

### EDITORIAL

## Beyond Integration: Confronting Financialization and Industrialization Challenges in ASEAN Amidst a Shifting Global Order

Moch Faisal Karim<sup>1</sup>, Tirta Nugraha Mursitama<sup>2</sup>, Lili Yulyadi Arnakim<sup>3</sup>,  
and Miranda Paulina Tahalele<sup>4</sup>

<sup>1</sup>Political Science Program, Faculty of Social Sciences,  
Universitas Islam Internasional Indonesia.

<sup>2-4</sup>International Relations Department, Faculty of Humanities, Bina Nusantara University.  
faisal.karim@uiii.ac.id, tmursitama@binus.edu, lili.yulyadi@binus.edu,  
miranda.tahalele@binus.edu

**How to Cite:** Karim, M. F., Mursitama, T. N., Arnakim, L.Y., & Tahalele, M. P. (2024).  
Beyond integration: Confronting financialization and industrialization challenges in ASEAN  
amidst a shifting global order. *Journal of ASEAN Studies*, 12(1),  
<https://doi.org/10.21512/jas.v12i1.12173>

---

**Keywords:** Indo Pacific, Regionalism, Regionalization, Industrial Policy, Financialization

### Introduction

The debate on regional integration has evolved significantly in the past two decades. Historically, discussions on regional integration were dominated by these two distinct paradigms: regionalization, driven by market forces and the private sector aiming to enhance cross-border cooperation, and regionalism, propelled by state initiatives seeking to capitalize on economic disparities and opportunities for seamless economic exchanges. Regionalization focuses on the organic, bottom-up integration driven by businesses and investors seeking to minimize transaction costs and maximize efficiency across borders (Su, 2012). In contrast,

regionalism represents a top-down approach where governmental policies and treaties orchestrate economic integration, often with strategic geopolitical or economic objectives in mind (Ba, 2009; Karim, 2019).

This intensified focus on regional integration can largely be attributed to the prevailing neoliberal agenda that emerged prominently after the Cold War. This period marked a shift in global strategy, where economic interdependence became a central tenet, envisioned as a fundamental pillar of the new global order. This neoliberal perspective has been crucial in crafting policies that foreground economic collaboration, positioning it as the primary vehicle for achieving wider regional goals. By promoting the seamless flow of capital, goods, and services across borders, these policies aim to foster mutual economic growth and stability, reinforcing the importance of interconnected markets and shared economic interests in shaping regional dynamics.

However, the distinction between regionalization and regionalism is increasingly becoming ambiguous as the conversation around regional integration broadens to include its political economy aspects (Hameiri & Jones, 2015; Karim et al., 2024). This expansion reflects a growing recognition of the complex interplay between international dynamics and domestic policies. Consequently, understanding regional integration now necessitates a more holistic approach, considering both the economic motivations and the political strategies that drive such alliances. This shift indicates a deeper acknowledgment of the multifaceted impacts of regional integration, extending beyond economic transactions to include political, social, and environmental considerations. As a result, the discourse on regional integration has increasingly needed to account for the geopolitical dynamics shaping the current global order. This shift is particularly pronounced with the rise of China as a global economic powerhouse, which has significantly politicized the landscape of regional integration.

In Southeast Asia, the concept of the Indo-Pacific has emerged as a pivotal arena for geopolitical strategies, influencing the trajectory of regional cooperation (Milner, 2019). This framework extends beyond traditional economic considerations, incorporating strategic responses to China's expanding influence through initiatives like the Belt and Road Initiative (BRI) (Benabdallah, 2019). Launched in 2012, the BRI has reoriented regional connectivity, positioning China not only as an economic hub but also a political heavyweight, redirecting flows of trade and investment primarily towards itself (Mursitama & Ying, 2021).

In response, the United States has sought to bolster its presence in the region through the formulation of its Indo-Pacific strategy, which includes diplomatic and military alignments, notably through formations like the Quadrilateral Security Dialogue (QUAD) and the AUKUS security pact. These alliances aim to counterbalance China's economic allure and geopolitical sway. Further, the U.S. has proposed the Indo-Pacific Economic Framework for Prosperity (IPEF), intended to provide an economic collaboration framework that incentivizes Asia-Pacific nations to pivot away from Chinese influence (Riyanto et al., 2023).

This geopolitical contestation presents significant challenges for ensuring that regional integration processes remain beneficial to and driven by the countries within the region itself. The introduction of these new geopolitical dimensions has shifted the debate from focusing

solely on the mechanisms of regionalization and regionalism to a broader consideration of how external powers influence regional dynamics.

