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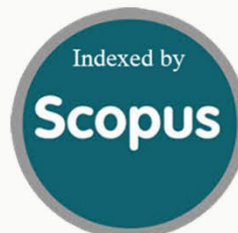
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The Journal of ASEAN Studies (JAS) is an open-access international peer-reviewed bi-annual journal that enriches understanding of the past, current, and future issues relevant to Association of Southeast Asian Nations (ASEAN) as regional organisation, community, and Southeast Asia as a region. The article shall address multidisciplinary research on theoretical and/or empirical questions. The topics addressed within the journal include a wide range of spectrum across social sciences and humanities such as but not limited to international relations, diplomacy, economy and business.

JAS expects the articles encourage debate, controversy, new understanding, solid theory, and reflection on ASEAN. The articles sent should have a sharp analysis and rigorous methodologies quantitative or qualitative as well as written in an engaging and analytical style. The JAS does publish original research articles, review article, book review, practice notes, and research notes. However, JAS does not publish journalistic or investigative style of article. The JAS would not be responsible for any implied or written statements of articles published. Each author would be responsible for their own writing.

Journal of ASEAN Studies publishes the following types of manuscripts:

- **Original research articles:** The manuscripts should be approximately 6000-8000 words. The manuscripts must contain a review of the current state of knowledge on the research question(s) of interest, then share new information or new ideas that will impact the state of theory and/or practice in the area of ASEAN Studies and/or Southeast Asian Studies.
- **Review article:** The manuscripts should be approximately 1500-3500 words. The manuscripts must contain the current state of understanding on a particular topic about ASEAN and/or Southeast Asian Studies by analysing and discussing research previously published by others.
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- **Practice notes:** These are shorter manuscripts approximately 1500-3500 words that are of specific interest to practitioners. These manuscripts must present new development for the ASEAN.
- **Research notes:** Similar to practice notes, these are shorter manuscripts approximately 1500-3500 words that have specific implications for ASEAN. The manuscripts should employ rigorous methodology either qualitative or quantitative.

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EDITORIAL

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

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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.

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Sustainability Reporting and Corporate Performance: The Moderating Role of Corporate Internationalization

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Abstract

This study aims to investigate the relationship between sustainability reporting and corporate performance moderated by the internationalization level of the firms. The sample for this empirical study is collected from the Financial Times Stock Exchange (FTSE)100 firms listed on Bursa Malaysia for a period of nine years from 2011 to 2019. We examine the sustainability reporting based on the Global Reporting Initiative (GRI) standard with the G4 guideline, in which a content analysis method has been employed to obtain the Sustainability Reporting Index (SRI). The moderating variable for this study is the internationalization level, which is proxied by foreign sales generated. The findings demonstrate that sustainability reporting disclosure has no effect on corporate performance. However, internationalization improves corporate performance but serves no moderation role in the relationship between sustainability reporting and corporate performance. We conclude that there is no evidence to substantiate the claim that companies that disclose more in their sustainability reporting perform better, and this may be because Malaysian corporations are still new to non-financial reporting. We believe that although sustainability reporting is costly, sustainability reporting is able to enhance the reputation of firms in the international market. Sequentially, a highly internationalized firm with more sustainability reporting disclosures may bring wealth to the company in the long run.

Keywords: sustainability reporting, internalization, corporate performance, non-financial reporting

Introduction

Non-financial corporate performance has gained the attention of a growing number of investment experts, who have started to realize that profitability alone is not sufficient for the long-term success of the company. According to Tong (2017), sustainability reporting has been developed as a valuable instrument for a corporation to attain long-term competitive advantage and business growth. When past research has begun to prove that sustainability reporting can enhance corporate performance, the rate of expansion on the disclosure of sustainability reporting increases dramatically (Buallay, 2020). Indeed, we acknowledge the importance of financial reporting, as mentioned by Jonathan, Ariefianto and Widuri (2021) financial statements provide the main information for economic decision-making. Likewise, non-financial reporting also plays a crucial role in providing qualitative information to external investors, especially the company's corporate strategy and sustainability.

The disclosure of sustainability reporting has been taken seriously by Malaysian firms. In developing countries like Malaysia, sustainability disclosure is a promising increasing trend (Jamil, Ghazali, & Nelson, 2021). Today, more Malaysian businesses are concentrating on and practicing sustainability, corresponding to the current global trend (Ganesan et al., 2017). In 2006, all publicly listed firms on the Main and ACE Markets were mandated by Bursa Malaysia to disclose information about their Corporate Social Responsibility (CSR) initiatives or policies in their annual reports. This requirement placed more emphasis on the social aspects of the business, particularly in terms of its employees and the community, as well as the impact on value creation, which was limited (Sustainability reporting guide, 2018). Many of the world's most successful corporations have gone beyond CSR. However, stakeholders are becoming more concerned about how businesses manage their economic risks, environmental risks, social risks, and opportunities.

Organizations are compelled to include sustainability considerations in their responses to these risks and challenges due to the growing impacts of sustainability-related risks like the change in climate, resource scarcity, shifting social expectations, and new legislative requirements in sustainability-related areas (Sustainability reporting guide, 2018). According to Oncioiu et al. (2020), the information in sustainability reports published by companies will be different based on the type of stakeholders. Due to internal pressures from investors, employees, clients, and suppliers, as well as external pressures from legislation, regulations, and voluntary standards, businesses have been obliged to recognize the importance of sustainability concerns and tackle the issues as part of their commitments (Haugh & Talwar, 2010). According to both practitioners and theorists, taking part in CSR activities may assist businesses in deciding the actions they plan to carry out in the future, and sustainability reporting may enhance their reputation and financial performance.

The internationalization level indicates the degree to which a company's sales are dependent on overseas markets rather than domestic markets (Chakrabarty & Wang, 2012). In the studies on business ethics, the level of internationalization has been regularly employed (Garegnani et al., 2015). Many researchers, like Yang et al. (2021), believe that the internationalization level of a company is a contextual factor that may impact the relationship

between sustainability reporting and corporate performance. Hence, in this study, it is suggested that firms that are involved in business activities in a foreign market will be likely to disclose more in the sustainability statement to maintain their reputation and meet the requirements of the stakeholders.

According to Reuters News, Malaysia is the preferred investment destination in ASEAN. World Bank also reports that Malaysia's trade-to-Gross Domestic Product (GDP) ratio has averaged over 130% since 2010. This is the effort of the country to promote the openness of trade and investments. It ranked 32nd in the 2022 IMD World Competitiveness Report and 12th in the 2020 World Bank's 'Ease of Doing Business' report. Malaysia, strategically located at the heart of ASEAN, is renowned for its economic and political stability, well-developed infrastructure, and cultural diversity. Malaysia possesses good relationships with every ASEAN member as well as those beyond the bloc. Malaysia has established itself as the perfect business partner globally. The dynamic and uniqueness of Malaysia provide an intriguing framework for the study, especially on firms' practices in sustainability reporting, corporate internalization, and business performance.

Additionally, Malaysia strives to become a high-income economy by 2026. This vision is not only grown from the perspective of economics. It also implements an ideal political and social environment for the country. Therefore, research on sustainability reporting, which includes the disclosure of environmental, economic, corporate governance, and social performance, potentially sheds light on how committed the firm is to achieving its mission (Jamil et al., 2021). As mentioned in the latest report of the Malaysian Code of Corporate Governance (2021), firms should incorporate sustainability into corporate strategy, governance, and decision-making since sustainability and its underlying ESG concerns are becoming increasingly critical to organizations' capabilities. This is important in creating durable and sustainable value and maintaining stakeholders' confidence and board leadership effectiveness. Based on Buallay (2019), the resource-based perspective of firms implies that disclosure of an organization's financial and non-financial resources improves performance. These resources assist the firms in developing talents, skills, and knowledge to attain competitive advantage in the long run. From the perspective of firms, profit maximization is frequently expected by businesses. However, non-financial disclosure appears to be costly.

According to the United Nations Sustainable Stock Exchange, all publicly listed firms are required to report their Environmental, Social, and Governance (ESG) impacts by 2030. United Nations Global Compact-Accenture CEO Study mentioned that around 97% of CEOs believe that sustainability is critical to their company's future performance. In comparison, 89% believe that sustainability pledges already influence their industry (Tong, 2017). Most companies implement sustainability reporting to express their responsibilities to generate a good reputation and maintain a trustworthy relationship with their stakeholders (Grahovar, 2010). However, the main concern now is more than merely abiding by the required legislation or safeguarding the reputation of the firm; it is the sustainability of enhancing business efficiency and increasing productivity. Sustainability reporting cannot be considered a new concept, but it is still implemented in a lack of systematic manner. It is because of the high

expenses and difficulties of measurement. It appears that management does not believe in the relevance of sustainability reporting to an organization. As a result, Malaysian economic, social, and environmental reporting on sustainability is characterized by ignorance, neglect, and unsystematicness (Kasbun, Teh, & Ong, 2016). Therefore, there is little scholarly study on sustainability reporting in developing countries, especially Malaysia. There has been very little empirical research that focuses on how multinational corporations influence the occurrence and content of the disclosure. Besides, the international business literature, in general, appears to pay little attention to non-financial reporting (Kolk & Fortanier, 2013).

Despite many researchers conducting studies in the past, the results are inconclusive or ambiguous, implying that there is a gap between the theoretical and empirical relationships (Brooks & Oikonomou, 2018; Laskar, 2018). For example, Friedman (1962), in contrast to the stakeholder theory, claimed that a corporation's primary goal was to raise the wealth of its stakeholders, and any non-financial goals would reduce the effectiveness of the company. Other studies like Mackey, Mackey, and Barney (2007) and Zivin and Small (2005) also argued that investors anticipated that a company would increase its wealth without adopting sustainable practices and that these initiatives should be carried out by non-profit organizations like charities.

However, stakeholders are increasingly interested in learning about the corporation's strategy to solve sustainability challenges as well as their potential for value creation because of the increased social and environmental concerns (KPMG, 2008). These stakeholder interests also motivate businesses to engage in initiatives that potentially benefit the triple bottom line: economy, society, environment, and corporate governance disclosure in sustainability reports. According to Tong (2017), companies in industries with more significant environmental and social responsibilities are more likely to disclose CSR information. However, a comprehensive investigation of all listed companies from all different industries to determine the impact of industrial variations is not possible due to the research period's time limits. The research period on the effect of corporate governance disclosure on banking performance, which only consists of five years, cannot provide significant results (Khanifah et al., 2020).

The impacts of disclosure of sustainability reporting towards corporate performance must be highlighted because all stakeholders are expected to be affected by economic, social, environmental, and governance standards (Buallay, 2020). This study adds to the body of knowledge in several ways. First, it reveals few prior sustainability studies concerning current firms' operational, financial, and future market performance. Second, it offers empirical evidence on sustainability reporting disclosure in Malaysia's sustainable development industry. As a result, this study intends to provide better knowledge of industry sustainability practices, which will have an impact on the country's long-term development, particularly in encouraging Malaysian businesses to participate in, raise awareness about, and comprehend economic, social, and environmental sustainability. Third, the findings of this study will provide guidelines to stakeholders, investors, decision-makers, regulators, policymakers, and academics in improving their understanding of sustainability reporting disclosure in Malaysian firms.

In sum, the first objective of this study is to examine the relationship between sustainability reporting and corporate performance. The second objective is to investigate the relationship between internationalization and corporate performance. The third objective is to examine the moderating effect of internationalization on the relationship between sustainability reporting and firm performance.

Literature Review

The theoretical framework for this study is built with the integration of Stakeholder, Agency, and Signalling theories. A stakeholder is a person or group with the potential to affect or be affected by the success of a corporation's goals (Freeman, 2010). According to Freeman (2010), it includes both internal and external parties that will influence and are influenced by the corporation when defining a stakeholder (Sarkis, Gonzalez-Torre, & Adenso-Diaz, 2010). External parties frequently put pressure on companies to lower the frequency and size of outcomes that negatively affect them while increasing the frequency and magnitude of outcomes that benefit them. According to the notion of Stakeholder theory, reporting on particular types of information may be used to attract or retain specific types of stakeholders (Deegan & Blomquist, 2006). For instance, disclosing sustainability information about those activities is necessary to attract or retain the stakeholders if an individual or organization is interested in the social or environmental initiatives undertaken by a business.

