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**Editor**

Nazia Hussain  
Miguel Enriquez

# ASEAN After COVID: The Road to Recovery



*With the worst effects of the COVID pandemic behind, the Association of Southeast Asian Nations (ASEAN) must respond to the political and economic challenges in the post-pandemic age. But how will ASEAN traverse the road to recovery? Photo by Harish Shivaraman on Unsplash.*

## FEATURED COMMENTARY

**Narrowing the Post-COVID Development Gap Within ASEAN**

By Kaewkamol Pitakdumrongkit



As Southeast Asia emerges from the COVID-19 pandemic, ASEAN Member States face a challenge to even out the economic development gap exacerbated by the pandemic in time for the launch of the ASEAN Economic Community 2025. Photo by Robert Norton on Unsplash.

*The economic impact of the COVID-19 pandemic on the ASEAN Member States has been negative and uneven. There is a need to close the development gap within ASEAN in order to accelerate the implementation of the envisioned ASEAN Economic Community.*

**Commentary**

Over the last few years, COVID-19 has adversely affected the ASEAN Member States (AMS). The Asian Development Bank (ADB) found that in Southeast Asia the pandemic increased the number of extremely impoverished people (who live on less than US\$1.90 per day) by 5.4 million in 2020. ADB also found that the disease pushed an additional 4.7 million people in Southeast Asia into extreme poverty in 2021.

**Economic Impact of the COVID-19 Pandemic**

The negative impact of the pandemic on the population has been uneven. For example, people with lower levels of education, workers in the informal sector, women, and minorities, experienced lower household incomes and higher debt.

Although the pandemic accelerated the adoption of digital technologies such as e-wallets, a digital divide exists in ASEAN. For instance, only a small segment of society has access to three advanced digital products (i.e., credit, investment, and insurance). These individuals were mostly men who were 21–40 years old, lived in urban areas, and had at least a bachelor's degree or higher education.

Also, micro-, small-, and medium-sized enterprises (MSMEs) which account for 97–99 per cent of all companies in the region and provide 60–80 per cent of ASEAN's total employment, were behind larger corporations in terms of digitalisation. Several MSMEs, especially those in rural areas, lack even basic internet access.

In terms of economic recovery, government support matters. Countries like Indonesia, Malaysia, the Philippines, and Singapore enjoyed strong fiscal support, which figured at around 15–41 per cent of GDP in 2020. Comparatively, other AMS had much lower fiscal stimulus, on average less than 10 per cent of their 2020 GDP.

As a result, the former group was able to recover

faster. In 2021, Indonesia, Malaysia, the Philippines and Singapore experienced economic growths of 3.7 per cent, 3.1 per cent, 7.2 per cent and 5.7 per cent, respectively. These figures were either equal to, or above the ASEAN average of 3.1 per cent.

Cambodia, Laos, Myanmar, and Vietnam (CLMV) suffered less from the pandemic than other AMS in 2020. However, they recovered at a slower pace than their ASEAN peers due to factors such as limited fiscal support and/or vaccination access. Economic growth of the CLMV registered at 3.0 per cent, 2.1 per cent, -17.9 per cent, and 2.6 per cent in 2021 – all below the ASEAN region's average. Thus, the evidence sug-

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gests that the pandemic has widened the development gap among AMS as reflected by the different speeds of their economic recovery.

### Responses of ASEAN Member States

Despite the knee-jerk reactions of some AMS (e.g., export restrictions on essential goods) at the onset of COVID-19, ASEAN was among the first international organisations to garner collective responses to the pandemic. Its leaders adopted the ASEAN Comprehensive Recovery Framework (ACRF) at the 37th ASEAN Summit in November 2020.

The ACRF, which “serves as the consolidated exit strategy” from the crisis, pursues five broad strategies: i) bolstering the health system; ii) enhancing human security; iii) maximising the potential of the intra-ASEAN market and broader economic integration; iv) accelerating inclusive digital transformation; and v) charting towards a more sustainable and resilient future.

The ACRF Implementation Plan contains several measures aimed at galvanising supply chain resilience, promoting a digital economy and sustainable infrastructure, and exploring the development of the ASEAN SME Recovery Facility, which is a financing facility to accelerate the recovery of small- and medium-sized firms.

Also, all ten AMS and five ASEAN Dialogue Partners (DPs) signed the Regional Comprehensive Economic Partnership (RCEP) at the 4th RCEP Summit in November 2020. The world’s largest free trade agreement (FTA) entered into force in January 2022. Greater trade liberalisation through the RCEP can be considered one of the approaches for ASEAN to expedite post COVID-19 economic recovery and resilience.

