Chapter 7

A Social Contract for an Integrated Sustainability Framework for AEC and a Transformative ASEAN

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7.

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1. ASEAN Integration Mechanisms and the Unfolding of An Economic Renaissance

ASEAN's continued growth and stability rests, first and foremost, on each of the ASEAN Member States (AMS) pursuing sound policies for their own sake – which is precisely how many have grown so fast in recent decades (Anbumozhi, 2017). As trade and financial links within the region grow, each Member State's outlook for sustainable economic growth increasingly depends on what happens to their neighbours. A shock – including a policy decision – that originates in one AMS can quickly and forcefully affect others. To the extent that ASEAN's economic integration is a vital factor in luring fragmented production to the region, currency dislocations could prove highly disruptive. Since ASEAN economies are increasingly synchronised, they may sometimes gain from formulating a common response. In principle, there could also be gains to formulating different responses to common shocks insofar as different countries are affected differently by the same shocks. This could be seen in the Asian economic crisis of 1997, the global financial crisis of 2008, and the coronavirus disease (COVID-19) pandemic in 2021. Broadly, three types of regional economic policy cooperation were conceived during normal times that were accelerated during the crisis, namely information sharing, new regime setting, and policy coordination (Ferry, 2021). The most rudimentary, information sharing within the ASEAN Economic Community (AEC), involves a mechanism for dialogue, and possibly surveillance, that seeks to improve each AMS's understanding of the economic integration performance, macroeconomic and structural issues, policy objectives, and policy choices faced by its peers. This enhanced the region's economic welfare after the 1997 financial crisis by enabling each country's policymakers to use more accurate information about neighbours in their own decisions. Regime setting involves agreeing on common rules of the game, within which individual countries can pursue independent policies that suit their economic interests. This type of policy cooperation includes regional agreements on removing

tariff barriers, financing arrangements, rules for exchange rate management, and frameworks for action such as the AEC in 2015 as well as the ASEAN Comprehensive Recovery Framework in 2020 (ASEAN, 2015a; ASEAN, 2020a). Under these frameworks, policy coordination across the countries and sectoral bodies takes place in various forms and in varying intensities. A weaker form might involve acting in concert to avoid unexpected spillovers such as the Chiang Mai Initiative (Asami, 2005). This took place in the 1990s when the task of fiscal expansion or currency appreciation was assigned to a group of countries. In its most ambitious form, the economies' policymakers would act as if the region were a single economy to maximise a weighted sum of their economic welfare. The successful launch of the Regional Comprehensive Economic Partnership is a good example of this, although arguably it can go even further to include stringent sustainability issues.

ASEAN cannot rely entirely on a global framework, however, to help address the challenges associated with increasing regional spillovers of economic integration and enhancing the delivery of public goods such as climate change, biodiversity, and the circular economy. Some kind of formal policy dialogue and cooperative framework is needed, if only to mitigate the political tensions that may arise from increasing macroeconomic interdependence; and because institution-building takes time, it must begin now. Thus, the main task of the AEC is to strengthen existing mechanisms of information sharing, policy dialogue, and mutual surveillance, and to identify areas in which agreeing on common policy regimes could yield mutual gains for sustainability across the sectors and countries.

Cooperation is also needed to build a global architecture based on the principles of regional cooperation to secure sustainability. For crises such as climate change, a global framework for managing and resolving diverging solutions provided too little help. It also showed that contagion has a geographic dimension because neighbouring economies tend to share similar characteristics, are more closely connected than other economies, and are perceived as similar by outside investors. There is thus a case for establishing regional sustainability doctrine under the framework conditions of AEC, to complement, not be a substitute for, the global framework.

2. Mega Trends in the Economic Integration and Sustainability Challenges of ASEAN

2.1. Poverty and Inequality

Given the complexity of ASEAN's social development problems, efforts to tackle poverty and inclusion need to rest on systematic information about which groups are left behind and why. Much progress has been made in recent years – especially in the context of the Sustainable Development Goals (SDGs) towards understanding the scope and causes of multidimensional inequality and poverty, in both its income and non-income dimensions. The good news is that ASEAN looks set to meet the SDGs of halving extreme poverty by 2030. Extreme poverty fell by just under a third in the Philippines between 1994 and 2023 (World Bank, 2022). Across ASEAN the fall in those living on less than $2 a day has been less impressive: in no country has it halved in the last decade or so. The persistence of inequality

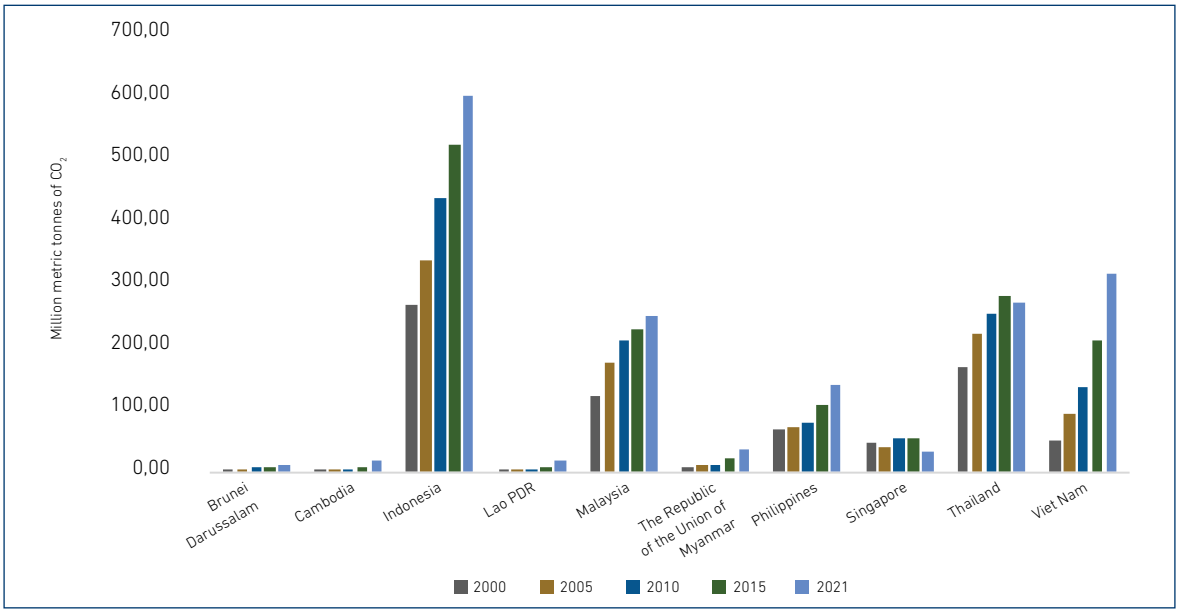
is socially unacceptable and may undermine support for regional integration. Whilst the pattern of export-driven industrial development in ASEAN is uneven, the economies in the region are growing fast, therefore the gaps start shrinking.

More worrying, perhaps, is that inequality within many Asian countries is high and rising. Measured by the Gini coefficient, inequality has fallen in Thailand and Viet Nam. Even so, this does not involve 'the poor getting poorer and the rich getting richer', rather the 'rich getting richer faster than the poor' (Ali and Zafaralla, 2007). The region's overall development model is working, but the gains need to be shared more equally. Several studies suggest that high inequality can limit the impact of economic growth on poverty reduction. This, in turn, lessens its impact on regional integration. It may also hinder growth itself since the potential of the less fortunate is wasted. It may spur demands for growth-sapping redistributive policies. Cross-country data suggests that inequality hurts growth, particularly in low-income countries within ASEAN. The causes of growing inequality vary, but one is that, in general, the rich are better equipped to exploit the opportunities offered by environmental issues.

2.2. Resource Consumption, Pollution, and Carbon Emissions

Environmental concerns in ASEAN are increasing, particularly because economic growth in much of the region remains fuelled by carbon-intensive production. As AMS continues to grow, so will their demand for energy. The challenge is to achieve an orderly and affordable energy supply and demand.

Figure 7.1. The Evidence of Increased Levels of Carbon Dioxide, 2000–2021



CO_2 = carbon dioxide, Lao PDR = The People's Democratic Republic of Lao.

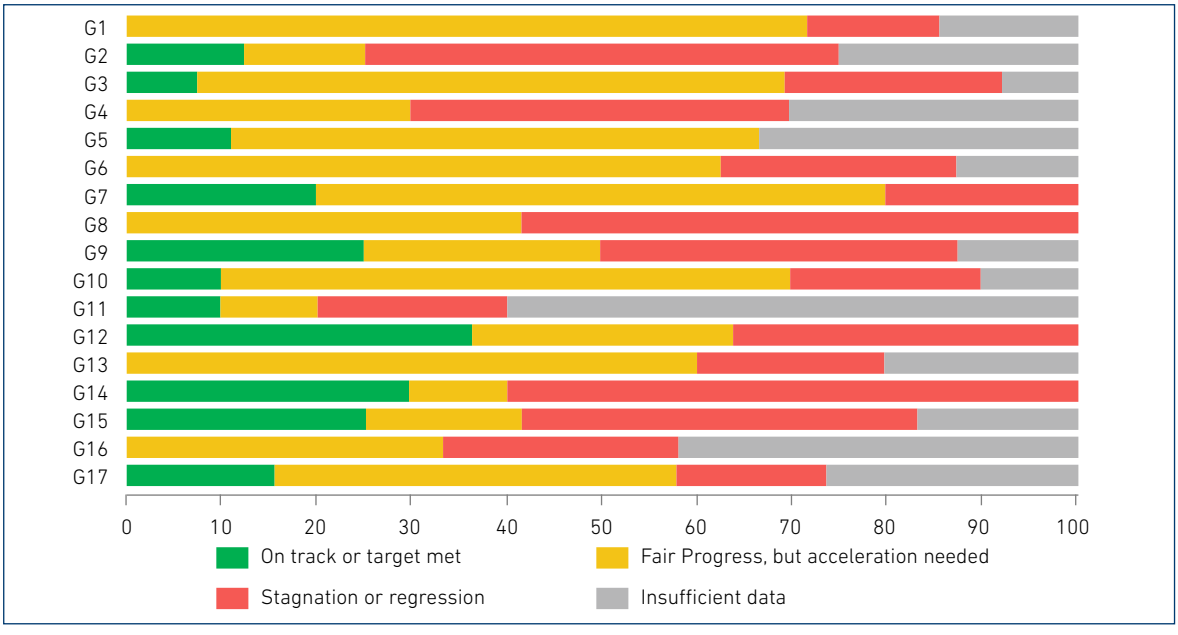
Source: Author's calculations in 2024 generated from data provided by Global Carbon Project (2024).