Agency theory can be defined as the link between the principal and the agent (Jensen & Meckling, 1976). Agency theory points out that managers act as shareholder agents and are responsible for disclosing all appropriate important information through corporate disclosures since the board of directors and stakeholders do not review operational decisions and routine activities of the companies (Fama & Jensen, 1983; Jensen, 1993). The occurrence of agency costs in a company will reflect the information asymmetries in corporate interactions (Al Hawaj & Buallay, 2022). Firms will utilize various communication channels to minimize the occurrence of asymmetric information between the company and its external agents. As a tool for communicating with stakeholders, the disclosure of sustainability reporting decreases gaps between stakeholders and the company board. According to Agency theory, sustainability reporting lowers agency costs. When more risks are revealed in sustainability reports, it will lower the agency's expenses and increase its financial performance (Al Kurdi, 2021). Meanwhile, in this research, Signalling theory can be employed to elucidate the relationship between sustainability reporting and corporate performance. According to Connelly et al. (2010), the behavior of two parties, individuals or organizations, can be described by Signalling theory, especially when acquiring asymmetric information. The sender will decide how to inform or signal the information, while the receiver will play the role of interpreting the signal received from the sender. Signalling theory states that a well-informed party will make an effort to transmit information about itself to a less knowledgeable party in a credible manner to minimize the potential of information asymmetry (Spence, 1973; Spence, 2002). External parties find it hard to learn about a company's sustainability practices. Therefore, the corporation will act as a signaller who can

proactively publish their sustainability signals to the respective parties, which also refer to receivers, including the clients, suppliers, the government, and stakeholders, to eliminate information asymmetry. The content of sustainability reporting will give a signal about the practices, status, and intentions of the company's management towards environmental, social, governance, and economic concerns, thereby allowing the firm to improve its overall reputation. Hence, stakeholders can predict the firm's performance and determine if it is dedicated to addressing sustainability concerns after receiving the signal (Corazza, Scagnelli, & Mio, 2017). For instance, organizations that report on environmental concerns may signal that they are actively engaged in environmental initiatives because they are motivated to do so by shareholders by revealing more information (Loh, Thomas, & Wang, 2017). As a result, these favorable signals make the companies more enticing to stock market investors. According to Yang et al. (2021), adopting the Global Reporting Initiative (GRI) standards in sustainability reports can help firms to enlighten stakeholders about their initiative to enhance social performance, and this will alter stakeholders' perceptions of some passive incidents. The researchers argue that the Signalling theory is a formidable theoretical framework for revealing the method of GRI reporting affecting corporate performance. GRI reporting can increase the signals between sender and receiver while avoiding the stigma of "selective reporting".

Sustainability Reporting and Corporate Performance

Laskar (2018) stated that sustainability reporting possessed a significant positive relationship with corporate performance. Overall, 111 non-financial listed companies from South Korea, Japan, Indonesia, and India between 2009 and 2014 were selected as samples. Corporate sustainability reporting helped companies to improve their performance, emphasizing the significance of the reporting. When a corporation disclosed more information, it allowed stakeholders to make better-informed decisions, which led to gradual growth in market share. Sustainability reporting would increase transparency and build the stakeholder's confidence. Furthermore, it was believed that corruption could be reduced to some extent if the government played an important role in implementing effective sustainability reporting policies.

Next, Al Hawaj and Buallay (2022) showed a significant positive effect of sustainability reporting on corporate performance through a total of 7 sectors. The data were collected from 3,000 companies in 80 different countries from 7 sectors of the industries from 2008 to 2017. The findings showed that certain sectors benefitted from the disclosure of sustainability reporting. Then, sustainability reporting contributed to the operational, financial, and market performance of various economic sectors. Similarly, Ohaka and Obi (2021) also conducted a study examining 96 companies chosen from an overall amount of 126 listed on the Nigerian Stock Exchange. A regression model was utilized to specify the model. The results revealed that sustainability reporting had a positive impact on companies' performance. They further suggested that companies should follow environmental best practice standards and invest in the most cutting-edge eco-efficient technologies, supporting earth conservation,

environmental deterioration, and pollution reduction, all of which were motivated by a deep sense of responsibility.

Buallay (2019) observed around 235 banks over ten years from 2007 to 2016, with 2,350 observations. The results of the empirical studies showed that ESG had a positive influence on corporate performance. However, when the disclosure of ESG was examined individually, the relationship between them was different, and the environmental disclosures were discovered to have a positive impact on Return on Assets (ROA) and Tobin's Q. Besides, social responsibility disclosure exhibited a negative relationship with the models. The disclosure on corporate governance also had a negative impact on ROA, and Return on Equity (ROE) yet showed a positive relationship with Tobin's Q.

In addition, Buallay et al. (2021) conducted a similar study of sustainability reporting disclosure and firm performance based on operational, financial, and market in the top 20 developed cities around the world. By using data drawn from 3,536 observations from 20 different smart cities from 2008 to 2017, the regression analysis showed that there was a positive significant relationship between ESG and operational performance (ROA) and financial performance (ROE). However, ESG and market performance (Tobin's Q) had a negative relationship.

According to empirical findings of Loh et al. (2017) in Singapore-listed companies, sustainability reporting positively impacted a company's market value. This relationship existed regardless of the sector or company type, such as government-linked enterprises or family businesses. The findings would inspire corporations to increase their awareness, understanding, and adoption of sustainability, especially if they were confident that this would benefit the organizations in terms of market value. Amahalu (2019) also showed that sustainability reporting, which is measured by Economic, Environmental and Social (EES) indices, possessed a significant positive impact on ROE, net profit margin, and earnings per share. The report proposed that a standardized sustainability index should be introduced as it would help to increase pressure on corporations to pay greater attention to the environment and take sustainability concerns more seriously.

H₁: Sustainability reporting has a significant positive relationship with corporate performance.

Internationalization and Corporate Performance

Pangarkar (2008) stated that internationalization had a favorable impact on corporate performance. An international firm could have an advantage in saving their cost because of a higher capacity of business and the volume to take advantage of economies of scale. For example, a highly internationalized corporation should manage to justify investing in a state-of-the-art manufacturing plant. In contrast, a locally focused competitor might not be able to prove such an expenditure due to its small volume. It suggested that the large literature on this topic was limited by inconclusive results and questionable metrics for the core dimensions, which referred to the Degree of Internationalization (DOI) and corporate

performance. The previous study discovered that DOI had a positive influence on corporate performance based on an analysis of 94 survey responses from Singapore small and medium-sized firms (SMEs). It showed that internationalization positively impacted corporate performance.

Chen et al. (2014) also revealed that internationalization had both positive and negative impacts on corporate performance. The positive side was existing national disparities, access to knowledge sources, economies of scale and breadth, superior response to local clients, and risk sharing. Besides, costs of governance and control, transaction and coordination costs, asymmetric information, and information leakage were some negative sides. Then, Wang et al. (2020) examined the relationship between construction firms' DOI and financial performance using 32 Chinese construction firms listed in the Engineering News-Record (ENR) between 2010 to 2017. The findings showed a non-linear U-shaped relationship between the DOI and financial performance. The result indicated a positive relationship when the degree of internationalization was more than 52% and a negative relationship when it was less than 52%.

Shrivastav and Kalsie (2017) found a positive relationship between the impact of foreign ownership and corporate performance. They examined the panel data of 145 non-financial NSE-listed companies between 2008 to 2012. Under the Pooled Ordinary Least Squares (OLS) model, foreign ownership showed a significant positive impact on firm performance, and the same result was obtained from Random Effect Regression. Foreign corporate ownership had a significant positive relationship with company performance. This result indicated that foreign ownership could be attributed to the fact that foreign firms had access to substantial resources and more monitoring and management expertise.

Bausch and Krist (2007) also discovered that there was strong proof that internationalization and company performance had a statistically significant positive relationship. International companies were expected to maintain their reputation and image compared to local companies. It led to a higher corporate performance among them.

H₂: Internationalization leads to higher corporate performance.

Sustainability Reporting, Corporate Performance, and Internationalization Level

Several studies have focused on the moderating effect between sustainability reporting and corporate performance. The researchers are involved in investigating the moderating factor, including internal audit function (Ganesan et al., 2017), business diversification (Wang et al., 2020), corporate governance (Javed et al., 2017), firm size, firm age and country of origin (Bausch & Krist, 2007). Unlike prior research, this study will take into account the variable which is internationalization that moderates the relationship between sustainability reporting and corporate performance. Therefore, this study will focus on examining whether distinct domestic and international institutional environments can improve or weaken GRI signals.

Firstly, higher degrees of internationalization for a company will result in increased company transparency and exposure to a broad range of stakeholders. Therefore,

corporations may increase their disclosure in sustainability reporting to defend the organization's reputation (Attig et al., 2016). As a result of institutional constraints from both domestic and international governments, when a company has more internationalization, these companies will place a greater emphasis on sustainable practices and reporting (Cheung et al., 2015). When these businesses become more internationalized, they will need to be more attentive to current social, governance, economic, and environmental issues.

Besides, companies that operate in numerous markets can reallocate the costs and benefits of their CSR expenditures amongst the markets. As a result, the corporation will have a stronger financial incentive to fund sustainable initiatives and reporting compared to domestic-focused businesses (McWilliams & Siegel, 2000). According to Yang et al. (2021), standardizing CSR practices around the world will lower costs and allow businesses to replicate some sustainable operations in different locations without incurring additional program development expenditures.

It is recommended by Martins and Yang (2009) and Vendrell-Herrero et al. (2017) that exporting businesses may broaden their knowledge base by learning from their experiences in foreign markets. In fact, firms will get opportunities to be exposed to new ideas from various national contexts. They will be exposed to learning new technology that may not be available in local markets by often interconnecting with foreign agents, consumers, suppliers, competitors, and collaborators (Dimitratos et al., 2014). As a result, Malaysian multinational firms can promote a set of best sustainable practices and reporting, acquire better procedures, and lower the expenses of data collection for GRI indicators.

Based on the idea above, the internationalization level enhances the relationship between sustainability reporting and corporate performance. The higher the level of internationalization is, the more the disclosure of the information is in the sustainability reporting. Then, this will lead to higher corporate performance. Nevertheless, the study on a sample of 122 listed firms with GRI standards of sustainability reporting in China by Yang et al. (2021) indicates that the sustainability performance of the firms shows a negative relationship with the firm's level of internationalization.

H₃: Internationalization level significantly strengthens the relationship between sustainability reporting and corporate performance.

Research Methodology

This research aims to examine the relationship between corporate performance and sustainability reporting. Subsequently, this study aims to examine if internationalization moderates sustainability reporting and corporate performance. Therefore, this research will use both qualitative and quantitative research methods to demonstrate a comparable and meaningful statement that stakeholders can use to evaluate the corporation's sustainability performance (Sustainability reporting guide, 2018).

Qualitative research is used to explain the organization's management approach to its material sustainability matter. After that, qualitative data will be transferred into quantitative data to allow stakeholders to trace and compare the data from time to time and, where possible, with data from similar organizations. Quantitative research empowers researchers to generate numerical data, which can be converted into usable statistics to quantify a problem. Researchers have frequently employed the content analysis technique to analyze the content of the disclosures in a systematic, reliable, and impartial manner (Krippendorff, 1980; Guthrie & Parker, 1990). Based on the research of Krippendorff (1980), content analysis is a way of categorising the disclosed information into pre-defined categories to extract the pattern of disclosed information in the published report. Context-sensitive abductive reasoning from content analysis allows reliable and meaningful information representation of huge amounts of data (Krippendorff, 1980). Therefore, content analysis is an important indicator to measure the importance of the company's CSR agenda. Hence, this research follows disclosure items (environmental, social, and economic) from Tong (2017) by adding governance items from the governance disclosure sustainability reporting guide (Sustainability reporting guide, 2018).

Data and Sample

The sample of this study is collected from the top 100 index firms in Financial Times Stock Exchange (FTSE) of Bursa Malaysia. The research uses data from nine years (2011–2019). Besides, secondary data are used in this research. In this study, the dependent variable is corporate performance, and the method is adopted from Al Hawaj and Buallay (2022). The data for corporate performance are collected from the annual reports of the selected companies from Bursa Malaysia. The Orbis - Bureau van Dijk database has also been utilized. Moreover, the data of the independent variable, sustainability reporting, is collected from the sustainability statements or reports of the listed companies from Bursa Malaysia. A sustainability reporting checklist is based on the GRI standard with the G4 guideline used to assess the quality of sustainability reporting. Next, the data for the intermediate variable, which is the internationalization level of the firms, is collected from the Orbis database and the annual reports from Bursa Malaysia. Lastly, the data of six control variables (firm size, financial leverage, and firm age) are obtained from Orbis, while macroeconomics data of exchange rate, inflation rate, and annual GDP are from World Bank data.

Estimation Models

Baseline Model

A baseline model refers to a base model that only consists of dependent variables and control variables. In this research, corporate performance is the dependent variable proxied by ROA, ROE, and Tobin's Q. Then, the control variables for this research are firm size, financial leverage, firm age, GDP, exchange rate, and inflation rate. Therefore, the baseline model is conducted as seen in Equation (1). It has *Perf* as corporate performance (proxied by

ROA, ROE, and Tobin's Q), *SZE* as firm size, *FL* as financial leverage, *AGE* as firm age, *GDP*, *ER* as exchange rate, *IR* as inflation rate, β_0 as constant, and ε_{it} as random error of the model.

$$Perf_{i,t} = \beta_0 + \beta_1 SZE_{i,t} + \beta_2 FL_{i,t} + \beta_3 AGE_{i,t} + \beta_4 GDP_{i,t} + \beta_5 ER_{i,t} + \beta_6 IR_{i,t} + \varepsilon_{i,t} \quad (1)$$

Full Models

The full model is the main model demonstrated to answer the research objectives of the study. The independent and intermediate variables will be added to the baseline model to construct the full model. Therefore, sustainability reporting and internationalization will be added to the baseline model. The full model for internationalization will be adopted from Yang et al. (2021). Besides, to resolve the potential endogeneity issue, we employ the dynamic panel data method with the Two-Step System Generalized Method of Moments (GMM). As seen in Equations (2)–(4), it has *SRI*, $\sum Control$ as control variables, *INTL* as internationalization, *SR * INTL* as the interaction between SR and INTL, and ε_{it} as the random error of the model.