### Closing the Development Gap

However, the worsening development gap observed since the pandemic will hinder the progress of the ASEAN Economic Community 2025 (AEC 2025). The Mid-Term Review of the AEC Blueprint 2025 (MTR) which assessed the implementation of AEC found that initiatives to narrow the development gap in ASEAN made the least headway. The report found that these initiatives remain limited to the promotion of inclusive business practices and was partially supported through the implementation of the Initiative for ASEAN Integration (IAI) work plans.

So, where do we go from here? How can we close the development gap and accelerate the implementation of AEC 2025? Several policies can be considered.

First, the IAI Work Plan IV (2021-2025) focuses mostly on capacity-training for the CLMV countries. How-

ever, of the 67 projects listed, 27 (around 40 per cent) are about education, mainly the teaching of English. Thus, the IAI’s scope should be expanded, and more emphasis placed on re-skilling and up-skilling of workers. This will not only help to close the development gap and help CLMV countries pursue their post-pandemic recovery but will also better prepare their workforce for a rapidly digitalising world.

Also, more assistance programmes are needed beyond the IAI scheme, which focuses on CLMV countries. According to the current IAI Work Plan, only six programmes are aimed at capacity-building to support MSMEs in the CLMV. To complement the IAI, AMS and ASEAN DPs should develop additional capacity-building initiatives to help MSMEs in non-CLMV countries. This could include programmes like helping MSMEs across the region digitise their businesses.

The ASEAN SME Academy is a private public partnership project offering free online courses for MSMEs. This is a commendable project. However, an overwhelming majority of these modules are in English. Therefore, to enhance its ability to empower these firms, the academy should offer courses in ASEAN languages.

### Conclusion

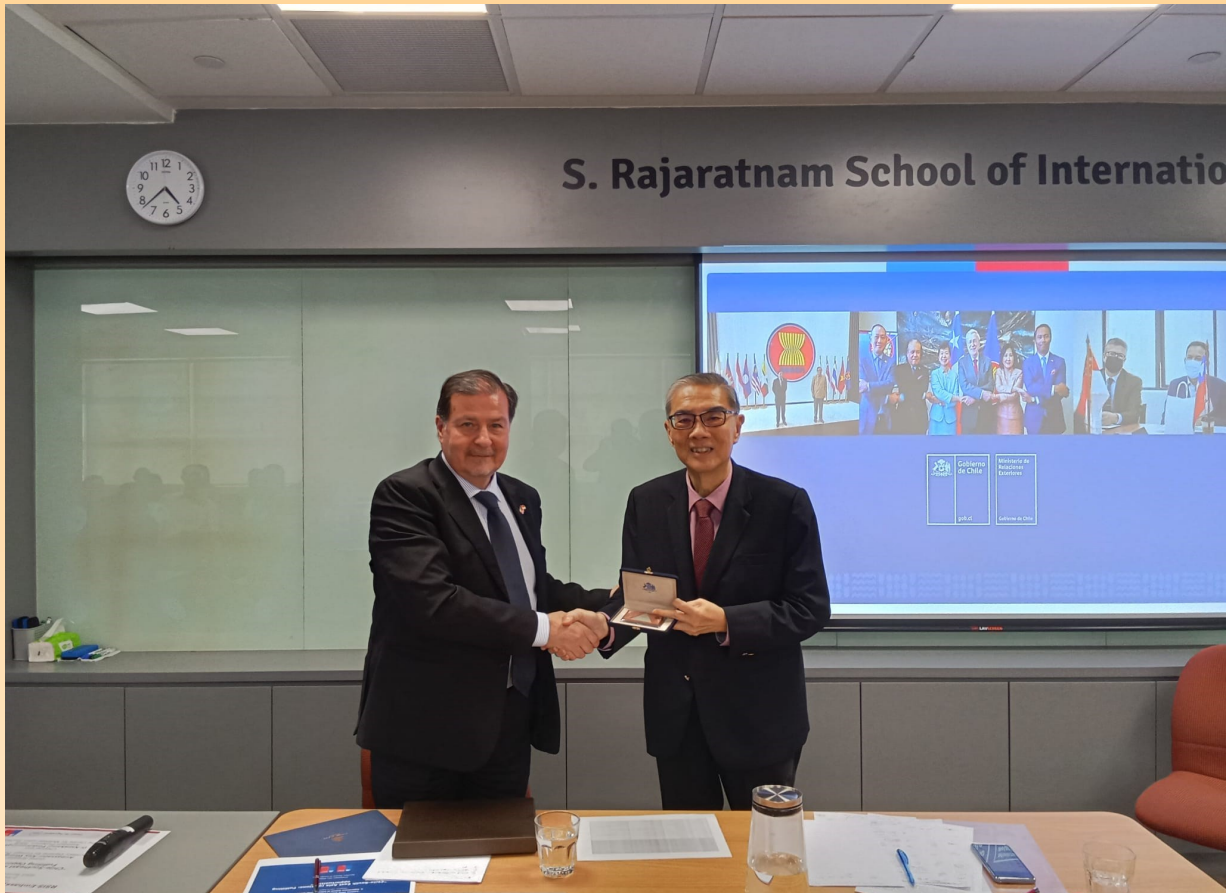
COVID-19 is not the only factor that can impede the