Figure 7.1 depicts CO_2 emissions that have been produced since 2000. Human actions have been the trigger that has accelerated global warming to unprecedented levels. Climate change is inextricably linked to sustainability, in that the effects that climate change brings, have multiplying consequences for sustainability (IPCC, 2023). Many of ASEAN's major urban centres have unacceptably poor indoor and outdoor air quality (UNEP, 2018). Dangerous air pollutants remain at dangerously high levels in many cities. The region's water bodies – including its major water supplies – are also under stress. The discharge of untreated waste and pollutants from households, farms, industries, and municipalities also contributes to the spread of waterborne diseases and is a major public health issue.

The region's environmental problems are increasingly caused by factors that cut across national borders. For example, the transboundary haze that covers most of Indonesia, Malaysia, and Singapore, is caused by pollutants released by the burning of fossil fuels and rural biomass across ASEAN. Problems such as desertification and dust storms, which plague Cambodia, the People's Democratic Republic of Lao (Lao PDR), and Viet Nam, cut across national boundaries. Water and natural resources that are shared by several countries are often a source of friction. Sudden shifts in regional weather patterns, such as monsoons and El Niño, may also raise the risk of natural disasters whilst rising temperatures will spread the range of vector borne diseases such as malaria and dengue fever (Sawada and Oum, 2011).

2.3. Sustainable Development Goals

Figure 7.2. The Progress of the Global Sustainable Development Goals Halfway through 2030 (%)



G = Goal.
Source: UN DESA (2023a).

Halfway through 2030, the world has made worrying progress on its SDG track. Half of the 140 targets that can be examined are somewhat or seriously off-course. Of these 70 targets, 30% have undergone stagnation or regression below 2015 levels (Figure 7.2) (UN DESA, 2023b). There is a need to intensify collective global efforts to keep SDGs on track (UN DESA, 2023a). To achieve this, discussions and decisions around sustainability have revolved around enacting sound standards for disclosure that increase transparency and reduce the potential for confusion between genuine sustainable products and greenwashing. As a result, stringent environmental, social, and governance requirements and potential litigation risks are envisaged.

In addition, energy security is still a priority over climate mitigation strategies in the global sustainability regime, reinforcing the role of fossil fuels as an energy source that is hard-to-replace in the energy systems of many countries. Consequently, climate adaptation strategies are more prominent than mitigation action to ameliorate the climate risks that countries bear, as well as to safeguard the productive capability of the economy. It is estimated that $160–$340 billion in adaptation finance will be required annually to tackle climate risks by 2030, especially those risks associated with water scarcity (UNEP, 2022). Thus, investments that address water scarcity issues are currently more sought after by companies and investors. As the interconnection between nature and the economy becomes more apparent, NRM solutions will be increasingly integrated into the architecture of sustainability policies (Allen et al., 2023). (Figure 7.3)

3. ASEAN Responses to Sustainability Challenges in the 2025 Framework

ASEAN Community Vision 2025 (n.d.) envisions a peaceful, stable, and resilient community with an increased capacity to respond to challenges effectively. The region's operations must be balanced between inward-looking cooperation and outward-looking collaboration with non-Member States. Regarding sustainability, Vision 2025 emphasises the importance of incorporating the global goals of 2030 into regional efforts to improve the living standards of the region's citizens.

This section sets out how ASEAN responds to the global sustainability trends. Four visions that serve as the pillars of ASEAN community are explored, to assess in what way and to what extent sustainability has been incorporated in the community visions: (i) the AEC; (ii) the ASEAN Socio-Cultural Community (ASSC); (iii) the ASEAN Political Security Community (APSC); and (iv) the ASEAN Connectivity 2025 (ASEAN, 2015a).

3.1. The ASEAN Economic Community (AEC)

ASEAN selectively opted for 'community' instead of 'union' in AEC to signify that the grouping had no intention of building a unification such as that of the European Union (EU). Therefore, efforts towards regional economic integration should be carried out without underserving, let alone handicapping, national importance (Drysdale, 2017). However, challenges to recover from the COVID-19 pandemic, tackle the current global pressing issues, and prepare to deal with future shocks have encouraged the AEC to promote collective action on three priority areas: digital transformation, sustainable development, and deepening regional and global market integration. As a strategic move to maintain the region's economic competitiveness and resiliency, ASEAN has actively mainstreamed the sustainability agenda across all sectors. The AEC Council Ministers recently engaged in fruitful discussions on several sustainability subjects, including the circular economy, carbon neutrality, the taxonomy of sustainable finance, and the electric vehicle ecosystem, during the Special Retreat Session held on 7 May 2023 (ASEAN, 2023a).

3.2. The ASEAN Socio-Cultural Community (ASCC)

The ASSC Blueprint 2016–2025 serves as a guideline for AMS to realise a community that satisfies four criteria: inclusivity, sustainability, resilience, and dynamism. Overall, the Blueprint has made satisfactory progress in implementation of its aims. For 'inclusive' criteria, the region can engage more people through public outreach and capacity building, resulting in a higher rate of activity implementation, (76.8% of 387 total activities) (ASEAN, 2021a). For 'sustainable' criteria, ASEAN has shown noticeable progress in sectoral activities. They have, for instance, enhanced the Nationally Determined Contributions of AMS as well as increasing regional initiatives that promote sustainable use of biodiversity (ASEAN, 2021a). For the 'resilient' criteria, ASEAN Member States (AMS) have enhanced their financial systems and the interconnected areas of food, water, energy, and social safety nets to address crises caused by climate change and COVID-19, particularly during the period of 2016–2019. (ASEAN, 2021a). Lastly, key progress was also demonstrated in the 'dynamic' criteria through an increased number of visitors to the ASEAN website, research collaborations, and prominent efforts to promote movies produced by AMS at international levels (ASEAN, 2021a).

3.3. The ASEAN Political Security Community (APSC)

The APSC works to ensure that people in AMS live in peace within ASEAN, and with the rest of the world in a just, democratic, and harmonious environment (ASEAN, 2016). In its implementation, APSC embodies the following characteristics: (i) a people-centred community bound by fundamental principles, shared values, and norms; (ii) a resilient community that is fully prepared to face turmoil that challenges the common good of the region; (iii) an outward-looking community that deepens cooperation with externals and (iv) a community with strengthened institutional capacity to address today's pressing challenges, such as sustainability (ASEAN, 2016). For 2025, the APSC set a more ambitious goal of enhancing ASEAN's centrality whilst also playing a constructive role globally in realising an inclusive community, that is, a community where human rights and social justice are satisfied whilst the capacity to respond effectively to emerging challenges is enhanced. The regional response to sustainability in APSC is more limited than in other visions, focusing on the preservation of the sustainable use of maritime resources and the protection of biodiversity (ASEAN, 2016).