Full model estimation 1:

$$Perf_{i,t} = \beta_1 Perf_{i,t-1} + \beta_2 SRI_{i,t-1} + \beta_3 \sum Control_{i,t} + \varepsilon_{i,t} \quad (2)$$

Full model estimation 2:

$$Perf_{i,t} = \beta_1 Perf_{i,t-1} + \beta_2 INTL_{i,t} + \beta_3 \sum Control_{i,t} + \varepsilon_{i,t} \quad (3)$$

Full model estimation 3:

$$Perf_{i,t} = \beta_1 SR_{i,t-1} + \beta_2 INTL_{i,t} + \beta_3 SRI_{i,t-1} * INTL_{i,t} + \beta_4 \sum Control_{i,t} + \varepsilon_{i,t} \quad (4)$$

Empirical Findings and Discussion

Descriptive Statistics Analysis

Table 1 describes the results of the descriptive analysis of the variables for the sample size of the top 100 firms from the FTSE in Bursa Malaysia. The sample period is nine years (2011 to 2019). The range of observations in this study is 781 to 900. Table 1 shows the summary statistics, including observation, mean value, standard deviation, and minimum and maximum values for each variable. Corporate performance is proxied by ROE, ROA, and Tobin's Q. ROE has a mean of 19.0927. ROA has a mean value of 7.7955. Then, the mean value for the Tobin's Q is 1.6296

Table 1 Descriptive Statistics Summary

Variable	Observations	Mean	Standard Deviation	Min.	Max.
ROE	884	19.0927	39.9351	-471.487	461.392
ROA	884	7.7955	9.1125	-14.818	75.399
Tobin's Q	813	1.6296	2.2727	0	23.908
ECDI	849	5.5790	5.9211	0	90.7143
EVDI	849	3.8600	4.6214	0	83
SDI	849	4.5728	5.3837	0	103.6078
CGDI	849	27.4412	24.4237	0	249.7143
SRI	883	41.4530	35.7798	0	527.0364
INTL	781	18.9557	152.7872	0	2423.308
SZE	883	9.6478	1.0108	6.3713	11.9214
FL	848	0.3998	2.9806	0	64.38
AGE	890	32.0888	19.5187	1	109
GDP	900	5.1227	0.5370	4.4395	6.0067
ER	900	3.6783	0.4918	3.0600	4.3004
IR	900	2.1889	1.0028	0.6629	3.8712

Note:

ROE : Return on Equity
ROA : Return on Assets
ECDI : Economic Disclosure Index
EVDI : Environment Disclosure Index
SDI : Social Disclosure Index
CGDI : Corporate Governance Disclosure Index
SRI : Sustainability Reporting Index
INTL : Internationalization
SZE : Firm Size
FL : Financial Leverage
AGE : Firm Age
GDP : Gross Domestic Product
ER : Exchange Rate
IR : Inflation Rate

Overall, the mean value for the SRI is 41.4530. When it comes to the components of sustainability reporting, corporate governance disclosure has the highest value mean, which is 27.4412, followed by the mean of economic disclosure (5.5790) and social disclosure (4.5728). Then, environment disclosure has the lowest mean value among the firms, with 3.8600. The trends of the disclosure for Economic Disclosure Index (ECDI), Environment Disclosure Index (EVDI), Social Disclosure Index (SDI), and Corporate Governance Disclosure Index (CGDI) are exhibited in Figures 1 and 2. Internationalization shows an average mean value of 18.9557. It also has the highest standard deviation among the variables, which means that the data are spread over a wider range from the mean of the sample with a high data distribution.

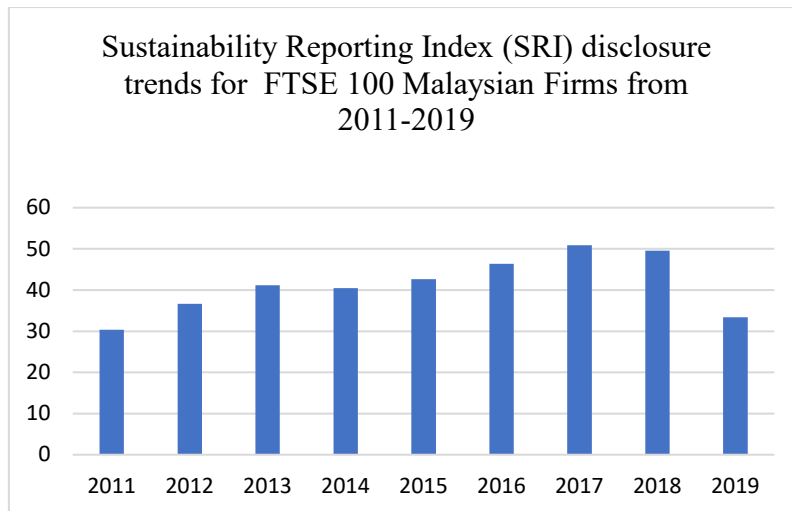
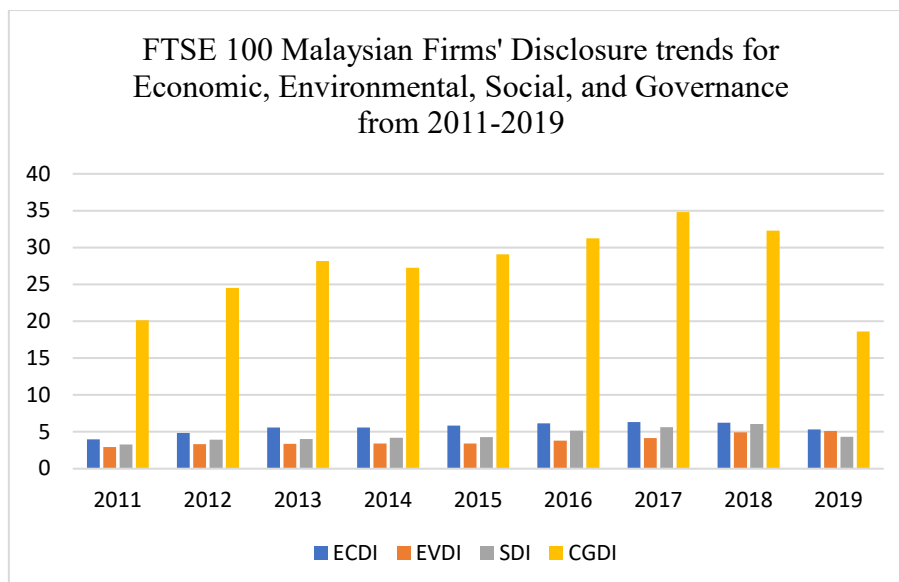


Figure 1 Sustainability Reporting Index (SRI) Disclosure Trends for FTSE 100 Malaysian Firms from 2011-2019



Note:
 ECDI : Economic Disclosure Index
 EVDI : Environment Disclosure Index
 SDI : Social Disclosure Index
 CGDI : Corporate Governance Disclosure Index

Figure 2 FTSE 100 Malaysian Firms' Disclosure Trends for Economic, Environmental, Social, and Governance from 2011-2019

Pearson Correlation Analysis

Table 2 Result of Pearson Correlation Analysis

	ROE	ROA	Tobin's Q	ECDI	EVDI	SDI	CGDI	SRI	SIZE	FL	AGE	GDP	ER	IR	INTL
ROE	1.0000														
ROA	0.6743***	1.0000													
Tobin's Q	0.6402***	0.8425***	1.0000												
ECDI	-0.1121***	-0.2242***	-0.1830***	1.0000											
EVDI	-0.0262	-0.0860**	-0.0294	0.6067***	1.0000										
SDI	-0.0223	-0.0915***	-0.0550*	0.8245***	0.7366***	1.0000									
CGDI	-0.1280***	-0.1500***	-0.1445***	0.7567***	0.3527***	0.6744	1.0000								
SRI	-0.1127***	-0.1644***	-0.1406***	0.8845***	0.5811***	0.8424***	0.9549***	1.0000							
SIZE	-0.0449	-0.3157***	-0.2690***	0.1782***	0.1346***	0.0688**	0.0319	0.0790**	1.0000						
FL	-0.0103	0.0074	0.0000	-0.0219	0.0284	-0.0117	-0.0246	-0.0184	-0.1326***	1.0000					
AGE	0.0128	0.0523	0.0319	0.0464	0.0654*	0.0585*	-0.0084	0.0192	-0.0064	-0.0545	1.0000				
GDP	0.0388	0.0475	0.0038	-0.0143	-0.0655*	-0.0157	0.0409	0.0147	-0.0309	-0.0407	-0.0425	1.0000			
ER	-0.0415	-0.0789**	0.0027	0.0856**	0.1156***	0.1200***	0.0913***	0.1095***	0.0860**	0.0329	0.1019***	-0.3183***	1.0000		
IR	0.0323	0.0513	-0.0083	-0.0073	-0.0925***	-0.0207	0.0648**	0.0280	-0.0311	-0.0669**	-0.0480	0.7231***	-0.1883***	1.0000	
INTL	-0.1330***	-0.1108**	-0.0357	0.0727	0.0230	-0.0035	-0.0124	0.0085	-0.4057***	-0.0086	-0.0309	-0.0118	0.0255	0.0101	1.0000

*significant at 0.1 level, **significant at 0.05 level, and ***significant at 0.01 level.

Note:

ROE : Return on Equity

ROA : Return on Assets

ECDI : Economic Disclosure Index

EVDI : Environment Disclosure Index

SDI : Social Disclosure Index

CGDI : Corporate Governance Disclosure Index

SRI : Sustainability Reporting Index

INTL : Internationalization

SIZE : Firm Size

FL : Financial Leverage

AGE : Firm Age

GDP : Gross Domestic Product

ER : Exchange Rate

IR : Inflation Rate

Table 2 shows the overall result for the Pearson correlation coefficient analysis between dependent variables corporate performance (ROE, ROA, and Tobin's Q), independent variables (ECDI, EVDI, SDI, CGDI, and SRI), control variables (firm size, financial leverage, firm age, GDP, exchange rate, and inflation rate) and moderating variable (internationalization) in this paper. ROA, Tobin's Q, and ROE are positively correlated, in which ROA and Tobin's Q have the highest correlation of 0.8425. Hence, our study will examine the corporate performance from ROA and Tobin's Q perspectives, while ROE will be run as a robustness test.

All the independent variables (ECDI, EVDI, SDI, and CGDI) negatively correlate to corporate performance (ROE, ROA, and Tobin's Q). Besides, all the indexes are positively correlated among themselves, which means that if the firm discloses more in one dimension, the other dimensions will also be highly reported. For the control variables, firm size, for example, a larger firm size tends to disclose more economic, environmental, and social dimensions. In comparison, older firms show higher disclosure on environmental and social aspects. The exchange rate also exhibits a positive correlation with all the indexes. The inflation rate negatively correlates with environmental disclosure yet is positively correlated with corporate governance disclosure. It also shows that internationalization has a negative correlation with corporate performance but shows no correlation with all the disclosure indexes.

Multiple Regression Analysis

To investigate the relationship between sustainability reporting and firm performance and the moderating role of internalization further, we run panel multiple regression for the full model with 1, 2, and 3 estimations. The results reported in Table 3 are the final estimation after we run all the diagnostics tests, namely Breusch Pagan LM, Hausman, Multicollinearity, Heteroscedasticity, and Autocorrelation tests. The random effect model is chosen for the baseline and all full model estimations. The models are then rectified using random effects with a robust cluster model. Besides, to alleviate the issue of endogeneity, we employ the dynamic panel data method with Two-Step System GMM. Table 3 presents the baseline models for ROA and Tobin's Q. We find that lagged performance (proxied by ROA and Tobin's Q) possesses a significant positive relationship with current-year performance. Meanwhile, firm size and financial leverage show a negative significant effect on ROA.

Besides the baseline model, we assess the effect of the SRI on corporate performance (proxied by ROA and Tobin's Q). The result shows that sustainability reporting has a negative significant relationship with ROA and Tobin's Q. The result is inconsistent with the previous study of Al Hawaj and Buallay (2022), Ohaka and Obi (2021), Buallay (2019), and Buallay et al. (2021). The results of their studies claim that the firms that disclose their sustainability reporting will increase the transparency of the company and the confidence in the stakeholders. Then, it will ultimately lead to higher operational performance. However, the possible explanation for the inverse relationship in this study is that investors in the Malaysian

corporation believe that spending on sustainability reporting is unnecessary and will lead to competitive disadvantages among the company in the marketplace (Lee & Faff, 2009).