progress of the AEC 2025 going forward. Some other factors like the intensifying US-China competition and the war in Ukraine have created uncertainties and downside risks to the outlook for the global economy. These geopolitical concerns could feed into government policy decision-making. For example, policymakers may begin to think of supply chains more from a security angle rather than from an economic or business perspective.

There are also concerns of rising trade protectionism and other protectionist measures being implemented by individual governments to address domestic problems. Against this challenging environment, the success of AEC 2025 and future post-2025 regional integration efforts must be secured with quick innovative policy initiatives, especially through increased digitalisation and accelerated capacity building. ■

*Dr. Kaewkamol Pitakdumrongkit is Senior Fellow and Head of Centre for Multilateralism Studies at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University, Singapore. This commentary was first published in Counterpoint Southeast Asia, Issue 7, June 2023.*

# Chile-Southeast Asia Relations: Fulfilling Opportunities



Amb Alex Wetzig Abdale (L) and Amb Ong Keng Yong (R) at the RSIS-Embassy of Chile Public Lecture on “Chile-Southeast Asia Relations: Fulfilling Opportunities” where Amb Abdale of the Republic of Chile delivers his remarks on Chile’s diplomatic and economic relations with Southeast Asia.

RSIS and the Embassy of Chile co-organised a public lecture titled “Chile-Southeast Asia Relations: Fulfilling Opportunities” on 15 August 2023. Ambassador Alex Wetzig Abdale, Secretary General for Foreign Policy of Chile, began the lecture by noting that global events such as rising US-China tensions, disruption of global supply chains following the COVID-19 pandemic, and Russia’s invasion of Ukraine, have impacted Latin American countries.

He argued that while there are elements of continuity in Chile’s foreign policy such as promotion of democracy and respect for human rights, and strengthening of relations with neighbouring countries which carry historical relevance, there are new foreign poli-

cy priorities as well such as feminist foreign policy focused on women empowerment and gender equality, transitioning to a green and sustainable economy, and promoting actions to mitigate climate crisis.

Noting Chile’s status as a Development Partner of ASEAN, Amb Abdale highlighted three pillars of Chile-ASEAN relations. The diplomatic pillar entails expansion of political presence in the region by appointing resident and non-resident Ambassadors and organising High Level Visits.

The commercial and trade pillar furthers multilateral trade agreements and the Pacific Alliance-ASEAN relations. The cooperation pillar supports bilateral and triangular cooperation pro-

grammes on agriculture and governance initiated by the Chilean Agency for International Development Cooperation.

Amb Abdale concluded the lecture by emphasising that Chile views relations with Southeast Asia and ASEAN as a strategic priority. He provided a roadmap of Chile’s short term goals which include: (i) strengthening high level political dialogue in 2024 with countries in the region and ASEAN; (ii) continued exploration of new trade opportunities in the region to increase market share participation in ASEAN countries; (iii) carrying out a specialised search for technological exports; (iv) diversifying its export matrix, attracting knowledge, technology, and innovations generated in the Southeast Asia region. ■

# The Future of Multilateralism



Mr Keith M Rockwell, Senior Research Fellow at the Hinrich Foundation, discusses the evolution of economic multilateralism and shares his thoughts on the current challenges facing the World Trade Organization (WTO).

RSIS, together with the Hinrich Foundation, hosted a roundtable discussion with the theme “The Future of Multilateralism”. It featured Mr Keith M. Rockwell, Senior Research Fellow at the Hinrich Foundation and former World Trade Organization (WTO) Director and Chief Spokesman. The discussion, held on 31 August, was chaired by Dr Kaewkamol Pitakdumrongkit, Head of the Centre for Multilateralism Studies, and saw RSIS staff and students, and members of the public attending it.