3.4. The ASEAN Connectivity Plan 2025

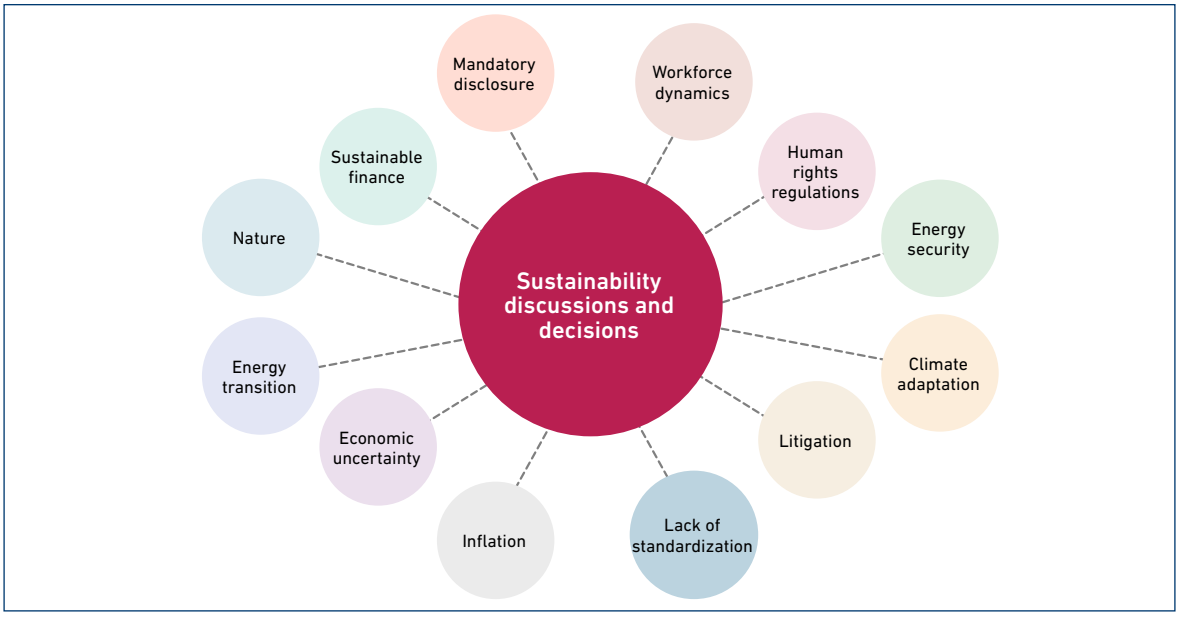
The Master Plan on ASEAN Connectivity 2025, adopted by ASEAN leaders in 2016, aims to achieve a seamlessly and comprehensively connected and integrated ASEAN (ASEAN, 2021b). It consists of 15 initiatives divided into five strategic areas, that, if completed, will primarily address sustainability issues: (i) sustainable infrastructure; (ii) digital innovation; (iii) seamless logistics; (iv) regulatory excellence; and (v) people mobility (The ASEAN, 2021b). Significant progress was shown in each area. Within sustainable infrastructure, projects worth $35.9 billion have been identified (ASEAN, 2021b). By 2030, a robust digital governance framework will have streamlined the trading process in the region, allowing ASEAN to generate over $100 billion in exports. Seamless logistics driven by better border facilitation, resulting in an assumed 50% reduction in transit time and costs across 34 ASEAN borders from 2015 onwards, could add 0.05% to ASEAN gross domestic product by 2025 (ASEAN, 2021b). Regulatory convergence on Non-Tariff Measures could reduce regional average agricultural product prices by up to 4% and industrial product prices by up to 1.5%. Lastly, there has been an average increase in GDP of 0.08% due to the free mobility of the workforce in the region (ASEAN, 2021b).

3.5. Managing the Sectoral and Community Actions Towards Shared Prosperity and Sustainability

ASEAN is keen to achieve mutual prosperity and sustainability. This is carried out by being committed to realising the four visions set out through the AEC; the ASSC; the APSC; and ASEAN Connectivity 2025 (ASEAN, 2015a). Through AEC, ASEAN seeks to accelerate regional economic growth, bolster job creation, and improve living standards for all. In ASSC, the region focuses on distributing the benefits of rapid economic growth in an inclusive manner, such as equal access to healthcare and education for all. For APSC, ASEAN strives to maintain all benefits from development that flourishes in the region to be resilient enough to withstand current shocks and uncertainties in the future. Finally, as a region that applies open regionalism, ASEAN is also keen to promote and preserve its relationship with non-Member States. Therefore, physical, and socio-economic barriers that hinder the region from extending its relationships with other countries are addressed in ASEAN Connectivity 2025.

Low-income countries cannot single-handedly cope with the increased frequency and intensity of natural disasters as the ASEAN Agreement on Transboundary Haze Pollution and ASEAN Framework for Environmentally Sustainable Cities show. Regional bodies such as the ASEAN Smart City Network could play an important role to promote cooperation on sustainability issues and provide much-needed technical advice and financial support. Subregional initiatives provide a good model for other countries in the region.

Figure 7.3. Trends in Discussions and Decisions about Global Sustainability



Source: Allen et al. (2023).

4. Imperatives for a Transformative, Inclusive, and Sustainable ASEAN Economic Community

The implementation of the AEC has faced several challenges since its inception in 2003. These challenges can be grouped into various categories, including economic, political, and social. Some of the key challenges that the AEC has encountered in its implementation include

i. **Diverse economic development levels:** AMS have varying levels of economic development, which makes it challenging to harmonise economic policies and standards. Countries such as Malaysia and Singapore are more advanced economically than others, such as Cambodia and the Lao PDR. Bridging these economic disparities is a significant challenge (Chia, 2013).
ii. **Infrastructure gaps:** Inadequate infrastructure, including transportation, energy, and digital connectivity, remains a significant challenge. Addressing these infrastructure gaps is crucial for the efficient movement of goods, services, and investments across the region (ASEAN, 2020b).
iii. **Skill mismatch:** The AEC's goal of labour mobility and the free flow of skilled labour has faced challenges due to differences in education and skills training across AMS. This has resulted in a mismatch between labour supply and demand (Weno and Anggraini, 2022).
iv. **SME integration:** Integrating small and medium-sized enterprises (SMEs) into the AEC is a challenge. Many SMEs lack the resources and knowledge to navigate cross-border trade and may struggle with compliance and access to finance (Thanh, Narjoko, and Oum, 2010).
v. **Lack of public awareness:** Public awareness of the AEC's goals and potential benefits is often limited. Governments and institutions need to engage in public outreach and education to create a supportive environment for regional integration (Amindoni, 2015).
vi. **Political will and coordination:** Political commitment amongst Member States is crucial for effective AEC implementation. Ensuring that all countries remain committed to the common objectives and collaborate on policy changes is an ongoing challenge (ERIA, 2012).

AEC continues to face new and evolving challenges as it seeks to deepen economic integration and regional cooperation. Some of the new challenges for the AEC include:

i. **Digital transformation:** The rapid digital transformation of economies poses both opportunities and challenges. AMS need to adapt to new technologies, e-commerce, and digital platforms whilst ensuring data privacy, cybersecurity, and equitable access to the digital economy (ASEAN, 2022).
ii. **Pandemic resilience and economic recovery post-pandemic:** The COVID-19 pandemic has emphasised the need for better health infrastructure, healthcare cooperation, and pandemic preparedness within ASEAN. AMS must work together to enhance health systems and secure a resilient response to future health crises. Additionally, it is important to work together to promote economic recovery, stimulate job creation, and address the economic fallout from the pandemic (ASEAN, 2020a).
iii. **Sustainable development and climate change:** AEC countries are increasingly focusing on sustainability, environmental protection, and addressing climate change. This includes implementing green policies, promoting renewable energy, and developing sustainable infrastructure to balance economic growth with environmental concerns (Ding and Beh, 2022).
iv. **Regulatory harmonisation and trade facilitation:** Continued efforts to harmonise regulations, reduce trade barriers, and streamline customs procedures are needed to ensure the smooth flow of goods and services across the region (ASEAN Trade Facilitation, n.d.).
v. **Cross-border infrastructure development:** ASEAN needs to continue investing in cross-border infrastructure projects to improve transportation, energy, and digital connectivity. These projects are essential for facilitating trade and fostering economic development (Anbumozhi and Singh, 2023).

vi. **Labour mobility and skills development:** Whilst labour mobility is a key component of the AEC, challenges remain to ensure that workers can move across borders with appropriate skills and qualifications. Bridging the skills gap and promoting lifelong learning are essential (Demetrios et al., 2015).

To address these challenges, AMS need to continue working together, making necessary policy changes, investing in infrastructure, and promoting a culture of regional cooperation. Overcoming these challenges is essential to achieve the AEC's vision of a single, integrated economic community in Southeast Asia.

4.1. Transformative Action Areas in an ASEAN Single Market

As the AEC moves towards a more integrated single market beyond 2025, a critical challenge for the region is how to build a resilient future that delivers growth, sustainability, and inclusion. With new risks emerging (e.g. economic fragmentation) and existing ones intensifying (e.g. climate change, post-pandemic, and geo-political tensions), the path ahead for the AEC can be profoundly daunting. Evidence suggests that growth, sustainability, and inclusion are deeply connected (Sternfels et at., 2021). Without growth, market integration is unlikely to flourish; and without considerations of environmental sustainability, markets can fail to ensure resilient economic and social outcomes. The impacts of human-induced climate change on the natural environment, individual economies, and societies are likely to be intense and far-reaching with Southeast Asia being highly affected. The ASEAN Comprehensive Recovery Framework also articulated how the path to post-pandemic recovery should be linked to a holistic resilience and a sustainability agenda focusing on growth, health and human security, and digitalisation.

In the post-2025 AEC, therefore, environmental sustainability, social inclusion, and economic integration cannot be viewed as trade-offs, but rather as ideal goals that can be pursued simultaneously and whose linkages can be harnessed to deliver broad-based prosperity. To achieve this, ASEAN should adopt a different approach to market integration, i.e. one that is more dynamic and can implement measures in response to changing social, environmental, and economic conditions. A good example of this is the way that climate change mitigation can help drive new green growth and job generation opportunities. As the trade policy landscape is evolving rapidly towards a single market, embracing broad modern digital technologies also requires agreements on mitigating climate change, adopting sustainable production and consumption models, and reducing other transboundary environmental and health risks. These transitions require a fundamental shift in the sectoral policies that are designed with an outcome-based approach. Unfortunately, this is something that is yet to be fully addressed under the AEC. Whilst sustainability is discussed, it is done as a sectoral issue (e.g. decarbonisation in the energy sector, circular economy in the agricultural sector, or climate finance in the finance sector) but not as part of the overall strategies of the AEC.