We employ the system GMM method to cater to potential endogeneity issues to obtain a more robust result. We use the previous year's SRI to examine the current year's corporate performance. Then, we find that SRI shows a positive insignificant effect on corporate performance. The result is consistent for ROA and Tobin's Q as corporate performance proxies.

Additionally, internationalization also shows a negative significant relationship to ROA and Tobin's Q for the random effect model. Meanwhile, GMM results show that internationalization has a positive relationship with firm performance, especially on ROA, in which a positive significant result has been found. The result is consistent with Shrivastav and Kalsie (2017) and Bausch and Krist (2007) that internationalization possesses a positive impact on corporate performance. Their research implies that international corporations are expected to preserve their reputation and image, which results in higher corporate performance compared to local businesses.

Table 3 Baseline Models Results

Variables	Baseline model 1		Baseline Model 2	
	ROA	ROA	Tobin's Q	Tobin's Q
ROA _(t-1) /Tobin's Q _(t-1)		0.5323*** (0.1957)		0.5981*** (0.1088)
SZE	-1.0213 (0.9234)	-3.5507** (1.4303)	-0.1737 (0.1642)	-0.4066 (0.3674)
AGE	0.0397 (0.0526)	-0.2475 (3.5289)	0.0032 (0.0010)	0.6759 (0.5663)
FL	0.0461 (0.0569)	-0.0337** (0.0186)	0.0101 (0.0099)	0.0085 (0.0149)
GDP	-0.1216 (0.2819)	-0.1090 (0.3398)	0.0846* (0.0441)	-0.0416 (0.0594)
ER	-1.3494*** (0.5049)	-0.0786 (0.4922)	0.0123 (0.1269)	-0.2362 (0.2766)
IR	0.4125** (0.1799)	0.2223 (0.1980)	-0.0248 (0.0448)	0.0689 (0.0639)
Constant	17.6521 (9.0912)		1.9266 (1.6135)	
Observations	843	748	774	678
F-statistics	6.32		5.76	
P-value	0.0000		0.0000	
R-squared	0.2020		0.2029	
Sargan		36.2119		58.5332
Wald Chi ²		42.85***		105.33***
AR (1) (p-value)		0.0018		0.0037
AR (2) (p-value)		0.3655		0.9119

The figures in the parenthesis are the robust standard errors. * means statistically significant at a 10% level. ** is statistically significant at the 5% level. *** shows statistically significant at a 1% level.

Note:

ROA : Return on Assets GDP : Gross Domestic Product
SZE : Firm Size ER : Exchange Rate
FL : Financial Leverage IR : Inflation Rate
AGE : Firm Age

Table 4 Multiple Regression Results for Estimation Model 1 and Model 2

	Estimation Model 1				Estimation Model 2			
	ROA		Tobin's Q		ROA		Tobin's Q	
ROA(t-1)/ Tobin's Q (t-1)		0.5317*** (0.1957)		0.5324*** (0.1214)		0.5155*** (0.1833)		0.8693*** (0.1113)
SRI		-0.0368* (0.0199)		-0.0082* (0.0044)				
SRI (t-1)		0.0015 (0.0023)		0.0003 (0.0005)				
INTL					-0.0093** (0.0038)	0.0025** (0.0011)	-0.0012* (0.0007)	0.0002 (0.0002)
SZE	-2.3692*** (0.9030)	-3.5464** (1.4374)	-0.4990*** (0.1591)	-0.3112 (0.2260)	-1.5728 (0.9689)	-3.2139** (1.6001)	-0.2064 (0.1933)	0.0941 (0.1055)
AGE	0.0240 (0.0447)	-0.5335 (3.5509)	0.0002 (0.0092)	0.6879 (0.6555)	0.0102 (0.0501)	-2.3264 (3.4857)	-0.0003 (0.0101)	0.5730 (0.5740)
FL	-0.0692 (0.0605)	-0.0332* (0.0184)	-0.0241** (0.0116)	0.0046 (0.0097)	0.0095 (0.0573)	-0.0326 (0.0209)	0.0077 (0.0109)	0.0053 (0.0106)
GDP	0.1829 (0.3559)	-0.1049 (0.3430)	0.1522* (0.0810)	-0.0010 (0.0505)	-0.2478 (0.3986)	0.1041 (0.3966)	0.0851* (0.0508)	0.0260 (0.0686)
ER	-0.8391* (0.4620)	-0.0805 (0.4921)	0.1480 (0.1125)	-0.1736 (0.1977)	-1.3369** (0.5478)	-0.0472 (0.5501)	0.0531 (0.1391)	-0.2846 (0.2680)
IR	0.3220* (0.1794)	0.2150 (0.1983)	-0.0581 (0.0467)	0.0303 (0.0518)	0.4992** (0.2391)	0.1267 (0.2210)	-0.0206 (0.0504)	0.0537 (0.0716)
Constant	32.7776*** (8.6970)		5.5031*** (1.4742)		24.7298*** (8.9100)		2.3202 (1.7501)	
Observations	809	712	767	670	743	663	706	619
F-statistic	4.65		5.80		4.40		6.63	
P-value	0.0000		0.0000		0.0000		0.0000	
R-squared	0.1129		0.2094		0.1783		0.1734	
Sargan		36.5797		44.1681		35.2124		53.5394
Wald Chi ²		44.25***		79.86***		55.18***		108.61***
AR (1) (p-value)		0.0018		0.0185		0.002		0.0060
AR (2) (p-value)		0.3658		0.7175		0.1439		0.8037

Figures in the parenthesis are the robust standard errors. * means statistically significant at a 10% level. ** is statistically significant at the 5% level. *** shows statistically significant at a 1% level.

Note:

- ROA : Return on Assets
- SRI : Sustainability Reporting Index
- INTL : Internationalization
- SZE : Firm Size
- FL : Financial Leverage
- AGE : Firm Age
- GDP : Gross Domestic Product
- ER : Exchange Rate
- IR : Inflation Rate

Table 5 Multiple Regression Results for Estimation Model 3

	Estimation Model 3	
	ROA	Tobin's Q
ROA(t-1)/ Tobin's Q (t-1)	0.4703** (0.2229)	0.8368*** (0.1058)
SRI		
SRI(t-1)	0.0023 (0.0026)	0.0004 (0.0005)
INTL	0.0024** (0.0012)	0.0002* (0.0001)
SR*INTL	0.0007 (0.0036)	0.0006 (0.0014)
SZE	-3.2222** (1.5920)	0.0455 (0.0991)
AGE	-2.3107 (4.2114)	0.6943 (0.5375)
FL	-0.0249* (0.0151)	0.0016 (0.0065)
GDP	0.0051 (0.3520)	0.0694 (0.0666)
ER	0.2348 (0.4868)	-0.1713 (0.1828)
IR	0.2535 (0.2281)	-0.0002 (0.0541)
Observations	638	611
Sargan	29.6269	50.5131
Wald Chi ²	73.64***	51.94***
AR (1) (p-value)	0.0028	0.0112
AR (2) (p-value)	0.1693	0.7385

Figures in the parenthesis are the robust standard errors. * means statistically significant at a 10% level. ** is statistically significant at the 5% level. *** shows statistically significant at a 1% level.

Note:

ROA : Return on Assets
SRI : Sustainability Reporting Index
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Interestingly, based on the GMM result, the interaction terms between sustainability reporting and internationalization are positive but insignificant to corporate performance. It implies that the effect of sustainability reporting on corporate performance is still minimal, and even internationalization possesses no moderation role in enhancing the effect of sustainability reporting on firm performance. According to Johari and Komathy (2019), there are limited studies in Malaysia on the relationship between sustainability reporting and corporate performance. Although Johari and Komathy (2019) found a positive significant

relationship between sustainability reporting and firm performance, their study only examined one year, which was 2016. However, the insignificant effect of sustainability reporting on firm performance in Malaysian firms is in line with Kasbun et al. (2016). There is insufficient data to support the claim that businesses that disclose sustainability reporting perform better than those that do not. Compared to the number of businesses in Malaysia, sustainability reporting is still quite low among Malaysian corporations (Kasbun et al., 2016).

It has been acknowledged that by growing internationally, firms can obtain significant resources, take advantage of opportunities in other markets, and increase performance (Bartlett & Ghoshal, 1989; Ma et al., 2016). Our motivation for this research is derived from the perspective that when firms are exposed more internationally, it is expected that they will disclose more on sustainability statements to increase their company image internationally, leading to an increase in corporate performance. Besides, according to the findings from Aguilera-Caracuel et al. (2015), Christmann (2004), and Kang (2013), businesses with higher levels of internationalization are more visible and exposed to a wider range of stakeholders. It can prompt businesses to step up to disclose sustainability reporting to protect their reputation (Attig et al., 2016). This may lead to an increase in corporate performance. However, in this study, internationalization improves firm performance but fails to enhance the relationship between sustainability reporting and corporate performance. This may imply that corporations in Malaysia need to be more proactive in practicing sustainability activities, especially from the perspective of economic, environmental, social, and governance.

Robustness and Additional Tests

A robustness test also has been carried out by proxy of the corporate performance with ROE. The result shows that internationalization shows a positive significant relationship with ROE, while sustainability reporting shows an insignificant relationship with ROE. The results are identical to the ROA and Tobin's Q results. On the other hand, the interaction terms between sustainability reporting and internationalization show positive insignificance to ROE. This result is also robust with the proxy of ROA and Tobin's Q.

Due to the insignificant influence of sustainability disclosure on firm performance, we further investigate sustainability from individual dimensions. We conduct additional tests for all the sustainability reporting indexes, namely ECDI, EVDI, SDI, and CGDI. As presented in Table 7, it is noted that none of the dimensions show a significant impact on firm performance. Meanwhile, in the interaction terms of internationalization with the sustainability dimensions, internationalization enhances the positive relationship between economic (ECDI) and corporate performance (ROE) while increasing the negative relationship between environmental disclosure (EVDI) and corporate performance (Tobin's Q). Besides, we also observe a deduction of the positive relationship between social disclosure (SDI) and corporate performance (ROE).

In conclusion, the results of the dimensions are inconclusive. It may be due to the practice of sustainability reporting by corporations in Malaysia, as we have mentioned in the previous section. Contrary to Montabon, Sroufe, and Narasimhan (2007), they have concluded

that environmental management practices possess a positive impact on corporate performance. For the situation in Malaysia, we still need more effort and guidance for the companies to incorporate sustainability reporting in their business.

Table 6 Panel Regression Result for Robustness Test on Corporate Performance with ROE

	Baseline Model	Full model estimation 1	Full model estimation 2	Full model estimation 3
ROE(t-1)	0.7281*** (0.1394)	0.6760*** (0.0908)	0.7371*** (0.1755)	0.6899*** (0.1207)
SRI				
SRI (t-1)		0.0053 (0.0151)		-0.0045 (0.0145)
INTL			0.0452** (0.0177)	0.0439** (0.0213)
SR*INTL				0.0011 (0.0151)
SZE	-3.2320 (10.1323)	-2.9006 (9.0665)	-2.9303 (12.1657)	-3.0258 (10.6021)
AGE	12.4882 (37.2668)	13.3798 (42.0924)	16.8008 (52.7753)	20.4861 (49.7026)
FL	-0.4732 (1.1275)	-0.3765 (1.0093)	-0.3282 (0.8437)	-0.2803 (0.7374)
GDP	2.0094 (2.5280)	0.5147 (1.3381)	2.1439 (2.6887)	0.4504 (1.2952)
ER	-4.7173 (3.3804)	-6.6504 (4.7424)	-6.7126 (4.5064)	-8.1612 (5.6772)
IR	0.6488 (1.4483)	1.0054 (1.4473)	0.9735 (1.7757)	1.3713 (1.4520)
Observations	749	713	664	639
Sargan	75.2889	63.1912	54.7806	58.6342
Wald Chi ²	543.59***	450.24***	604.16***	554.71***
AR (1) (p-value)	0.0029	0.0418	0.0086	0.0467
AR (2) (p-value)	0.6708	0.5149	0.3949	0.8782

Figures in the parenthesis are the robust standard errors. * means statistically significant at a 10% level. ** is statistically significant at the 5% level. *** shows statistically significant at a 1% level.