Moreover, the Indo-Pacific framework offers a rich context for scholars to advance discussions on regional integration. This evolving dialogue extends to issues such as trade policies, integration into global value chains, and economic cooperation. These discussions are increasingly relevant as they reflect the complex interdependencies and challenges that define the contemporary geopolitical landscape, urging a re-evaluation of traditional perspectives on regional integration.

The Journal of ASEAN Studies seeks to broaden the discourse on regional integration by exploring themes that extend beyond traditional boundaries. Recent shifts in focus towards financialization and industrialization illustrate this expansion. As noted by Rethel (2018), the aftermath of the 1997-98 Asian financial crisis marked a pivotal transformation in Southeast Asia's financial systems. Historically dependent on bank loans and other forms of relationship finance, the region saw a deliberate shift towards the development of capital markets. This transition was not merely the organic evolution of market dynamics but a strategic response by policymakers who, faced with the volatility and uncertainty post-crisis, moved from attempting to control economic outcomes to adapting to and planning for uncertainty. This strategic pivot highlights a broader trend in regional integration efforts, emphasizing the role of deliberate policy design in shaping the financial landscape of Southeast Asia.

The discussion on industrialization has regained prominence in the Journal of ASEAN Studies, especially as it intertwines with the growing geopolitical rivalry between the US and China. Industrial policy is increasingly viewed as a modern form of state-led developmentalism, reflecting a strategic pivot in regional economic strategies. Industrialization, while not a new topic for JAS, continues to be a vital area of exploration due to its profound implications on national and regional economic landscapes.

For instance, Tai (2016) delves into the critical role of the automobile industry in national industrialization efforts. His analysis emphasizes the significance of understanding the political economy of countries to fully grasp the development trajectories of their automobile sectors. This perspective is crucial, as it links industrial growth directly to broader economic policies and political structures.

Furthermore, the importance of a Value Chain Approach in supporting Southeast Asian economic regionalism is another key area of focus. Jones (2019) highlights ASEAN's efforts to enhance its position within global value chains. By striving for a more integrated and comprehensive value-capture process, ASEAN seeks to make the region more attractive to global economic investments and business opportunities, thereby establishing a robust foundation for regional economic stability.

However, despite these insightful discussions, there remains a gap in the literature concerning how these industrial policies and the concept of a developmental state interplay with the ongoing geopolitical tensions. This oversight suggests a need for more nuanced research that connects the dots between state-led industrial strategies and the broader political

economy, especially in the context of intense international competition between major global powers like the US and China. Such analysis would provide deeper insights into the strategic decisions driving industrialization and their implications for regional and global economic dynamics.

In this volume, the Journal of ASEAN Studies (JAS) offers a comprehensive exploration into the complexities of regional integration, with a particular emphasis on the dynamics shaped by the US-China rivalry. This edition features nine articles that extend beyond traditional frameworks, providing deep insights into economic and policy intricacies affecting the region. The initial article, "Sustainability Reporting and Corporate Performance: The Moderating Role of Corporate Internationalization," examines how the global reach of companies affects the relationship between sustainability reporting and corporate performance. The study concludes that while internationalization boosts overall performance, it does not significantly alter the impact of sustainability practices on performance outcomes.

Following this, the second article, "Does Terrorism Still Spread Fear to ASEAN's Financial Market?" delves into the financial markets' reactions to terrorist incidents in Southeast Asia. The analysis indicates that while stock indexes typically show both normal and abnormal returns around such events, there is no obligatory sell-off by stockholders following an attack. Furthermore, the foreign exchange markets remain largely unaffected. The article suggests that timely investments in stocks or foreign currencies around the time of an incident could yield profits.

Continuing with the innovative approaches to economic and diplomatic strategies within ASEAN, the third article, "Indonesia's Spice-Based Gastrodiplomacy: Australia and Africa Continents as the Potential Markets," explores Indonesia's use of culinary diplomacy to extend its market influence. This approach targets enhancing economic and cultural ties through the universal language of food, focusing on Australia and Africa as key potential markets.

The focus then shifts to the burgeoning electric vehicle (EV) industry. The fourth article, "Nickel Downstreaming in Indonesia: Reinventing Sustainable Industrial Policy and Developmental State in Building the EV Industry in ASEAN," explores how Indonesia's industrial and developmental policies are evolving to support the burgeoning EV industry. This analysis highlights the critical role of nickel downstreaming in creating a sustainable industrial base for EV manufacturing within the region.

The fifth article, "Identifying Key Determinants of Civil Society Robustness in Southeast Asia" addresses the factors contributing to the effectiveness of civil society organizations in the region. This article fills a crucial gap by providing quantitative analysis on what makes civil societies in Southeast Asia robust, contributing significantly to understanding how these entities can influence policy and governance in the region.