4.2. Importance of Embedding Sustainability in an ASEAN Single Market

Since the 1990s, ASEAN's efforts to open their economies and conduct liberal trade policies – from the ASEAN Free Trade Area in 1993 to the AEC in 2015 – have supported the region's economic growth. This growth also coincides with dramatic changes in productivity and efficiency gains, particularly in manufacturing (Tonby, Ng, and Mancini, 2014), deepening participation in global value chains, lowering trade and logistic costs (ASEAN and World Bank, 2013), and leading to a decline in poverty (ADB, 2023). Unfortunately, despite the progress in economic growth, deep fractures in the market system have also become more visible. One issue is the inability to translate market outcomes into higher opportunities and living standards for the people. For example, although poverty incidence in the region has declined significantly, from an average of 7.3% in 2010 to 2.2% in 2020, income inequality remains high (Anbumozhi, Kalirajan, and Kimura, 2022). The region's average Gini coefficient of 0.37 has stood almost the same since 2010s, whilst the income ratio of the highest 20% to lowest 20% income levels has also hardly changed (Anbumozhi, Kalirajan, and Kimura, 2022). Despite signs of continuous progress in economic integration, several SDGs are delayed by the COVID-19 pandemic, and achieving the targets by 2030 remains a major challenge to all AMS (Anbumozhi, Kalirajan, and Kimura, 2022)

Another issue is the failure of markets to support sustainable development outcomes, particularly the adverse impact of climate change and environmental degradation on growth. Anbumozhi and Singh (2023) estimate that ASEAN needs a total of $580 billion per year (or roughly 3.6% of regional gross domestic product) to achieve net zero emissions by 2060, in addition to higher investments needed to decarbonise emission-intensive sectors such as power, transport, and buildings. This higher spending relative to GDP will not only stifle growth but will also expose lower-income households that are disproportionately vulnerable to climate change risks and environmental impacts. ASEAN countries account for a growing share of carbon emissions as the global production structures are influenced by the rise of global value chains, population dynamics, and technological change.

Given the scale and complexity of sustainability challenges, one priority for AEC is to ensure that sustainability is well embedded in the market integration process. Embedding sustainability in regional economic integration means the ability to 'drive growth and generate long-term value through incorporation of balanced natural, social, human, and financial capital values' (WEF, 2019). In turn, sustainable markets enable the region to orient towards high-quality growth and develop enhanced resilience against future shocks.

There is an intricate relationship between international trade, global value chains, and SDGs. In practice, both sustainability and market integration can reinforce each other. Whilst the former can enhance regional cooperation and integration by addressing shared economic, environmental, and social challenges, the latter helps pool together regional resources and knowledge and facilitate possible policy coordination and regulatory harmonisation amongst Member States to pave the way to achieving sustainability. The implications are also far-reaching.

First, prioritising sustainability can promote ASEAN trade and investment as environmentally responsible and socially inclusive, particularly addressing the needs of rural communities, indigenous people, and marginalised groups. Moreover, ASEAN's commitment to global sustainability agendas can enhance the region's international standing and consolidate its integration in the global value chains.

Second, ASEAN countries are rich in natural resources and biodiversity, which are assets for the long-term economic and social well-being of the region. But this also means that the region is very vulnerable to environmental challenges such as deforestation, air pollution, or even rising sea levels and disasters caused by extreme climate events. Bearing sustainable development in mind, AEC provides a regional mechanism for managing shared resources and environmental challenges effectively, promoting long-term economic stability and prosperity.

Third, sustainable production and consumption practices can help ASEAN countries diversify their economic dependence on resource-intensive industries and increase their capacity to withstand economic fluctuations and changes in the environment. For instance, many ASEAN countries rely heavily on agriculture and fisheries. Securing food and water for the region's growing population calls for protection against overfishing, soil degradation, water pollution, and so on. Moreover, the region's growing energy demands necessitate more investment in renewable and green energy and accelerate the transition to a low-carbon economy.

Finally, many ASEAN countries are experiencing rapid urbanisation. Ensuring sustainability of ecosystem services in this transition involves not only digitally enhanced smart city measures but also the preservation of the rich cultural and historical heritage in ASEAN, which is a key component of the indigenous regional identity. Economically, it increases ASEAN's attractiveness as a destination for tourism and investment and lifts the historically underserved traditional local communities.

4.3. Missing Elements in Achieving Deep Sustainability in a Single Market

To achieve all the above, an integrated approach to sustainability is needed where both sustainability and inclusion drive market integration in a resilient way and reinforce each other. They should develop a system where market integration outcomes are aligned with environmental resilience and social equality. Such a system will also ensure that all emerging sustainability initiatives and frameworks under the AEC are well-connected and can transform market mechanisms to work for sustainability.

4.3.1. Climate Change and Low-Carbon Energy Systems

ASEAN is vulnerable to the impacts of climate change due to its location and socio-economic conditions. Addressing climate change and transitioning to low-carbon energy systems are critical priorities for ASEAN. The region is making progress in these areas through cooperation, policy development, and investments in sustainable and clean energy technologies. ASEAN Plan of Action for Energy Cooperation (APAEC) outlines key strategies for energy cooperation within ASEAN, with an emphasis on sustainability, including the promotion of low-carbon and renewable energy sources (ACE, 2021).

Due to the various manifestations of climate change, stakeholders, including those who were initially sceptical, have come to acknowledge its reality and the importance of investing in strategies to mitigate its effects (Azhgaliyeva and Rahut, 2022). Therefore, reducing greenhouse gas emissions and mitigating climate change through low-carbon energy systems is a multifaceted and urgent challenge.

A low-carbon energy system is a fundamental component of efforts to mitigate climate change and transition to a more sustainable and environmentally responsible energy landscape (IEA, 2017). Implementing a low-carbon energy system involves a comprehensive approach that includes policy development, technological advancements, infrastructure improvements, and behavioural changes. It comprises the following elements:

Policy development. In the context of policy development, setting clear and measurable goals for reducing carbon emissions and increasing the use of low-carbon energy sources is imperative. ASEAN had set a collective target to achieve 23% of its primary energy share from renewable energy sources by 2025 (ACE, 2020b). This target was outlined in the APAEC from 2021 to 2025.

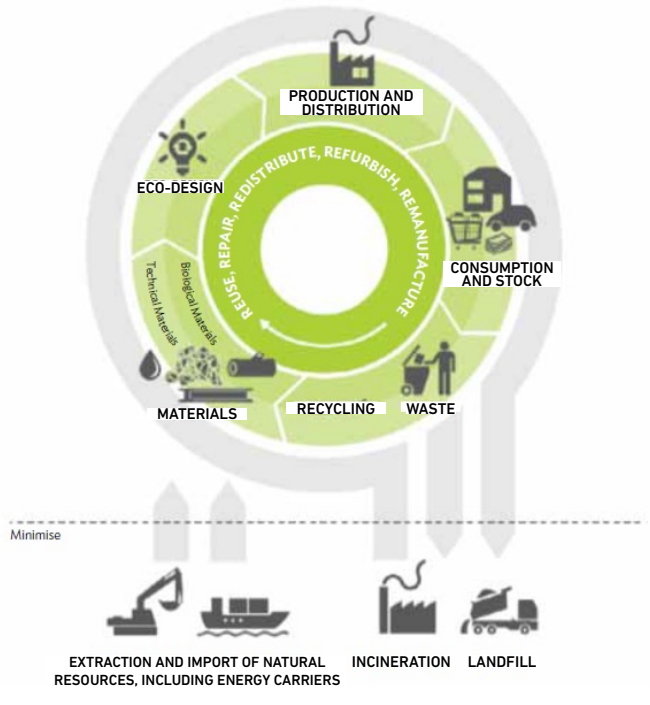
Technological advancement and infrastructure improvements. In response to the rising challenges posed by growing energy demand, ASEAN is keen to advance low-carbon technologies and strengthen infrastructure. This endeavour is carried out by bolstering energy security, facilitate energy accessibility, adoption of novel renewable energy technologies, and ensure affordability in the region (ACE, 2021).

Behavioural change. This is a crucial and often underestimated component of transitioning to a low-carbon energy system. Whilst technological and policy solutions are essential, changing individual and collective behaviours plays a significant role in achieving sustainability and reducing carbon emissions. The implementation of behavioural changes aimed at reducing energy use has the potential to enhance both individual welfare and public health, whilst also playing a significant role in the process of decarbonisation (IEA, n.d.; Niamir et al., 2018).

4.3.2. Circular Economy and Sustainable Consumption

The circular economy encompasses a range of industrial processes and business strategies that aim to minimise waste generation by promoting the repeated use of natural resources (Figure 7.4). The core of the circular economy lies in economic principles and competitiveness, urging companies to enhance their economic advantage by adopting resource optimization strategies like reducing waste, reusing products, and recycling by-products. (Anbumozhi and Kimura, 2018). The approach to resource efficiency employed in this system merges the principles of cleaner production and industrial ecology into a border economic growth paradigm. This approach involves industrial enterprises or networks of firms, to support optimal use of resources (Di Maio and Rem, 2015). The Framework for Circular Economy for the AEC was endorsed by ASEAN during the 20th AEC Council Meeting in 2021 (ASEAN, 2021c). The primary objective of the framework is to provide guidance to ASEAN in the pursuit of its overarching objectives, which include the development of a robust economy, the promotion of resource efficiency, and the attainment of sustainable and inclusive growth. ASEAN, as a regional bloc, has recognised the importance of the circular economy. The ASEAN Plan of Action for Cooperation on Environment and the Joint Declaration on Circular Economy are notable examples of the region's commitment to promoting a circular economy. These agreements reflect the commitment of AMS to address environmental and sustainability challenges whilst fostering economic growth and innovation through the adoption of the circular economy.