Note:

ROE : Return on Equity
SRI : Sustainability Reporting Index
INTL : Internationalization
SZE : Firm Size
FL : Financial Leverage
AGE : Firm Age
GDP : Gross Domestic Product
ER : Exchange Rate
IR : Inflation Rate

Table 7 Additional Test for All the Indexes (ECDI, EVDI, SDI, and CGDI) with Corporate Performance using Two Step-System GMM

	ROA	Tobin's Q	ROE	ROA	Tobin's Q	ROE
ROA(t-1)/ Tobin's Q (t-1)/ROE(t-1)	0.6809*** (0.1936)	0.8918*** (0.0978)	0.6715*** (0.1368)	0.6569*** (0.1822)	0.8914*** (0.0996)	0.6770*** (0.1569)
ECDI	0.0583 (0.0764)	0.0140 (0.0134)	-0.1462 (0.6308)	0.0187 (0.0714)	0.0145 (0.0135)	-0.4486 (0.7868)
EVDI	0.0069 (0.0664)	-0.0116 (0.0126)	0.5319 (0.4830)	-0.0507 (0.0608)	-0.0122 (0.0127)	0.1309 (0.3790)
SDI	-0.0177 (0.0996)	0.0027 (0.0148)	-0.3118 (0.6023)	(0.0701) 0.0792	0.0025 (0.0151)	0.2515 (0.6274)
CGDI	-0.0083 (0.0126)	-0.0006 (0.0026)	0.0180 (0.0747)	-0.0106 (0.0117)	-0.0005 (0.0027)	0.0330 (0.0938)
INTL	0.0041*** (0.0006)	0.0002** (0.0001)	0.0423* (0.0217)	0.0100* (0.0077)	0.0001 (0.0001)	0.0003 (0.0217)
ECDI*INTL				0.0003 (0.0003)	0.0002 (0.0002)	0.0036** (0.0015)
EVDI*INTL				0.0008 (0.0019)	0.0001** (0.0001)	0.0255 (0.0187)
SDI*INTL				-0.0022 (0.0087)	-0.0001 (0.0002)	-0.0229* (0.0118)
CGDI*INTL				-0.0001 (0.0007)	0.0001 (0.0002)	-0.0001 (0.0019)
SZE	-0.1699 (0.5622)	-0.0217 (0.0902)	-4.3486 (10.1235)	-0.0579 (0.6973)	-0.0195 (0.0951)	-2.8247 (8.0824)
AGE	4.6372 (4.4959)	0.8736 (0.5424)	26.5616 (46.8391)	4.1147 (5.2865)	0.8658 (0.5586)	29.4175 (45.0106)
FL	-0.0636 (0.0533)	0.0011 (0.0059)	-0.0706 (0.4809)	-0.0462 (0.0300)	0.0014 (0.0061)	0.0062 (0.3669)
GDP	-0.0995 (0.2370)	0.0884 (0.0800)	0.2138 (1.5623)	-0.0139 (0.1978)	0.0884 (0.0816)	-1.2263 (2.3889)
ER	-0.5804 (0.5091)	-0.1723 (0.1283)	-5.6538* (3.0451)	-0.5701 (0.4948)	-0.1709 (0.1296)	-7.1656* (3.9048)
IR	0.3976 (0.1562)	-0.0010 (0.0586)	1.5972 (1.5904)	0.2794** (0.1291)	-0.0012 (0.0601)	2.2088 (2.0573)
Observations	622	594	622	622	594	622
Sargan	31.478	52.2102	53.8144	33.9569	52.1109	56.5133
Wald Chi ²	133.92***	769.72***	508.43***	647.18***	783.96***	776.03***
AR (1) (p-value)	0.0043	0.0148	0.0166	0.0034	0.0147	0.0038
AR (2) (p-value)	0.2224	0.8565	0.8685	0.2731	0.8611	0.2332

Figures in the parenthesis are the robust standard errors. * means statistically significant at a 10% level. ** is statistically significant at the 5% level. *** shows statistically significant at a 1% level.

Note:

ROE	: Return on Equity	INTL	: internationalization
ROA	: Return on Assets	FL	: Financial Leverage
ECDI	: Economic Disclosure Index	AGE	: Firm Age
EVDI	: Environment Disclosure Index	GDP	: Gross Domestic Product
SDI	: Social Disclosure Index	ER	: Exchange Rate
CGDI	: Corporate Governance Disclosure Index	IR	: Inflation Rate

Conclusion

The conclusions drawn from the empirical findings show that when the firms want to disclose all the information in the sustainability reporting, it is considered a non-financial return for the company businesses. It means that when the firms put much effort into disclosing sustainable information, it may have a negative impact on corporate performance because firms need to spend more costs on disclosing the information. From another perspective, Malaysia, as a developing country, may still need time to build its reputation. The results demonstrate that providing sustainability reporting information may result in unequal utilization of the firm's assets, aligning with stakeholder theory. In the case of Malaysian firms, it is found that internalization has a positive relationship with firm performance. The result implies that international corporations are expected to preserve their reputation and image, resulting in higher corporate performance than local businesses.

Remarkably, our study finds that corporate internalization has no moderating role in enhancing the relationship between sustainability reporting and corporate performance. The main reason is the minimal effect of sustainability reporting on firm performance. There is a lack of evidence to support the claim that businesses that disclose sustainability reporting perform better, especially when sustainability reporting is still quite low among Malaysian corporations. However, we believe that with the efforts and guidance from the policymakers, sustainability reporting will benefit Malaysian firms. Until then, internalization pressure will enhance the relationship between sustainability reporting and corporate performance. Internalization exposes them to intense competition and challenges. Then, sustainability reporting will increase the reputation of the firms in the international market. Successively, the high internationalization firm disclosing more sustainability reporting may bring wealth to the company's businesses in the long run.

The findings will help stakeholders, investors, decision-makers, regulators, policymakers, and academics to improve their understanding of sustainability disclosure practices in connection to current and future performance. The research provides the implications for stakeholders to put more pressure on firms to demonstrate their social responsibility, particularly those firms in public-listed industries. This is because the actions of a well-known company are expected to have a higher influence on the public. Although, the findings indicate no relationship between sustainability reporting and firm performance. This may only be a temporary issue for the firms, as we strongly believe that the sustainability reporting practices of a firm will influence corporate performance positively in the long run. The disclosure of non-financial reports instead of financial reports is still new for firms in Malaysia, it is currently a strategic moment for Malaysian companies to implement sustainability-related activities and properly structure their sustainability information using the new GRI standards.

The limitation of this study is that content analysis only records the quantity of sustainability reporting elements disclosure, it is recommended to conduct mixed research approaches in future studies by applying quantitative and qualitative approaches at the same time. For future research, we suggest comparing the results among countries, which can

contribute to more interesting results in the disclosure of sustainability reporting within different countries. Due to the data availability and time-consuming data collection, we only managed to start with the Malaysian context. We hope this research will serve as a starting point for future study in other ASEAN countries. Lastly, future research may take into account additional potentially significant contextual variables, including business linkages, organizations' geographic and business diversification, and perhaps marketing expenditure and industry competitiveness.

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Does Terrorism Still Spread Fear to ASEAN's Financial Market?

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Abstract

The research aimed to examine the financial markets' responses to terrorist attacks in Southeast Asia. Market reactions were a reflection of public sentiment. The market reaction was calculated using the stock index indicator and the currency exchange rate of the country relative to the US Dollar. The research employed a paired test to compare the period prior to and following the terrorist attack. The research used Wilcoxon Test to examine 38 terrorist attacks across four Southeast Asian nations: Indonesia, Thailand, Philippines, and Malaysia. The research concludes that the stock index exhibits both normal and abnormal returns between pre-incident and post-incident periods. Post-incident returns are higher than pre-incident returns. Stockholders are not required to sell their existing holdings in response to a terrorist attack. Between pre-incident and post-incident investors who do not invest in the capital or money markets, the foreign exchange market does not exhibit significant changes. Investors can profit by purchasing stock or foreign currency on the day of the incident or one day afterwards and selling it three days later.

Keywords: abnormal return, fear, stock exchange, terrorism

Introduction

Since the World Trade Center attack on September 11, 2001, ASEAN countries have been concerned about terrorist attacks by separatist movements within ASEAN (Sudirman & Sari, 2017). Terrorist attacks in ASEAN countries vary greatly from independence movements to terrorists. Terrorism is a form of transnational crime with random patterns that has evolved over time through regional expansion (Wibisono & Kusumasomantri, 2020). Terrorism has begun to spread throughout Southeast Asia, particularly among ASEAN member countries,

instilling fear in the populace (Winarto & Sudirman, 2021). Since the 9/11 attacks, Southeast Asian countries have witnessed the Bali Bombing attacks in 2002 and 2005, as well as terrorism attacks in Marawi, the Philippines, and a series of other terrorist attacks (Wicaksana, 2019).

The ASEAN member states have embraced deradicalism in their fight against terrorism (Hamzani et al., 2020). ASEAN countries are also deradicalizing by embracing terrorist perpetrators, both terror attacks and independence movements. ASEAN and South Asian countries have collaborated on counter-terrorism measures, such as Thailand’s South-South cooperation with India (Cogan & Mishra, 2021). Indonesia takes preventive, pre-emptive, and repressive measures in Southeast Asia’s fight against terrorism (Astari & Afrizal, 2017). ASEAN, as a regional organization, plays a critical role in Southeast Asia’s fight against terrorism (Yahzunka, Siswoyo, & Ali, 2018). Cooperation between ASEAN countries in combating terrorism faces obstacles, most notably those related to each member country’s sovereignty (Bangun, 2019; Darajati & Syafei, 2019). Figure 1 illustrates the relationship and impact of terrorism.

The capital market and money market will react when a terrorist attack occurs. Terror attacks aim to have a negative impact or scare investors. Therefore, investors will feel that the government is not ready until a terror attack occurs. Terror attacks will also cause fear in society.

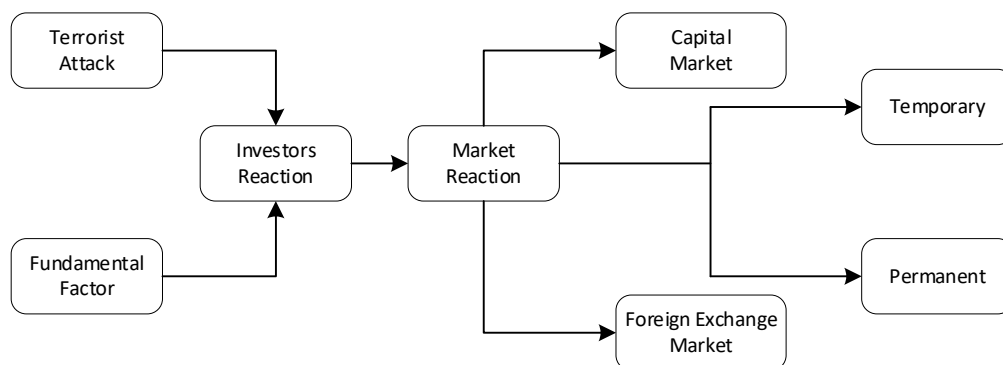


Figure 1 The Relationship and Impact of Terrorism

Literature Review

The financial industry has been impacted by terrorism attacks (Ahmad et al., 2022). The financial industry is a part of society. Numerous events have demonstrated the financial industry’s impact on the economy. Foreign exchange rates have been impacted by ASEAN’s election results. The foreign exchange rate against the United States Dollar reacted negatively to the results of Malaysia’s 13th election. Singapore’s elections in 2013 and 2015 prompted a positive reaction in the foreign exchange market. The Philippines’ election result, which favored Duterte, resulted in a depreciation of the peso (Chong, 2020).

The Indonesian capital market, particularly the pharmaceutical industry, reacted similarly before and after the first COVID-19 case was announced. However, the market demonstrated an additional average transaction prior to and following the initial case announcement (Saputra, Pulungan, & Subiyanto, 2021). This research is based on the findings of Fauziah and Venusita (2021). The announcement of a COVID-19-related lockdown has had little effect on abnormal returns in Indonesia, Singapore, Malaysia, and Thailand (Fauziah & Venusita, 2021). Events associated with the COVID-19 pandemic have an effect on the capital market's abnormal returns (Yulianti & Siregar, 2018; Susianti and Rahmawati, 2020). According to another study, the COVID-19 pandemic has no effect on PT. Telkom's stock trading volume or abnormal return (Anggraeni, Handini, & Wulandari, 2021). Kusnandar and Bintari (2020) discover differences in abnormal returns as a result of the COVID-19 pandemic's changes in transaction times.

The Indonesian Stock Exchange had a negative reaction to Donald Trump's election as President of the United States. This adverse reaction occurred in the stocks of multinational corporations (Christopher & Layyinaturobaniyah, 2019). Indonesia's inefficient capital market is easily swayed by macroeconomic and political conditions (Sevriana & Febrian, 2021).

Apart from macroeconomic events, microeconomic events such as corporate actions also have an effect on the stock performance of a company. Within ten days of the dividend distribution announcement, the abnormal return on shares is affected (Hariyanto & Murhadi, 2021). Share prices fluctuate in response to corporate actions that may have an effect on the company's performance. Corporate actions include financial reporting and dividend distribution (Yonatan, Kasim, & Bidin, 2017). Changes in controlling shareholders as a result of mergers and acquisitions, the payment of dividends, changes in company management, primarily corporate entities such as directors, and the splitting of nominal value shares (Pangesti, 2019; Yuhendri & Azizah, 2019; Utami, 2017), and corporate developments have an effect on the stock price. These are micro-company events. Capital markets in developed and developing countries have different characteristics. The Kuala Lumpur Stock Exchange is more responsive to political events than capital markets in developing countries (Zafar et al., 2016).