The sixth article, "ASEAN in the World's 100 Top-Ranked Pension Funds: Lessons for Indonesia," presents a comparative analysis of pension fund assets in Singapore, Malaysia, and Vietnam relative to Indonesia. Despite their smaller populations, these nations have

outperformed Indonesia in pension fund asset management, offering crucial lessons for enhancing Indonesia's strategies in this area.

The final three articles shift the focus to pressing issues of human rights and the role of civil society in ASEAN. “Navigating Turbulence: ASEAN’s Leadership Challenges in the Human Rights Violations in Myanmar and the South China Sea Dispute” examines how ASEAN leaders handle regional crises, especially human rights violations in Myanmar and disputes in the South China Sea. The study highlights the importance of charismatic leadership and structural capabilities in influencing regional policies and responses. In “The Reform and Evolution of ASEAN Human Rights Regime: A Communicative Action Perspective,” the discourse on the ASEAN human rights regime is analyzed through the lens of communicative action. This perspective reveals a shift in ASEAN states' approach to human rights, showing an increased openness to persuasion and dialogue rather than outright dismissal of human rights issues. The last article, “The Transformation of Kizukai Habitus on Asian Trainee in Japan: Striving and Competition in the Labor Market in ASEAN,” investigates the labor market dynamics in ASEAN, particularly through the lens of Asian trainees in Japan. It offers insights into how these trainees navigate the competitive environment, reflecting broader labor market trends within the region and the impact of international training programs.

Editorial Team,

**Moch Faisal Karim**

**Tirta Nugraha Mursitama**

**Lili Yulyadi Arnakim**

**Miranda Paulina Tahalele**

## References

- Ba, A. D. (2009). Regionalism's multiple negotiations: ASEAN in East Asia. *Cambridge Review of International Affairs*, 22(3), 345–367. Scopus. <https://doi.org/10.1080/09557570903104032>
- Benabdallah, L. (2019). Contesting the international order by integrating it: The case of China's Belt and Road initiative. *Third World Quarterly*, 40(1), 92–108. <https://doi.org/10.1080/01436597.2018.1529539>
- Hameiri, S., & Jones, L. (2015). Regulatory regionalism and anti-money-laundering governance in Asia. *Australian Journal of International Affairs*, 69(2), 144–163. <https://doi.org/10.1080/10357718.2014.978737>
- Jones, C. (2019). A Value Chain Approach to Support Southeast Asian Economic Regionalism. *JAS (Journal of ASEAN Studies)*, 7(1), Article 1. <https://doi.org/10.21512/jas.v7i1.5009>
- Karim, M. F. (2019). State transformation and cross-border regionalism in Indonesia's periphery: Contesting the centre. *Third World Quarterly*, 40(8), 1554–1570. <https://doi.org/10.1080/01436597.2019.1620598>
- Karim, M. F., Irawan, A. P., & Mursitama, T. N. (2024). Regulatory regionalism and the limits of ASEAN banking integration: The case of Indonesia. *Politics*, 44(3), 420–436. <https://doi.org/10.1177/02633957211061233>
- Milner, A. (2019). Repositioning Indonesia – Thoughts on the Indo-Pacific. *JAS (Journal of ASEAN Studies)*, 7(1), Article 1. <https://doi.org/10.21512/jas.v7i1.5748>
- Mursitama, T. N., & Ying, Y. (2021). Indonesia's Perception and Strategy toward China's OBOR Expansion: Hedging with Balancing. *The Chinese Economy*, 54(1), 35–47. <https://doi.org/10.1080/10971475.2020.1809816>
- Rethel, L. (2018). Capital market development in Southeast Asia: From speculative crisis to spectacles of financialization. *Economic Anthropology*, 5(2), 185–197. <https://doi.org/10.1002/sea2.12116>
- Riyanto, B., Djumala, D., & Tan, Y. (2023). Indonesia's Strategic Narrative on the New Dynamics of Great Power Rivalry in the Indo-Pacific. *JAS (Journal of ASEAN Studies)*, 11(1), Article 1. <https://doi.org/10.21512/jas.v11i1.9406>
- Su, X. (2012). Rescaling the Chinese state and regionalization in the Great Mekong Subregion. *Review of International Political Economy*, 19(3), 501–527. <https://doi.org/10.1080/09692290.2011.561129>
- Tai, W.-P. (2016). The Political Economy of the Automobile Industry in ASEAN: A Cross-Country Comparison. *JAS (Journal of ASEAN Studies)*, 4(1), Article 1. <https://doi.org/10.21512/jas.v4i1.1536>