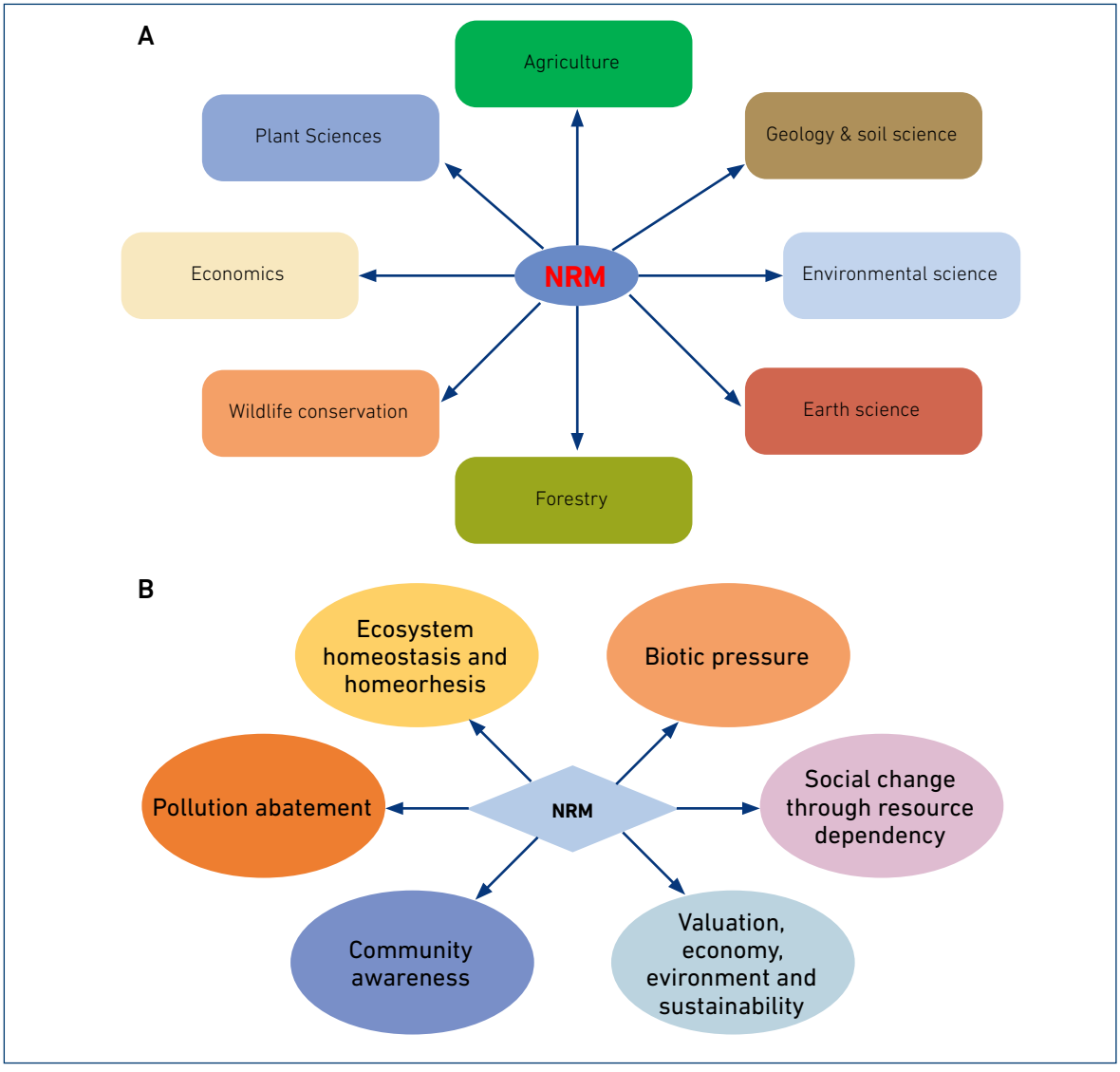
Figure 7.4. A Simplified Model of the Circular Economy



Source: EEA (2016).

The concept of the circular economy is centred around the objective of reducing waste generation whilst simultaneously optimising resource utilisation. In contrast, sustainable consumption promotes the adoption of decision-making processes by individuals and enterprises to make choices that reduce resource consumption. Collectively, their objective is to maximise the utilisation of resources, guaranteeing their effective allocation and minimising wastage. Both concepts aim to minimise the environmental impact of production and consumption. The circular economy paradigm facilitates sustainable consumption patterns and guides both public and private investment decisions, ultimately fostering economic development (Grytsyshen, Sergiienko, and Ksendzuk, 2020).

Figure 7.5. Natural Resource Management as a Multidisciplinary Approach (A); Sphere of Natural Resource Management (B)



NRM = natural resource management.

Source: Jhariya, Meena, and Banerjee (2021).

The concept of the circular economy presents a viable approach to mitigating waste, preserving resources, and fostering a resilient and prosperous future. Although the concept of the circular economy has significant potential, it is not without its obstacles and hurdles (Sustainable Insights, 2023). A successful circular economy requires the promotion of sustainable consumption behaviours and the cultivation of an approach that values quality, durability, and circularity to influence consumer behaviour; governments that provide incentives to promote the implementation of circular models and create an enabling environment that supports companies in their transition towards circularity; and the cooperation of businesses, politicians, academics, and civil society to tackle systemic obstacles, exchange successful strategies, and foster innovation to expand circular initiatives.

4.3.3. Natural Resource Management

NRM is concerned with the responsible use of natural resources, such as land, water, air, minerals, forests, fisheries, and wild flora and fauna (Muralikrishna and Manickam, 2017). Collectively, these resources contribute to the provision of ecosystem services that enhance the overall quality of human existence. Natural resources play a crucial role in sustaining life by offering essential consumptive and public-good services (Muralikrishna and Manickam, 2017). NRM is complex in its pursuit of sustainable development and long-term sustainability (Jhariya, Meena, and Banerjee, 2021), requiring a study of resource consumption patterns that includes sustainable harvesting practices, optimal utilisation of resources, and the preservation and management of biodiversity (Raj et al., 2022).

As shown in Figure 7.5, NRM approach is a comprehensive management process that adheres to the 'plan-do-check-act' cycle commonly seen in traditional management processes. Its primary objective is to attain sustainability across several domains (Jhariya, Meena, and Banerjee, 2021). The process encompasses capacity building, the adoption of a multidisciplinary approach, the creation of a comprehensive resource inventory, and the fostering of global collaboration to achieve sustainable development. To ensure the successful implementation of NRM, it is imperative to engage in thorough planning, accurate forecasting, and active community engagement. These procedures are crucial to achieve the desired outcomes and effectively manage natural resources (Jhariya, Meena, and Banerjee, 2021).

ASEAN has developed various agreements, frameworks, and initiatives to foster regional cooperation in NRM, recognising that many environmental challenges cross national borders. Examples include the ASEAN Agreement on Transboundary Haze Pollution, which addresses forest fires and haze pollution, and the ASEAN Centre for Biodiversity, which focuses on biodiversity conservation.

Efforts in NRM within ASEAN are essential for the region's environmental sustainability, economic development, and the well-being of its people. By working collectively, AMS aim to strike a balance between resource use and conservation, ensuring a brighter future for the region and its natural assets.

4.3.4. Climate Compatible Urban Areas

Climate compatible urban areas are cities and urban environments that are designed and developed in ways that consider climate change challenges and aim to mitigate their impact (Taylor et al., 2021). Climate compatible development (CCD) is defined as 'development that minimises the harm caused by climate impacts whilst maximising the many human development opportunities presented by a low emission, more resilient future' (Mitchell and Maxwell, 2010: 1). The CCD framework serves as a guiding tool for aligning policies, programmes, and initiatives to achieve 'triple-wins' in the areas of development, mitigation, and adaptation. Its purpose is to identify and promote synergies and commonalities across these components whilst minimising conflicts (Figure 7.6).

Urban areas serve as centres for economic development and the generation of innovative ideas, but they also contribute to increased emissions and are susceptible to climate change (Khan and Khan, 2023). Given ASEAN's projected increase in population to 790 million by 2050 (Shofa, 2023), it is imperative that AMSs use inventive strategies to construct cities that are compatible with the environment and which move away from a reliance on fossil fuels.

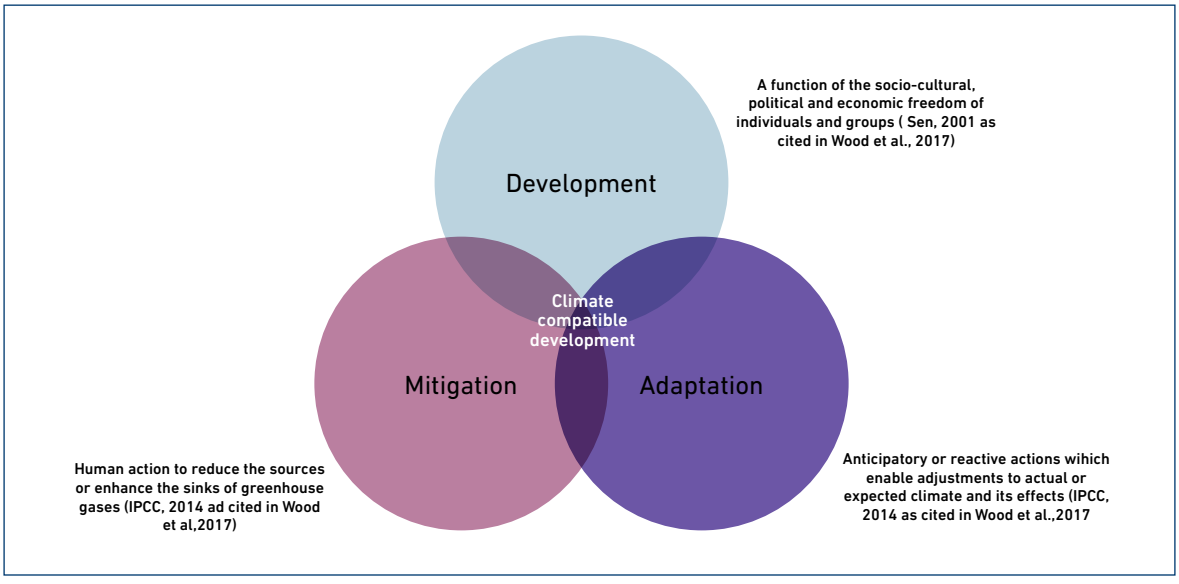
The concept of climate compatible urban areas aims to create cities that are both environmentally sustainable and resilient in the face of climate change, ultimately enhancing the quality of life for urban residents whilst minimising their carbon footprint. Crucial elements of climate compatible urban planning include the following (Affolderbach and Schulz, 2017; Vancouver, 2012; Broto and Westman, 2020):