The research is unique that it establishes a link between terrorist attacks and public reactions via the capital market index and foreign exchange rates. Numerous studies have been conducted to establish a link between terrorist attacks. Recent research with an emphasis on ASEAN and the short-term impact is uncommon. The research assists the government as policymakers and investors in profiting from stock and currency markets. The research questions whether the public still fears and reacts to terrorist attacks. The composite stock price index and foreign exchange rates are used to gauge public sentiment.

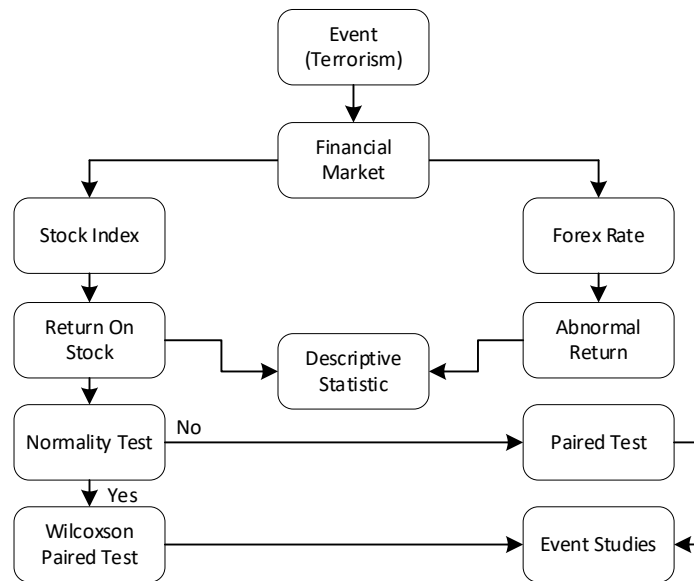


Figure 2 The Research Framework of Event Studies

This research begins with the collection of data on terrorist attacks and then indexes stock prices and foreign exchange rates according to the incident and the time period covered by the study. The stock price index on each exchange and the exchange rate are compared to foreign currency exchange rates in the research. The United States Dollar (USD) is the primary foreign currency used. Return and abnormal return are calculated using existing data. If the return and abnormal return pass the Shapiro-Wilk test, the Paired T-Test is performed. If it fails the Shapiro-Wilk test for normality, the Wilcoxon Paired Test is used. Each of these tests will be validated against the three test scenarios. As a result, the total number of scenarios tested is six, with two data parameters multiplied by three scenarios. The research framework is illustrated in Figure 2.

Research Methodology

The research aims to examine the effects of terrorism on financial markets, both capital markets and money markets. This research uses the event study method. Event studies compare before and after a terrorist attack.

Hypotheses are made by comparing the conditions of the capital market and money market before and after the event with odd days to avoid close dates due to holidays, in addition to the effect of information dissemination. Capital market and money market transactions require a time difference of two days or spot from the event or three days from the event.

Figure 3 shows the conceptual framework of this research. The research aims to determine how people's reactions are reflected by the capital market in the capital market and

foreign exchange rates. The research wants to determine whether there is an abnormal return in 3 short-term time frames from these two variables. The time being tested is D-1 (one day before the event) with D+1 (one day after the event), D-3 (three days before the event) with D+3 (three days after the event), and D-7 (seven days before the event) with D+7 (seven days after the event). This brevity is consistent with research conducted by Arif (2017), Hadhek, Halfaoui, and Lafi (2019), and Tavor and Teitler-Regev (2019). According to the studies, the abnormal return occurred rapidly.

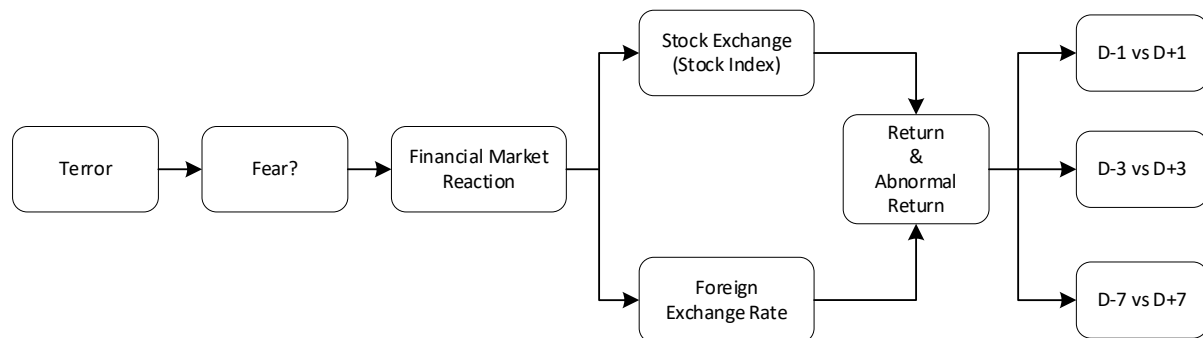


Figure 3 The Conceptual Framework of Event Studies

The research measures reactions to terrorist attacks using two variables: 1) the stock price index and 2) the foreign exchange rate. The two parameters are determined in three scenarios: 1) one day before and one day after the terrorist attack, 2) three days before and three days after, and 3) seven days before and seven days after.

The capital market is a venue for the exchange of valuable securities between sellers and buyers. Everyone has access to information in the capital market, both sellers and buyers. According to the news, the investment decision will be made by the seller and the buyer. The investment decisions of both the buyer and seller will have an effect on the share price. The stock price of a company will react to an event in proportion to how quickly an investor decides. On the basis of this explanation, the research hypothesis occurs to be:

H₁ : There are no significant differences in Share Prices pre-terrorist and post-terrorist attack.

Every developing country requires external financing. Foreign investors can invest in the stock market. Through stock exchanges, foreign investors purchase shares in domestic companies. For investment purposes, foreign investors convert foreign currency to local currency. On the other hand, when investors sell their shares, they will convert their local currency into foreign currency. Foreign investors operate on a global scale. Stock sales and purchases can occur very quickly. Investors' reactions to terrorist attacks can be seen in the local currency exchange rates relative to foreign currencies. The research hypothesis is:

H₂ : There are no significant differences in Currency Exchange rates pre-terrorist and post-terrorist attack.

The research tests the short-term effects from 3 to 15 days. This test supports research from Arif (2017), Hadhek et al. (2019), and Tavor and Teitler-Regev (2019). Their research shows that an abnormal return to an event occurs in the short term.

The research makes use of paired testing. The test examines an incident that occurs by examining the period immediately preceding and following the incident. The Wilcoxon test is used in this research as a parametric test.

The Wilcoxon Signed Rank Test is a non-parametric test for non-normal data. If the sample passes the normality test, the paired T-Test is used. The Shapiro-Wilk test is used to determine normality in this research.

The Wilcoxon test has several requirements, one of which is that the variable being tested must be ordinal or interval/ratio data scale. The normality test does not apply to variable data. The variable is composed of two paired categories, namely before and after. Paired is the subject as a data source for a single observation or event. Foreign exchange rates and stock indices are analyzed prior to and following a terrorist attack. The stock market index before and after a terrorist attack. This index is identical prior to and following the incident. The research examines the short-term consequences of a terrorist attack using three timeframe scenarios. D-7 and D+7 are the two research scenarios; D-3 and D+3 are the two research scenarios; and D-1 and D+1 are the two research scenarios. These are the three observational periods. The return estimation period, also known as the D-120 event day estimation period. Figure 4 explains the event research in more details.

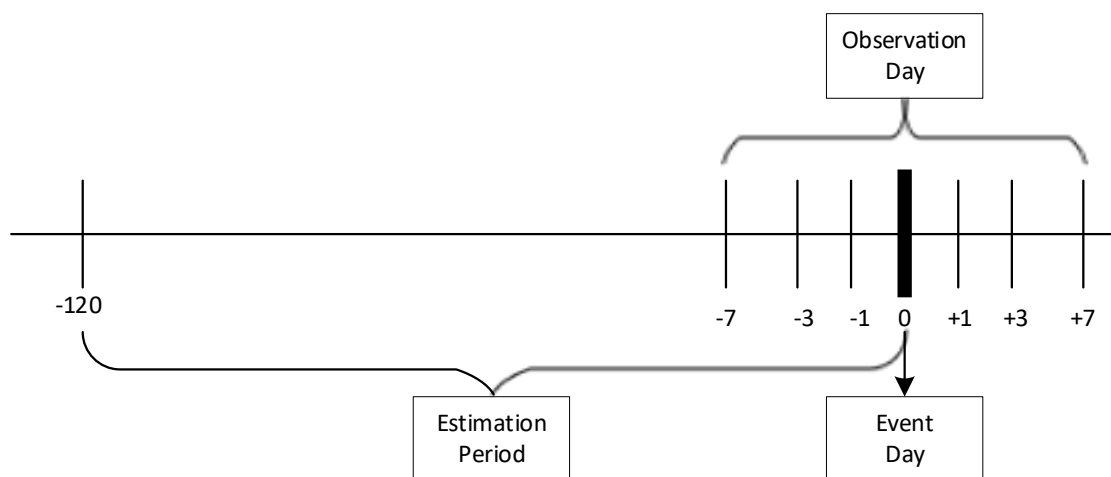


Figure 4 Time Frame of Event Studies Research

The return on an investment in a stock is comprised of the share price appreciation and dividends. The research makes use of stock return data. Stock returns are calculated by comparing the performance of these shares to the previous period. The current stock return is calculated by subtracting the current share price (P_t) from the previous period or investment period (P_{t-1}). This difference is expressed as an absolute value in the local currency. The

percentage return value is calculated by dividing the stock return by the previous period (P_{t-1}). Return (R_t) is calculated as:

$$R_t = \frac{P_t - P_{t-1}}{P_{t-1}} \quad (1)$$

where:

R_t = Return

P_t = Share price in period t

P_{t-1} = Share price at the time of observation

To calculate the daily rate of return, the return is divided by the number of research days to obtain an average daily rate of return. The formula is:

$$\text{Average } R_{t\ n} = \frac{R_t}{n} \quad (2)$$

where:

R_t = Stock return in period t (%)

N = Observation period (days)

An abnormal return on investment is an unusual rate of return or a rate of return under unfavorable conditions. The abnormal return is the difference between the return obtained and the expected return. This formula describes the formula for the abnormal return.

$$\text{Abnormal Return}_{i,t} = \text{Average } R_{i,t} - \text{Average } E(R_{i,t}) \quad (3)$$

where:

Abnormal Return = abnormal return for stock i at event t (day t)

Average R_t = the average (actual) return on stock i on day t

Average $E(R_{i,t})$ = average (actual) return on stock i on day t

The expected return or expected return is the anticipated rate of return over the observation period. The obtained return value is reduced by the price position during the observation period and then divided by the observation period in days. The formula is:

$$\text{Average } E(R_{i,n,t}) = \frac{\left(\frac{P_t - P_n}{P_n}\right)}{n} \quad (4)$$

where:

P_t = Share price i in period t

P_n = Share price i in period n (estimation)

N = Estimation period (days)

Time period estimated to determine whether any reaction occurs prior to the information leak. The average return is calculated by comparing the prices of stocks or foreign currency prior to and following an event. By contrast, the average expected return compares post-event stock or foreign exchange rates to the period under normal conditions. 120 days prior to the incident, typical conditions are used. Simultaneously, information leakage has no effect on the average return. The average return is determined by comparing the period immediately preceding and immediately following the event. If information is leaked, there is no change in the period following the event, whereas the estimation period is 120 days prior to the event.

The research examines exchange rates and stock indexes using data collected from various terrorist attacks in four ASEAN countries totaling 38 terrorist attacks. The specifics are listed in Table 1. The research spans the years 2000-2021. Criteria for terrorist attacks are based on news of terrorist attacks and carried out by groups that cause fear in the community and are announced by the government.

