelerate its energy transition to achieve its energy security. Investments in energy efficiency such as building renovations, installations of renewable power, notably solar and wind, public transport and electric car infrastructure are all opportunities for ASEAN Member States to grab.

14. For the private sector, ASEAN can assert its heft in assisting businesses improve its supply chain resilience by providing options for them to diversify their raw materials supply base. Cambodia has more than 700,000 hectares of rubber plantations which is a great source of latex supply for tire manufacturing, medical gloves, and other rubber-

based car parts. Boosting deeper regional integration in the East Asia region under the RCEP is another avenue. Another concrete example is the 40 percent cumulation under the RCEP rule of origin which is certainly enticing for ASEAN to attract investments from China for subsequent re-export to Japan, Australia or Korea, and vice versa.

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15. How about their challenges? For sure they are not missing. The war in Ukraine has seriously put a strain on supply chains and push up commodity prices. Since Russia and Ukraine were top exporters for several commodities, the like of oil, natural gas, wheat, iron, nitrogenous fertilisers and barley, sectors that are critically dependent on those inputs were severely impacted. How about the bread that we will eat tonight?

16. Closer to home, capacity constraints and COVID-19 related restrictions in ASEAN has impeded a full recovery. Delays and disruptions of flights and travel services arising from staff shortage at airports and airlines that were unprepared for the sudden demand increase are good examples of this dilemma. The ridiculously high cost of air travels, visa regulations and COVID-19 related restrictions will continue to weigh on the recovery.

17. The global tightening of financial conditions has also led to a contraction of exports in financial services while increasing pressure on some highly indebted ASEAN member states, thus amplifying their vulnerabilities and dampening their market integration. China's emphasis on domestic demand instead of export-led growth also contributed to this trend.

18. We have also witnessed the creeping resurgence of protectionism in the form of trade restrictive measures and export controls. These export restrictions come in the form of outright bans, export licensing requirements, export taxes or duties, or a combination of measures. High-tech sectors that are linked to national security or strategic competition are notably affected by these trade restrictions. For that matter, the US is leading in terms of its provision of subsidies to revive their manufacturing.

19. In fact, two pieces of legislation were introduced to boost its manufacturing sector: first, the CHIPS and Science Act where a subsidy of US\$53 billion was expressly stipulated to spur domestic production of semiconductors and investments in research and development; second, the Inflation Reduction Act (IRA) which has allocated US\$370 billion in tax credits, loans and grants to lower energy costs and speed up private investment in clean energy solutions. In concrete terms, US companies are financially rewarded for building equipment nationally or sourcing critical minerals and components from the US or from countries with which the US has a free trade agreement. To remain competitive, US trade allies, like Japan, have increased its science and technology budget by the billions for the development of semiconductor infrastructure

over the years. The rise of investment restrictions, many in violations of the WTO rules, came about from the heightened national security concerns related, in particular to the semiconductor industry in China.

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20. Before I wrap up my speech, I can't not talk about digital fragmentation in the context of its impact on our ASEAN centrality. Digital fragmentation is a reflection of geopolitical tensions. Technology is seen as a competitive edge for certain countries to ensure their leadership in semiconductor technologies and it can be weaponised to ensure their strategic autonomy.

21. In fact, come to think about it, any issue nowadays can be weaponized against any country by any big country or bloc, starting with the easy issue of human rights. My country is an obvious example of this abuse. Anything that happens there somehow has some human rights issues, or some suspicions of human rights abuses. But since I am in Indonesia now, how about the palm oil and climate change issues with the European Union? Didn't the EU weaponize these issues against Indonesia and Malaysia? I will let the audience ponder about this.

22. Competition is fierce from upstream to downstream activities as most global digital platforms are based in the US or China. Regulatory fragmentation is also very visible when it comes to storage, use, transfer of data as well as online content. The US's open, decentralised and private sector led Internet governance model is challenged by China and Russia's closed, centralised and government-led cyber-sovereignty model. Divergences also exist especially with regard to data privacy and regulation of artificial intelligence. Here we go with ChatGPT again. From the mega FTA perspective, with some ASEAN Member States members of the CP-TPP, others are members of the RCEP, and some are both, where do we stand? Where is ASEAN Centrality? Another issue to ponder.

23. These are some foods for thoughts for all of us tonight before we start tackling food for our stomach. I thank you for your attention.

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