i. **Climate resilience.** This refers to the capacity of infrastructure, buildings, and urban planning to endure and adapt to the adverse effects of climate change including, but not limited to, extreme weather events, sea-level rise, and heatwaves;
ii. **Sustainable mobility.** This includes advocating for the utilisation of public transport, cycling, and walking as viable alternatives to personal automobiles, with the aim of mitigating greenhouse gas emissions;
iii. **Energy efficiency.** By incorporating energy-efficient technology into sectors such as buildings, transportation, and utilities, the aim is to lower energy consumption and reduce carbon emissions;
iv. **Green spaces.** Increasing vegetation in urban settings, through the creation of parks, green roofs, and gardens enhances air quality, offers shade, and facilitates the absorption of surplus rainwater;
v. **Waste management.** Implementing efficient strategies for trash reduction, recycling, and composting mitigates the environmental consequences associated with the generation of garbage in metropolitan regions;
vi. **Climate adaptation.** This involves formulating and executing plans aimed at effectively responding to the challenges posed by shifting climatic conditions, such as the management of water resources, flood control measures, and the establishment of disaster preparation protocols; and
vii. **Low-carbon technology.** This technology includes renewable energy sources, electric public transit, and energy-efficient appliances.

4.3.5. Sustainable Tourism

Achieving green economic growth requires many things. The tourist sector, which has experienced significant economic setbacks during the COVID-19 pandemic (Fotiadis, Polyzos, and Huan, 2021; Zhang et al., 2023), has the potential to play a pivotal role in promoting sustainable economic growth. It is important to note that actions within the tourism sector should align with environmental concerns. This is the so-called 'ecotourism' or 'green tourism.' In their recent publication, Sørensen and Grindsted (2021) examine the emergence of sustainable tourism as a novel concept aimed at fostering the growth of the environmentally conscious tourism sector that facilitates development objectives in a more rapid and streamlined manner.

Figure 7.6. The Popularised Depiction of Climate Compatible Development and Definitions of its Components



Source: Adapted from Wood et al. (2017).

The UN Environment Programme and UN World Tourism Organization define sustainable tourism as 'tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities' (World Bank and IFC, 2017:5). It is recognised that sustainable tourism can greatly influence a destination's capacity to uphold or establish a robust reputation and a competitive brand, and can augment preexisting associations with local communities, tourists, and other pertinent stakeholders (ASEAN, 2023b). The ASEAN Framework on Sustainable Tourism Development in the Post-COVID-19 Era was launched in early 2023 to provide guidance for ASEAN's sustainable tourism development strategy.

The main objective for Southeast Asia, as set out in the AEC Blueprint 2025, is to transform the region into a 'high-calibre tourism destination' characterised by a distinctive and multifaceted ASEAN encounter with a steadfast commitment to the sustainable advancement of tourism (ASEAN, 2015b). ASEAN Tourism Ministers have collectively adopted the ASEAN Framework for Sustainable Tourism Development in the Post-COVID-19 Era, with the assistance of the Economic Research Institute for ASEAN and East Asia (ERIA), to advance this goal (ASEAN, 2023b). The framework identifies the existing sustainability initiatives and key areas of new development within ASEAN tourist industry (ASEAN, 2023b). The framework delineates five pillars and their corresponding strategic goals.

i. **Sustainable economic growth.** The promotion of sustainable economic growth includes the prioritisation of policy and strategy pertaining to sustainable tourism, investments in green infrastructure, and the implementation of sustainability-focused marketing strategies.
ii. **Social inclusiveness, employment, and poverty reduction.** Promoting the importance of social inclusion, employment, and poverty reduction in the tourism sector emphasises the need to prioritise the creation of quality jobs that offer fair wages and benefits. Additionally, it highlights the need to ensure the widespread and equitable distribution of economic and social advantages. The framework also addresses the challenges faced by women in the tourism industry and emphasises the need for targeted interventions to address these issues. Furthermore, it explores the role of public–private–community partnerships to engage and empower local communities in the tourism sector.
iii. **Resource efficiency, environmental protection, and climate change.** Prioritising resource efficiency, environmental protection, and climate change mitigation addresses the challenges posed by climate change. It emphasises the need to adopt low-carbon practices and promote the efficient use of resources to minimise environmental impact. Additionally, it highlights the significance of preserving ecosystems and conserving biodiversity as part of broader environmental protection efforts. By focusing on these key areas, society can effectively mitigate the adverse effects of climate change and ensure a sustainable future.
iv. **Cultural values, diversity, and heritage.** Promoting cultural values, diversity, and heritage in the context of cultural tourism highlights the importance of protecting both tangible and intangible cultural heritage, as well as showcasing live culture and creative enterprises.
v. **Mutual understanding and peace; health, safety and security.** The Framework discusses key security areas such as promoting mutual understanding and peace; prioritising the management of security challenges; preparing for crisis readiness; implementing multi-hazard risk management strategies; fostering increased communication and cooperation; and engaging in information sharing through international initiatives.

5. Post-2025 Framework on a Transformative and Sustainable ASEAN

5.1. Factors Shaping the Sustainability of ASEAN's Economic Integration

A 'Post 2025 Framework' seeks a forward-looking plan or vision for how ASEAN intends to pursue and achieve sustainable development and transformation beyond the year 2025. Such a framework would aim to foster sustainable economic growth, environmental protection, social well-being, and equitable development within the ASEAN region, contributing to the broader global sustainability agenda. This framework might include the following elements and goals:

i. **Setting global and regional objectives.** ASEAN should align its objectives with the global SDGs, as well as establishing distinct, regional targets pertaining to environmental, social, and economic sustainability.
ii. **Enhancing climate resilience.** This would involve adapting and mitigating the consequences of climate change in the region and should encompass techniques for reducing catastrophe risks and conserving resources. Building climate resilience in ASEAN is vital to ensure that the region can thrive in a changing climate, protect its people and resources, and maintain its economic growth and stability. Given the region's environmental and economic diversity, addressing climate resilience will require customised strategies for different Member States whilst fostering regional cooperation and knowledge sharing.
iii. **Promoting a circular economy.** Promoting a circular economy would aim to transition towards a system that minimises waste generation, whilst simultaneously fostering recycling and responsible utilisation of resources. Promoting a circular economy in ASEAN is essential for reducing environmental impact, conserving resources, and fostering economic sustainability. The region's economic and population growth make it particularly important to adopt strategies that decouple economic development from resource depletion and waste generation.
iv. **Promoting transboundary cooperation.** It will be important to engaging in collaborative efforts with neighbouring countries to effectively tackle common environmental and sustainability concerns. This cooperation is crucial for promoting peace, stability, and sustainable development in the region. It is an integral part of ASEAN's efforts to build a stable and prosperous Southeast Asia (ASEAN, 2023b).
v. **Embracing technological advancements** This would entail the utilisation of technology to promote sustainability, including developments in renewable energy, environmental monitoring, and green transportation.

5.2. An Integrated Sustainability Framework for the ASEAN Economic Community

The challenges that a Post-2025 Sustainability Framework needs to address in the AEC are huge: climate change; biodiversity loss; fossil fuel use; food, water, and financial stability; and more recently, the pandemic. These challenges reflect the structural weaknesses and unresolved risks to economic integration. The causes of these challenges vary, but at a fundamental level, they all share a common feature: the gross misallocation of capital – human, technological, and financial – at the expense of natural capital. This misallocation has led to unchecked social and environmental externalities. As a response to address these concerns, several sectoral frameworks and initiatives have been implemented under the AEC. Table 7.1 summarises the key sectoral AEC initiatives on sustainability. These frameworks recognise that economic integration is needed for inclusive growth, but it must be done sustainably so that income-producing opportunities are not pursued in ways that limit or close off opportunities for future generations.

Whilst these initiatives have raised the importance of market integration to support sustainable and inclusive growth, the lack of interconnections amongst them, particularly in the implementation of activities, has created a divergence rather than a common pathway to achieve the sustainability objectives under the AEC. Despite sectoral frameworks that reflect and complement global efforts on sustainability, crises such as climate change, biodiversity loss, increased energy demand and resource use call for increased sectoral coordination. Enhanced sectoral coordination can create more coherent and predictable policies towards market integration, increase interoperability, and mobilise financial resources to overcome capacity constraints and promote the deployment of green technologies.

An Integrated AEC Sustainability Framework is being proposed to provide a coherent strategy to understand the different aspects of sustainability and how they interact to support economic integration. Figure 7.7 shows that the starting point of the Framework is the recognition that achieving integrated sustainability in the AEC is about systems, i.e. understanding the interconnections between different stakeholders, initiatives, incentives, and market mechanisms to achieve inclusive and sustainable economic growth. This means that the AEC is not only concerned with market contestability, but also about making the links between nature, economy, society, and human well-being work for long-term posterity.