Table 1 Terrorist Events in South East Asia

No.	Date	Location	Country	Casualties (Dead)
1	1-Aug-00	Embassy / Public Area	Indonesia	2
2	13-Sep-00	Stock Exchange / Public Area	Indonesia	10
3	24-Dec-00	Church	Indonesia	16
4	30-Dec-00	Public Area	Philippine	14
5	22-Jul-01	Church	Indonesia	5
6	12-Oct-02	Restaurant and Bar / Public Area	Indonesia	202
7	27-Apr-03	Airport / Public Area	Indonesia	-
8	5-Aug-03	Hotel / Public Area	Indonesia	11
9	9-Sep-04	Embasssy / Public Area	Indonesia	5
10	15-Feb-05	Public Area	Philippine	11
11	1-Oct-05	Restaurant and Bar / Public Area	Indonesia	22
12	31-Dec-05	Market / Public Area	Indonesia	8
13	17-Jul-09	Hotel / Public Area	Indonesia	9
14	25-Jan-11	Bus / Public Area	Philippine	2
15	25-Sep-11	Church	Indonesia	1
16	9-Jun-13	Police Office	Indonesia	1
17	9-Oct-14	Restaurant and Bar	Malaysia	-
18	17-Aug-15	Temple	Thailand	22
19	14-Jan-16	Public Area	Indonesia	8
20	5-Jul-16	Police Office	Indonesia	1
21	28-Aug-16	Church	Indonesia	-
22	13-Nov-16	Church	Indonesia	1
23	22-May-17	Public Area	Thailand	-

Table 1 Terrorist Events in South East Asia
(continued)

No.	Date	Location	Country	Casualties (Dead)
24	24-May-17	Residence Area	Indonesia	5
25	8-May-18	Police Office	Indonesia	1
26	13-May-18	Church	Indonesia	15
27	16-May-18	Police (Mako Brimob)	Indonesia	6
28	27-Jan-19	Church	Philippine	23
29	2-Aug-19	Public Area	Thailand	-
30	10-Oct-19	Public Area	Indonesia	1
31	13-Nov-19	Police Office (Wiranto)	Indonesia	6
32	9-Feb-20	Public Area	Thailand	26
33	9-Feb-20	Public Area	Thailand	1
34	14-Feb-20	Public Area	Thailand	2
35	17-Mar-20	Government Office	Thailand	-
36	24-Aug-20	Military Camp	Philippine	14
37	28-Mar-21	Church	Indonesia	2
38	31-Mar-21	Police Office	Indonesia	1

Source: research results

Table 2 Data Explanation

No.	Incident	Explanation
1.	If the research day is due on a holiday	Data are collected on the following business days
2.	The terrorist attack is based on the day the incident occurred	If a terrorist attack occurs at midnight, it is based on the hour of the incident, even though the financial market is closed at that time.
3.	If a terrorist attack occurs for more than one day in one event	The terrorist attack is calculated based on the first day of the incident.

Investing.com and Yahoo Finance provide index and rate data. Several of the exchange rates are derived from data provided by each country's central bank. Table 2 provides context for the data. Terrorist attacks are used based on the date or time of the incident. If a terrorist attack occurs during the night, the applicable day is the date of the incident. Table 3 contains information about the research parameters. The exchange rate and stock index data are derived from the respective country's index. Table 4 details the index for each country.

Table 3 Data Source

No.	Variable	Description	Source
1	Terrorist Attack	Terrorist attacks with casualties	Ourworldindata.org/terrorism
2	Foreign Exchange/United States Dollar	Exchange rate of a country's currency against the United States Dollar	Yahoo Finance; Investing.com; bi.go.id
3	Stock Index	A composite stock price index of a country's stock exchange	Yahoo Finance; Investing.com

Table 4 Data Proxy

No.	Variable	Index	Currency
1.	Indonesia	IHSG (Indonesia Composite Index)	United State Dollar (USD) / Rupiah
2.	Thailand	SET Index (Stock Exchange Thailand)	USD / Bath
3.	Philippines	PSEI (Philippine Stock Exchange Index)	USD / Peso
4.	Malaysia	FTSE Bursa Malaysia KLCI	USD / Ringgit

Analysis

The research analyze 38 terrorist attacks in ASEAN. These terrorist attacks took place in four of ASEAN's most developed countries: Indonesia, the Philippines, Thailand, and Malaysia. The bombing attack in Bali II had the effect of lowering the study's most comprehensive composite stock price index by 18.57% - 22.55%. It was compared to the previous day's composite stock price index. This is also evident in the return on abnormal return calculation. Although the Bali Bombing II claimed fewer lives than the Bali Bombing I, its psychological toll was greater.

The Bali Bombing II incident, on the other hand, demonstrated the quickest recovery rate of 29.60%. This recovery has outperformed the previous recession. On D+7, this recovery occurred. On 1 October 2005, the second Bali bombing occurred. 22 people were killed in the Bali Bombing II. Over 200 people were killed in the Bali Bombing. Although the Bali Bombing II incident claimed fewer lives, it had a more severe impact on the community. A rapid recovery occurred in abnormal returns as well, with the composite stock price index recovering 29% on D+1, 11% on D+3, and 5% on D+7. The data are summarized in Table 5.

Table 5 Descriptive Data

		N	Minimum	Maximum	Mean	Std. Deviation
PRE	1 INDX	38	-0.2255	0.0147	-0.016068	0.0398934
PRE	3 INDX	38	-0.1867	0.0242	-0.020195	0.0410027
PRE	7 INDX	38	-0.2099	0.0383	-0.031200	0.0616420
POST	1 INDX	38	-0.0700	0.2960	0.008979	0.0517693
POST	3 INDX	38	-0.0380	0.3173	0.017529	0.0581176
POST	7 INDX	38	-0.0764	0.3192	0.014987	0.0684035
AR PRE	1 INDX	38	-0.2235	0.0152	-0.015518	0.0391427
AR PRE	3 INDX	38	-0.0603	0.0054	-0.006179	0.0123712
AR PRE	7 INDX	38	-0.0261	0.0051	-0.003905	0.0070906
AR POST	1 INDX	38	-0.0690	0.2980	0.008261	0.0518719
AR POST	3 INDX	38	-0.0120	0.1077	0.005163	0.0192927
AR POST	7 INDX	38	-0.0101	0.0476	0.001305	0.0092107
PRE	1 FX	38	-0.0300	0.0290	0.000026	0.0080990
PRE	3 FX	38	-0.0200	0.0250	0.000132	0.0092156
PRE	7 FX	38	-0.0360	0.0243	-0.000976	0.0141369
POST	1 FX	38	-0.0200	0.0970	0.003711	0.0168329
POST	3 FX	38	-0.0200	0.0970	0.005789	0.0180167
POST	7 FX	38	-0.0200	0.1280	0.006658	0.0238229
AR PRE	1 FX	38	-0.0330	0.0294	-0.001008	0.0092457
AR PRE	3 FX	38	-0.0090	0.0084	-0.000087	0.0034754
AR PRE	7 FX	38	-0.0040	0.0046	0.000192	0.0018738
AR POST	1 FX	38	-0.0250	0.0984	0.002318	0.0179126
AR POST	3 FX	38	-0.0090	0.0332	0.001663	0.0065061
AR POST	7 FX	38	-0.0030	0.0190	0.001050	0.0035756
Valid N (listwise)		38				

Note:

Pre : Before Event

Post : After Event

Indx : Stock Index

FX : Foreign Exchange

AR : Abnormal Return

1, 3, 7 : 1 Day, 3 Days or 7 Days

Differences in Share Prices Pre-Terrorist and Post-Terrorist Attack

For investors seeking to profit from their investment, it is recommended that new investors purchase shares on D+1 or one day after the event and sell on the third day following the D+3. Out of the 38 events, 23 have a higher return index than the post-event index, 11 have a lower return index, and four have the same return index. After one day, the average daily return is 0.8%, while after three days, the average daily return is 1.7%. Meanwhile, the abnormal return produces no discernible results.

The Wilcoxon test demonstrates that the condition following the incident is superior to the condition prior to the incident. All events demonstrate that the pre-incident generates an average return, which is more remarkable than an average abnormal return. This indicates that, on average, pre-incident recovery has recovered and is superior to post-incident recovery.

Table 6 Wilcoxon Rank Test

No.	Event	Negative Rank (<)	Mean Rank	Positive Rank (>)	Mean Rank	Ties (=)
1	POST7INDX - PRE7INDX	16	14.25	22	23.32	0
2	POST3INDX - PRE3INDX	11	15.55	27	21.11	0
3	POST1INDX - PRE1INDX	10	16.45	26	19.29	0
4	ARPOST7INDX - ARPRES7INDX	16	14.53	22	23.11	0
5	ARPOST3INDX - ARPRES3INDX	11	14.86	27	21.39	0
6	ARPOST1INDX - ARPRES1INDX	10	16.50	26	19.27	0
7	POST7FX - PRE7FX	14	17.75	23	19.76	1
8	POST3FX - PRE3FX	12	14.17	19	17.16	7
9	POST1FX - PRE1FX	7	8.14	11	10.36	20
10	ARPOST7FX - ARPRES7FX	13	13.77	17	16.82	8
11	ARPOST3FX - ARPRES3FX	15	17.47	21	19.24	2
12	ARPOST1FX - ARPRES1FX	14	15.82	17	16.15	7

Note:

Pre : Before Event

Post : After Event

Indx : Stock Index

FX : Foreign Exchange

AR : Abnormal Return

1, 3, 7 : 1 Day, 3 Days, and 7 Days

The Shapiro-Wilk test is then used to determine the normality of the calculated return and abnormal return data. If (>0.05), the data is considered to be normal. If (0.05), the data are non-normal. Only D-7 for foreign currency satisfies the normality requirement based on available data. Meanwhile, D+7 remains abnormal. This indicates that the existing data do not

meet the requirements for normality. Thus, the parametric test with the Wilcoxon test is used to evaluate this data, as described in Table 6.

Table 7 Normality Test

		Shapiro-Wilk			Normality
		Statistic	df	Sig.	
PRE	1 INDX	0.480	38	0.000	No
PRE	3 INDX	0.689	38	0.000	No
PRE	7 INDX	0.785	38	0.000	No
POST	1 INDX	0.488	38	0.000	No
POST	3 INDX	0.600	38	0.000	No
POST	7 INDX	0.713	38	0.000	No
AR PRE	1 INDX	0.461	38	0.000	No
AR PRE	3 INDX	0.646	38	0.000	No
AR PRE	7 INDX	0.808	38	0.000	No
AR POST	1 INDX	0.466	38	0.000	No
AR POST	3 INDX	0.558	38	0.000	No
AR POST	7 INDX	0.664	38	0.000	No
PRE	1 FX	0.595	38	0.000	No
PRE	3 FX	0.857	38	0.000	No
PRE	7 FX	0.955	38	0.126	Yes
POST	1 FX	0.440	38	0.000	No
POST	3 FX	0.597	38	0.000	No
POST	7 FX	0.609	38	0.000	No
AR PRE	1 FX	0.746	38	0.000	No
AR PRE	3 FX	0.899	38	0.002	No
AR PRE	7 FX	0.924	38	0.013	No
AR POST	1 FX	0.558	38	0.000	No
AR POST	3 FX	0.682	38	0.000	No
AR POST	7 FX	0.630	38	0.000	No

Note:

Pre : Before Event

Post : After Event

Indx : Stock Index

FX : Foreign Exchange

AR : Abnormal Return

1, 3, 7 : 1 Day, 3 Days, and 7 Days

According to the Wilcoxon test results in Table 7 and Table 8, all pre- and post-incidents for the return index and abnormal return index indicate a statistically significant change. For events D-1 with D+1 and D-3 with D+3, there is a significant shift with 1%. When D-7 is combined with D+7, a significant 5%. The results of the test indicate that the index has a higher positive rank than a lower negative rank. This demonstrates that post-events generate higher rates of return and abnormal returns than pre-events.

There is no significant change between pre-incidents and post-incidents for the three test scenarios for exchange rate return and foreign exchange abnormal return. Post-incident shows positive results, where it has better returns and abnormal returns than pre-incident.

The Wilcoxon test result indicates that there is a higher rate of return post-incident than pre-incident of a terrorist attack. The stock index is the only significant difference.

Table 8 Wilcoxon Test Results

	Return Index		Abnormal Return Index		Return Foreign Exchange		Abnormal Return Foreign Exchange
Post 7 vs Pre 7	-2.067	**	-2.001	**	-1.554		-1.101
Post 3 vs Pre 3	-2.893	***	-3.002	***	-1.529		-1.116
Post 1 vs Pre 1	-2.647	***	-2.639	***	-1.247		-0.519

Note:

*) Significant on 10%

**) Significant on 5%

***) Significant on 1%

Pre : Before Event

Post : After Event

Indx : Stock Index

1, 3, 7 : 1 Day, 3 Days and 7 Days

According to the Shapiro Wilk test, only pre-7 for the index (D-7) demonstrates that the data are normal. However, because the index's post-7 (D+7) value is abnormal, the special tests for D-7 and D+7 are omitted.

Table 9 Wilcoxon Rank Test Results (2)

No.	Event	Negative Rank (<)	Mean Rank	Positive Rank (>)	Mean Rank	Ties (=)
1	POST1INDX - POST7INDX	21	18.90	16	19.13	1
2	POST1INDX - POST3INDX	23	19.39	11	13.55	4
3	ARPOST1INDX - ARPOST7INDX	15	17.83	22	19.80	1
4	ARPOST1INDX - ARPOST3INDX	18	20.11	19	17.95	1
5	POST1FX - POST7FX	20	14.60	9	15.89	9
6	POST1FX - POST3FX	16	11.69	6	11.00	16
7	ARPOST1FX - ARPOST7FX	18	19.81	19	18.24	1
8	ARPOST1FX - ARPOST3FX	21	19.00	15	17.80	2

Note:

Pre : Before Event

Post : After Event

Indx : Stock Index

FX : Foreign Exchange

AR : Abnormal Return

1, 3, 7 : 1 Day, 3 Days or 7 Days

On index and exchange rates, the research tests returns and abnormal returns to events (D+1). The results indicate that the positive rank is three times more remarkable than the negative rank (Table 9). The positive rank denotes that post-one-day (D+1) and abnormal returns are greater than D + 3 and D+7. Negative rank refers to a three-day (D+3) or seven-day (D+7) post-event with a higher return and abnormal return than a one-day post-event (D+1).