In his opening remarks, Mr Rockwell provided a comprehensive overview of the evolution of economic multilateralism, particularly within the WTO, since its inaugural Ministerial Conference held in Singapore in 1996. He emphasised how the organization was able to weather through global

crises, from the 9/11 attacks in the United States, the 2008 Global Financial Crisis, the Ukraine War, and the COVID-19 pandemic.

He closed by analysing the protectionist turn among bigger economies, such as the United States, and the effect it has had on negotiations during more recent Ministerial Conferences. Mr Rockwell observed that the slow pace of dispute resolution between WTO member countries as well as a perceived deadlock in recent ministerial negotiations have frustrated both policymakers and the general public. Nonetheless, Mr Rockwell said that advances in WTO Joint Initiatives in areas such as E-commerce and Investment Facilitation for Development should be a cause for optimism.

After concluding his remarks, Mr Rockwell engaged in a lively dis-

cussion with the attendees during a Q&A session. Attendees’ questions generally revolved around the future relevance of the WTO in economic multilateralism, given recent trends in the intensifying US-China great power competition, protectionist foreign economic policies, and so-called “plurilateralism”, where smaller groups of states dissatisfied with the deadlock in recent negotiations band together to settle issues on their own.

Mr Rockwell was also asked about the potential negative implications that the impending expansion of the BRICS group might have on the WTO. The roundtable concluded with Mr Rockwell arguing that while the challenges facing the WTO appear immense, the organization will continue to play a major role in setting international trade policy. ■

## Multilateral Matters: News Roundup

### Multilateral changes: Turn and face the strange

*European Council on Foreign Relations* | 12 July 2023 | [Full Report](#)

Russia's war on Ukraine has exposed the weaknesses of the already creaking multilateral system. Europeans need to accept the radical changes that are under way and adapt their approach to international cooperation.

### Japan, ASEAN, and 'De-risking' Through Free Trade

*The Diplomat* | 20 July 2023 | [Full Report](#)

### Has the United States abandoned APEC's vision?

*East Asia Forum* | 29 August 2023 | [Full Report](#)

### The BRICS Summit 2023: Seeking an Alternate World Order?

*Council on Foreign Relations* | 31 August 2023 | [Full Report](#)

Several global experts share their thoughts on the 2023 BRICS Summit in South Africa which saw the entry of six new member countries into the fold.

### Biden's Absence at ASEAN Summit Seen as Snub to Southeast Asia

*Foreign Policy* | 5 September 2023 | [Full Report](#)

In the game of great-power competition against China, showing up is half the battle.

### The ASEAN Digital Economy Framework Agreement (DEFA) – Ground-breaking or Ground to a Halt?

*Fulcrum* | 14 September 2023 | [Full Report](#)

In its recent Summit, ASEAN launched negotiations on the Digital Economy Framework Agreement (DEFA). While promising, domestic and regional factors may dictate how effective DEFA will turn out to be.

### The United Kingdom's CPTPP accession a boon to Japan

*East Asia Forum* | 22 September 2023 | [Full Report](#)

### Global South rising at India's G20 extravaganza

*East Asia Forum* | 30 September 2023 | [Full Report](#)

The successful inclusion of the African Union in the G20 was a major victory for India, which had long wanted to take a major role in international affairs. It also served as a major milestone in global governance for the Global South.

## SELECTED PUBLICATIONS

### India's G20 Presidency: Towards a Digital Diplomacy Strategy

Nazia Hussain | *RSIS Commentaries* | 06 July 2023

### Can ASEAN Overcome Challenges to Digital Development?

Anthony Toh Han Yang | *RSIS Commentaries* | 20 July 2023

### Towards Open and Inclusive Regionalism

Sarah Teo, Rocky Intan and Joel Ng (eds.) | *Jakarta: Centre for Strategic and International Studies* | August 2023

### Thailand's Perspectives on the IPEF

Kaewkamol Pitakdumrongkit | *IPEF Discussion Paper Series on "The Making of the Indo-Pacific Economic Framework for Prosperity (IPEF)"* | 22 September 2023

### Critical Dialogue: Hybrid Sovereignty in World Politics. Contesting Sovereignty: Power and Practice in Africa and Southeast Asia

Joel Ng and Swati Srivastava | *Perspectives on Politics* | September 2023

The **Centre for Multilateralism Studies (CMS)** is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia Pacific. It aspires to be an international knowledge hub for multilateral cooperation and regional integration.

**Multilateral Matters** is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.

### Nanyang Technological University

Block S4, Level B4, 50 Nanyang Avenue, Singapore 639798  
Tel: + 65 6790 6982 | Fax: +65 6794 0617 | [www.rsis.edu.sg](http://www.rsis.edu.sg)