Table 7.1. Sectoral Frameworks and Sustainability Initiatives in ASEAN Economic Community

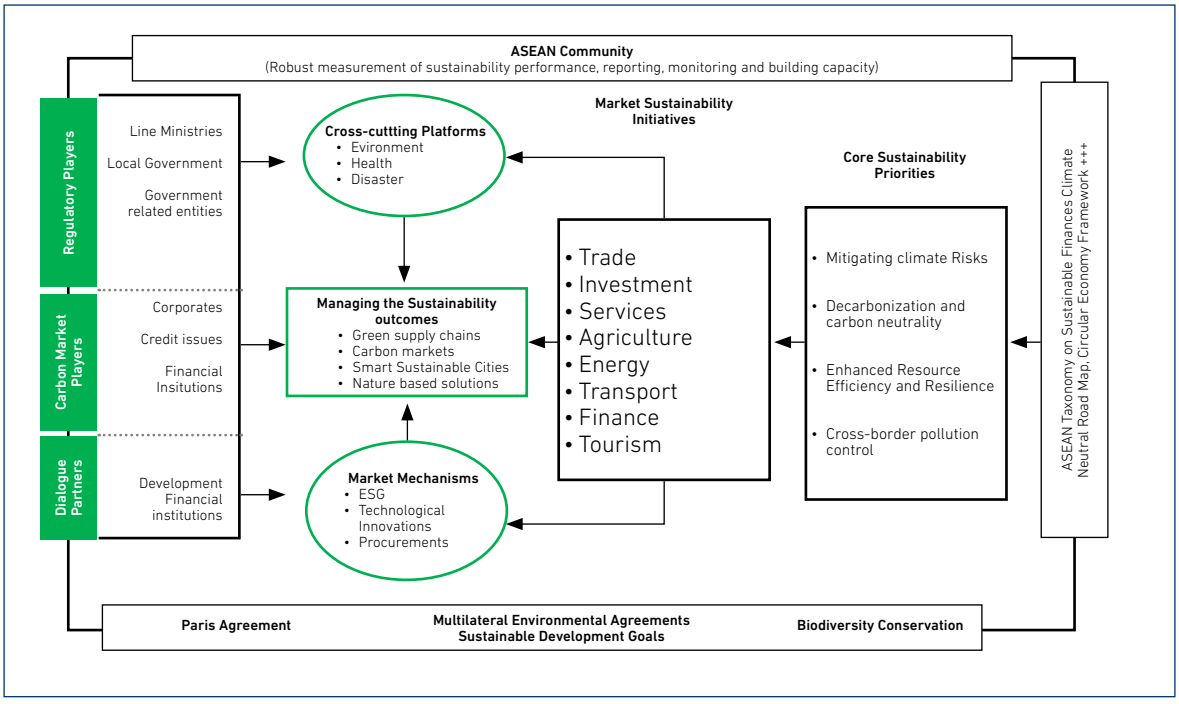
Sustainability initiative	Objective	Embedded ASEAN/AEC values	Progress in implementation	Gaps and way forward
ASEAN Regional Guidelines for Sustainable Agriculture in ASEAN **Sector:** Agriculture Adopted at the 44th AMAF MEeting in 2022	The promote sustainable agricultural practices, enhance food security and nutrition, mitigate climate change, and reduce greenhouse gas emissions, amongst others	Enhanced Connectivity and sectoral Cooperation	To succeed the guidelines' implementation, ASEAN Action Plan on Sustainable Agriculture (draft) will be adopted in November 2024 by the ASEAN Summit. The draft delineate the specific programs, projects, and activities to realize sustainable agriculture in the region	Due to different stages of development and sustainability targets between AMS, it become important if indivudual AMS can jointly discuss how to harmonize their approaches in collectively establishing criteria, indicators, and initiatives towards sustainable agriculture in the region
ASEAN Taxonomy for Sustainable Finance **Sector:** Finance Endorsed by ASEAN Finance Ministers and Central Bank Governor in 2021	To help guide capital mobilization in ASEAN, to advance the sustainable agenda in the region	A Resillient, Inclusive, People-Oriented and People-Centred ASEAN	Two versions of the taxonomy have already been released. Version 1 was designed to define teh overall framework of the taxonomy. Version 2 was focused on further refining the taxonomy to better align with relevant taxonomies in AMS whilst also ensuring its interoperability with international taxonomies, such as EU	The corverage of evironmental objectives (EOs) and sectors in the taxonomy remains limited, which may limit the taxonomy's inclusiveness. thus, looking forward, it becomes critical for the taxonomy to expand its application in term of sectors and environmental objectives
The ASEAN Trade in Goods Agreement (ATIGA) **Sector:** Trade Entered into force in 2010	To achleve free flow of goods, to establish a single market and production base in ASEAN	Highly integrated and cohesive economy	ATIGA has indeed leveraged ASEAN's position in the global supply chain by the following achievements: • Eliminated more than 90% of their intra-regional tariff • Facilitating the removal of non-tariff trade barriers • Domestic brand expands beyond ASEAN level, significantly increasing the region's	Sustainability was not ambeddded as one of the key elements in ATIGA, As an ASEAN flagship trade agreemwnt, it becomes necessary to deepen the application of ATIGA to address sustainability concerns arising from trade withun the region

Sustainability initiative	Objective	Embedded ASEAN/AEC values	Progress in implementation	Gaps and way forward
• The ASEAN Regional Strategy on Sustainable Land Transport • The ASEAN Fuel Economy Roadmap for the Transport Sector • The Guidelines for Sustainable	To advance sustainable transportation in the region, improve energy afficiency, and reduce climate change emissions.	Enhanced Connectivity and sectoral Cooperation	All documents provide guidance, aspirational goals, and indicators that individual AMS can adopt to their transport sector; the documents also provide recommended actions on how AMS can converge their initiatives in transport, to realize regional sustainable transport in	The alacking presence of the ASEAN Mandate is perceived to discourage sectoral cooperation, such as between transport and energy. This situation has caused many activities in the region's sustainable transport to become dependent on International
ASEAN Plan of Action for Energy Cooperation (APAEC) **Sector:** Energy Endorsed at the 32nd AMEM Meeting in 2014	To promote mulitilateral energy cooperation and Integration to achieve the goals of the ASEAN Economic Community (AEC)	Enhanced Connectivity and sectoral Cooperation	Through the seven programs of the APAEC, ASEAN has made key achievements to satisfy te region's sustainable energy targets, The seven programs are: (i) ASEAN Power Grid; (ii) Trans ASEAN Gas Pipeline; (iii) Coal & Clean Coal Tecnology; (iv) Energy Efficiency & Conservation; (v) Renewable Energy; (vi) Reginal Enegy Policy & Planning; (vii) Civillian Nuclear Energy	Energy transition requires massive funding. ASEAN needs to engage more agencies to help the region un such a transition, for instance Just Energy Transition Partnership (JETP)
ASEAN Framework and Sustainable Tourism Development (AFSTD) **Sector:** Tourism Released in 2023	To indentify focus areas in tourism sectors and seeks to capitalise on the initiatives already undertaken in the sector	Enhanced Connectivity and sectoral Cooperation	The framework becomes the ploneer in defining the vision, strategic goals, guilding principles, and priorities of what refer to sustainable tourism in ASEAN, especially in the post COVID-19 era	There is a need to further specify (i) action plan; (ii) effective grovernance; (iii) strong monitoring system in inplementing the framework
The ASEAN strategic action plan for consumer protection (ASAPCP) 2016-2025 **Sector:** Comsumer protection Set out for 10 years (2016-2025)	To facilitate ASEAN to work towards a common consumer protection framework, to increase ASEAN citizens' confildence in the ASEAN Economic Community (AEC), to incorporate consumer concerns into all other ASEAN policies, and to maximize the AEC's benefits for consummers and	A Competitive, Innovative and Dynamic ASEAN	The action plan was able to specify the descriptions of the strategic goals, outcomes, and initiatives to satisfy the embedded AEC value in it, in order to generate prosperity for consumers and businesses	Sustainability is rarely described as an axplicit term in the action plan. It is only described as an embedded value in the outcome 3.3 "Sustainable Consumption is promoted through policy dialogues and information"

AEC = ASEAN Economic Community, AMAF = ASEAN Ministers on Agriculture and Forestry, AMS = ASEAN Member State, ASEAN = Association of Southeast Asian Nations, ATIGA = ASEAN Trade in Goods Agreement, COVID-19 = coronavirus disease, EU = European Union.

Source: Authors' research.

Figure 7.7. Integrated Association of Southeast Asian Nations Economic Community Sustainability Framework based on Public–Private–People Partnership Model



ASEAN = Association of Southeast Asian Nations, ESG = environmental, social, and governance.
Source: Authors' research.

Under the Framework, all AEC sectoral frameworks and agreements (e.g. Taxonomy for Sustainable Financing, Blue Economy Framework, Circular Economy Framework, etc.) must address the four core sustainability priorities, namely, mitigating climate risks, decarbonisation, enhancing resource efficiency, and controlling pollution. In turn, these goals must guide the development and implementation of market-based mechanisms under each sector to reduce environmental risks and enhance sustainability benefits. Unlike in existing frameworks where initiatives are created in silos, the Integrated Framework recognises seamless coordination amongst sectors. This ensures that actions in one sector relate to those in other sectors to address the same sustainability challenges, such as a shift away from carbon-based production, or the provision of new opportunities for the existing global value chain models. The development of sustainability standards along the agricultural value chains – for example, where certain production requirements must be complied with by producers along the chains–can help ensure that commodity-driven trade can still flourish without aggravating biodiversity loss in the agriculture and forestry sectors. This close coordination of actions amongst economic sectors is what the Framework aims to achieve.

5.3. Agents of Transformation for Moving Forward with a New Sustainability Framework

5.3.1. Intersectoral and Multi-Pillar Coordination for a Sustainable ASEAN

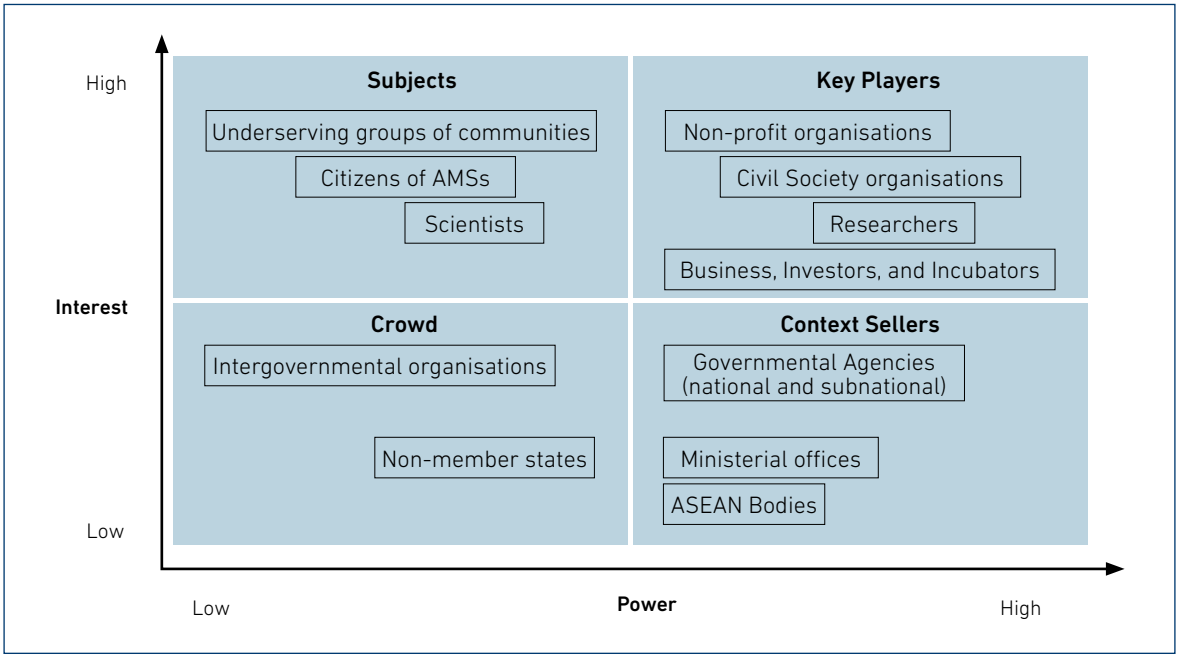
The 'ASEAN way' that strives for flexibility, trust, mutual respect, and consensus has become the social contract that brings citizens in this region together (Anbumozhi, 2017). The region does not pursue unification as the outcome of such a social contract. As a result, rather than relying on official authorities and binding rules, ASEAN enacts numerous frameworks and refers to international law as enablers of streamline cooperation in the region (Anbumozhi, 2017; Laowonsiri, 2016). In practice, this means that transformation in ASEAN should not undermine the growth plans of the AMS at the national levels, allowing any integration initiatives in this region to take place under economic interdependencies, common challenges, and mutual benefits, rather than to transcend into much broader arrangements (Drysdale, 2017). Inevitably, 'community' is the aspiration that ASEAN prominently carries, rather than union, as the EU does. Maintaining sovereignty is prominent in such a 'community' spirit, leading ASEAN to become an institution that is intergovernmental without a central bureaucracy (Varral, 2009). ASEAN operates under the principle of shared but differentiated responsibilities, indicating that it acknowledges that each member state is at a different stage of development. AMS reached an agreement on common measures. The implementation, however, is decided at the national level, and is sectoral-oriented, yet not legally binding (Varral, 2009). At this stage of implementation, the 'ASEAN way' becomes challenging. Relying on frameworks and international law without non-binding mechanisms to govern the intricacies that stem from converging the diverse ASEAN can become problematic if not monitored carefully.

5.3.2. Agents of Innovation for Sustainability

Due to the diverse levels of development within the ASEAN region, it is essential to prioritize efforts that are tailored to the national context of each ASEAN Member State (AMS). Given the varied level of development, resource availability, and demand across the ASEAN region, country-driven efforts become paramount. Therefore, the government plays an important role in dictating the direction and speed of the sustainability agenda in each AMS. Unfortunately, poor efforts to localise SDGs in each AMS have meant that the global agenda is not immediately aligned with the national strategic plan. Consequently, national governments may have less capacity to implement SDGs. Lack of political consonance from state actors has discouraged efforts from grassroots civil society organisations, including women and youths, to mainstream sustainability targets at national and subnational levels (UNDP, 2019). The market, therefore, plays a crucial role to redirect sustainability as the main agenda in AMS' operations by shifting consumer behaviour.

Researchers and businesses play a crucial role in catalysing innovation for sustainability. However, their interests may not be purely to protect the environment, but because of other motives, such as money and prestige. It is, therefore, the non-profit organisations that will be most helpful to advocate for the significance of the 2030 agenda through protests and campaigns, re-framing the perceptions of researchers and businesses to fully support sustainability as their core agenda. Figure 7.8 assesses relationships between power and interest and their relative levels using the interest–influence matrix template of Reed et al. (2009).

Figure 7.8. Interest–Influence Matrix of Sustainability Agenda in ASEAN



AMS = ASEAN Member States, ASEAN = Association of Southeast Asian Nations.

Source: Authors' research.

The ASEAN model of regional environmental governance has allowed AMS to build mutual trust and understanding, operating at a relatively convenient pace for the region. Nonetheless, as environmental shocks and future uncertainties become more complex, ASEAN is confronted with unprecedented challenges. Thus, it becomes necessary for the region to better align its regional strategic plan under the following three pillars: AEC; ASSC; and the APSC, with a broader agenda in sustainability, as pledged by the SDGs (Anbumozhi, 2017). One starting point could be enhancing their Nationally Determined Contributions to be more ambitious as well as enshrining net zero emissions in their laws.

5.3.3. Actions Bundles for a Regional Social Contract for Sustainability

To deal with unprecedented challenges in sustainability, ASEAN has integrated the global goals in its three pillars. The ASEAN Economic Community will require actions to achieve integrated, cohesive, competitive, innovative, and dynamic economic growth without neglecting the outward orientation of the global AEC economy. Such ambitious economic growth will be a mere aspiration, rather than a reality, if not supported by the 'community'. The community in question should be in line with the region's renewed spirit, that is, one vision, one identity, one community. Such a spirit envisages citizens in ASEAN to live in a safe, inclusive, resilient manner, embracing diversities to tackle adversities, staying cohesive and responsive to deal with unprecedented shocks and uncertainties, to achieve the APSC vision. The community is built from people. People who strive for mutual understanding, inclusive collaboration, and dynamic operation are the key factors to realise a strong and cohesive ASCC.

Given the multidimensional nature of sustainability challenges in AEC, tackling them successfully will require multiple actions from all sectors and broad participation across other market and non-market actors. In the Framework, cross-cutting platforms as well as market-based mechanisms are integral to achieve sustainable outcomes through such channels as green supply chains, smart cities, well-functioning carbon markets, and enhancing environmental, social, and governance investments.

6. Conclusion

This Framework does not replace the sectoral frameworks; but recognises that achieving sustainability rests almost entirely on getting the economy and capital allocation right. This needs a sector-wide monitoring, reporting, and verification mechanism for sustainability outcomes. As the principles of the sectoral frameworks and new pathways involve multiple stakeholders–regulators, private sector, and international organisations–additional policies and capacity building may be needed to ensure market resilience, integrity, and confidence and help to strengthen the sectoral bodies' ability to contribute to an orderly transition.

This paper proposed a new approach to looking at sustainability in the context of the AEC, where new market initiatives and mechanisms are well integrated into promoting shared prosperity. This approach will be built upon securing long-term economic resilience, safeguarding the natural resources and community of ASEAN, and ensuring social inclusion. As a way forward and to operationalise this Framework, the following points are suggested.

First, since the Framework is just a guide for AEC to address sustainability issues more holistically, market-based tools such as sustainability standards and certification schemes must be developed across economic sectors. These standards can serve as an incentive to market players such as producers to improve their sustainability performance and accountability. Sustainability standards and certification schemes also help in the movement of sustainable products and services across the region.

Second, cross-ministerial cooperation mechanisms involving key sustainability sectors in economic and socio-cultural pillars of the ASEAN Community can be developed, where high-level discussions from trade, environment, health, and disaster risk reduction, for example, can be facilitated to address cross-cutting issues and agree on accelerating the SDGs targets using the framework.

Finally, the framework is only as good as its results. Therefore, a monitoring mechanism must be in place to measure sustainability performance and impacts. An immediate need is to identify an appropriate set of sustainability indicators and appropriate methods to assess the priority sustainability risk across the sectors. The capacity of the ASEAN Integration Monitoring Division must be enhanced to analyse the progress of the Sustainability Framework. The ASEAN Integration Monitoring Division will also coordinate with other divisions at the ASEAN Secretariat as well as engaging in meaningful consultation with key stakeholders in academia, the business world, and international organisations to develop a monitoring, reporting, and verification mechanism.

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