The Wilcoxon test, as seen in Table 10, indicates that stock index returns after three days (D+3) and one day (D+1) are statistically significant. For foreign exchange rates, returns, and abnormal returns, significant results are obtained when comparing events occurring within one day to events occurring within three days. This statistically significant result indicates a negative outcome. These findings indicate a sizable $\alpha < 5\%$.

Table 10 Wilcoxon Test Results (2)

	Return Index		Abnormal Return Index		Return Foreign Exchange		Abnormal Return Foreign Exchange	
Post 1 vs Post 3	-2.539	**	-0.158		-1.966	**	-1.037	**
Post 1 vs Post 7	-0.686		-1.267		-1.613		-0.075	

Note:

Pre : Before Event

Post : After Event

Indx : Stock Index

FX : Foreign Exchange

AR : Abnormal Return

1, 3, 7 : 1 Day, 3 Days and 7 Days

**) Significant on 5%

There is a significant difference between post-incident and pre-incident stock returns and abnormal returns. The results of the return and abnormal return indicate that the positive rank is greater than the negative rank. The return has a positive rank, and the post-incident abnormal return is greater than both the pre-incident and abnormal returns. Thus, an investor can earn a higher profit if he can maintain his investment based on the above-mentioned test results. In as many as 150 of 228 events, the post-incident return is greater than the pre-incident return, or by 65.78%. The capital market is a free market, and intervention by the authorities will be difficult.

The findings are in contrast to those of Fauziah and Venusita (2021), Saputra et al. (2021), Anggraeni et al. (2021). Earlier research concludes that there was no difference in stock market returns. The research discovered a greater difference over a specified time period. The research is unique in that it includes an explanation for the difference in time or day.

Return and abnormal return have no discernible effect on currency exchange rates. Foreign exchange markets are regulated by the appropriate authorities. The central bank may intervene in the currency market by purchasing or selling currencies in response to market conditions.

Differences in Currency Exchange Rates Pre-Terrorist and Post-Terrorist Attack

Investors interested in foreign exchange, returns, and abnormal returns one day after an event (D+1) with a return three days after the event (D+3) demonstrate significant results. Return and abnormal return post-event demonstrate greater results than pre-incident in up to 37 of 76 events. At D+1, the return on foreign currency is 0.37%, while at D+3, it is 0.57%. Meanwhile, the abnormal return on D+1 is 0.23%, and the abnormal return on D+3 is 0.167%. Previous research indicates that there is a 3 to 15-day difference in the foreign exchange rate between before and after an event (Arif, 2017; Hadhek et al., 2019; Tavor & Teitler-Regev, 2019). This research is unique in that it is conducted over a short period of time and includes days that demonstrate changes in returns. This has not been demonstrated in prior research. This research focuses on the capital and financial markets of Southeast Asia's major countries. This research will benefit investors interested in investing in one of the world's fastest growing regions, accounting for approximately 5% of the global population. The research demonstrates that terrorist attacks have only a transient impact on investor behavior. Investors' fundamental confidence in Southeast Asian countries must be strong. Terrorist attacks have only a transient impact, not a permanent one. In general, only three to five days after a terrorist attack do things return to normal.

Conclusion

The capital market responds to terrorist attacks, whereas the money market, particularly the foreign exchange market, does not. This is quantified through the return and abnormal return on stock indexes and foreign exchange rates relative to the US Dollar. This reaction, however, is only temporary. After three to seven days, the stock index and currency exchange rate will return to their pre-attack levels. The stock index will generate a higher return than it did prior to the incident. The public has confidence and trust in the state's ability to resolve the terrorism problem. A second attack on the precise location, on the other hand, will have a greater effect than the first. The second attacks include a second church bombing, a second Bali bombing, and a second Jakarta hotel attack. Investors can earn a profit by purchasing shares or foreign currency after the incident occurs and then selling it three days later. The investor will earn a profit. The research has limitations in terms of the types of events analyzed. The investigation is limited to incidents occurring within a country and makes no distinction between major city incidents and attack types. Additional research can be conducted to determine the type of terrorist attack and its location by analyzing the government's actions in providing security to society in ASEAN countries. Another method is conducting a survey to ascertain the public's reaction.

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Indonesia's Spice-Based Gastrodiplomacy: Australia and Africa continents as the potential markets

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Abstract

The history of the spice route has left a legacy in Indonesia and the rest of the world. To date, Indonesia continues to be a major global player in the spice trade. Pepper, nutmeg, cloves, mace, and cinnamon were the country's primary exports. Food may foster cross-cultural understanding, which can enhance international cooperation and engagement. Thus, foods rich in spices can be an asset for Indonesia's gastrodiplomacy. In collaboration with various non-state actors and coordinated by Indonesia's Coordinating Ministry of Maritime and Investment Affairs, the Indonesian government has developed an ambitious gastrodiplomacy strategy called "Indonesia Spice Up the World" (ISUTW). Despite possible hurdles, Australia and Africa could be potential markets for further implementation of ISUTW. The research aims to answer the following questions: 1) To what extent has Indonesia promoted its spice-based gastrodiplomacy? and 2) What are the opportunities and challenges of Indonesia's spice-based gastrodiplomacy for the Australian and African markets? The research employs a mixed-method approach, including surveys to gather data about Indonesian cuisine businesses operating in Australia. This research incorporates a literature analysis, in-depth interviews, and focus group discussions with both state and non-state actors to strengthen the study, particularly in the context of the African market. Indonesia's gastrodiplomacy strategy, centered around spices, is suggested to prioritize Australia and Africa by leveraging cultural connections and existing market presence to effectively promote Indonesian gastronomy globally.

Keywords: Africa, Australia, Gastrodiplomacy, Indonesia Spice Up the World, Indonesian spices

Introduction

For millennia, the Indonesian archipelago, particularly the Banda Islands and the Moluccas renowned as the Spice Islands, has attracted global attention for its native nutmegs and cloves (Bartels, 2010). Spice is usually defined as an aromatic part of a tropical plant, be its root, bark, flower or seed, and is mostly used for food seasoning (Peter, 2004; Czarra, 2009). *Rendang*, an authentic West Sumatra dish, exemplifies the region's spice-rich cuisine. This caramelized beef curry is slow-cooked in a seasoned coconut milk mixture, blending herbs and spices like ginger, cloves, galangal, turmeric, nutmeg, and candlenuts for a profoundly savoury and spicy flavour. Similarly, *Soto*, a spiced Indonesian soup, ranks among CNN's top 20 soups globally, showcasing the diverse flavours across the archipelago (Oktavia, 2021). The spices in *Soto* include onion, garlic, turmeric root, galangal, ginger, coriander, pepper, star anise, cloves, cinnamon, cardamom, and nutmeg.

According to Rahman (2018), at the beginning of the AD century, Claudius Ptolemy wrote *Geōgraphikē Hyphēgēsis* (Geographical Guidelines). Ptolemy revealed the route to the archipelago, where he mapped the direction of the spice-producing regions from Venice, Alexandria, the Gulf of Aden (Yemen), India, Barus, China and then back to Venice. At that time, Venice was an important trading port city in Europe, with spices as one of its primary commodities. The writings of Ptolemy stating about trading activities in Barus in the 2nd century AD, which is located on the west coast of Sumatra, were one of the earliest documentaries of evidence that have shown global commerce since ancient times. Apart from Barus, which is a camphor-producing region for preserving corpses and pharmaceuticals, in Chinese and Indian chronicles, it is stated that before the 5th century AD, traders from the archipelago were heavily involved in buying and selling other spices, especially cloves and nutmeg. The search for spices trading initially was exclusive only to traders from India, China and Arabia. Spices are widely used for medicinal purposes, food seasonings and preservatives, cosmetics and beauty treatments, natural dyes and drinks since thousands of years. The majority of spices are native plants and are only cultivated on the Asian continent.

Rahman (2018) points out that the 15th century can be said as the "century of spices" because the image of spices as a dish enhancer increased initially in European palaces since then. During the 13th to 15th centuries, about 75% of spices appeared in recipes, in Europe. A recipe book in England during that period, for example, contained a recipe for the type of haddock fish whose habitat in the Atlantic Ocean was seasoned with a sauce made from spices in the form of cloves, mace, pepper, cinnamon, raisins, turmeric, sandalwood, and ginger. Since the 15th century, Europeans are not the only ones obsessed with spices; the opening of sea routes for the search for spices allowed European cultural interests and dominance to spread to various parts of the world. The Europeans finally got access to the spice trade and began exploiting the lands they had come to for their economic interests. Hence, the British ruled India, Dutch colonized Indonesia and Spain and Portugal colonized South and Central America.

In 1511, Antonio de Abreu's expedition marked the beginning of colonization in Indonesia for its spices, leading the Portuguese to the Spice Islands, the Moluccas. Similarly,

Spain reached the Moluccas via the Pacific and America, both nations aiming to control the lucrative clove and nutmeg trade. However, Portuguese and Spanish dominance was challenged by the Dutch East India Company (VOC) and the British East India Company (EIC), which continued the colonization efforts in Indonesia to exploit its spice resources (Dalidjo, 2020). Indonesia's spice trade history is deeply tied to its colonial past, particularly in regions like the Moluccas, Bangka Belitung, and Sumatra, which are known for their spice wealth. For example, agriculture, mainly spice cultivation, constituted nearly 57% of North Moluccas' economy (Astuti & Ramos, 2012), illustrating the importance of spices to regional economies during and post-colonization.

The utilization of spices continues to hold significance in contemporary times. The rich historical background of Indonesia and the spice trade significantly shaped the creation of Indonesian cuisine, primarily relying on spices to augment its taste. The research examines Indonesia's spice-based gastrodiplomacy by means of businesses such as restaurants, catering services, and food stalls, without forgetting the significance of spices as essential commodities in preserving the originality of Indonesian cuisine and enhancing its gastrodiplomacy. It specifically aims to assess the opportunities and challenges in implementing the Indonesian Spice Up the World (ISUTW) initiative, the government-led gastrodiplomacy program, in Australia and Africa. Even though this is not the first time a similar idea has been brought up, ISUTW is envisioned to be a clearer and sharper attempt to promote food abroad. Indonesia's strategy, aiming to strengthen its national brand and market presence, marks a significant, committed step in presenting authentic Indonesian foods abroad. The novel analysis includes Australia and Africa as pivotal continents for advancing Indonesia's gastrodiplomacy.

Literature Review

The research focuses on diplomacy studies, specifically highlighting gastrodiplomacy's role in promoting national cuisine globally and enhancing a country's brand. Gastrodiplomacy leverages cultural and social engagement as a form of soft power to influence other nations. The concept was first introduced in a 2002 *Economist* article, "Food as Ambassador," which discussed Thailand's efforts to globalise its culinary traditions (Zhang, 2015). Rockower (2012; 2020) further defined gastrodiplomacy, examining its application in various Asian countries to promote national cuisines internationally. This has spurred considerable academic interest in gastrodiplomacy as a strategic approach to global food promotion.

Rockower (2012) states that middle power countries typically use gastrodiplomacy practices. Discussing gastrodiplomacy is inextricable with other diplomacy practices: public diplomacy, culinary diplomacy, and cultural diplomacy. More profoundly, gastrodiplomacy is also regarded as a means to strengthen nation branding and part of the realization of a particular country's soft power. Therefore, the practices of public diplomacy, culinary diplomacy and cultural diplomacy are part of gastrodiplomacy, which forms a single process in strengthening nation branding outside the country. Rockower (2012; 2020) defines

gastrodiplomacy as “a form of public diplomacy that combines cultural diplomacy, culinary diplomacy and nation branding to make foreign culture tangible to the taste and touch”; he offers foods and culinary aspects as a key for diplomacy practices. Pham (2013) states that gastrodiplomacy is “part of nations’ efforts to promote their cultures, build their images, globalize their food industries, attract foreign tourists and build relations with foreign publics”. Another scholar, Spence (2016), suggests an example of gastrodiplomacy: the use of food to convey a specific message to others.

Furthermore, Wilson (2011) reiterates that food could be a harmless way to gain interest and connect with the outside community. That is why, according to Rockower (2012), gastrodiplomacy aims to captivate hearts and minds through emotional rather than rational appeals. The field has evolved to attract attention from the lens of anthropology and sociology, highlighting the need to understand human cultures and behaviours deeply. Maye-Banbury and Casey (2016) confirm that gastrodiplomacy could run effectively because the media of connection (food) is also practiced through anthropological and sociological lenses, eliciting emotional responses and evoking memories through the senses of taste and smell. This approach underlines the importance of considering the target audience’s cultural preferences and culinary traditions in gastrodiplomacy efforts.

The concept of gastrodiplomacy often gets mixed up with food diplomacy and culinary diplomacy, though each has distinct focuses and targets. Gastrodiplomacy is designed to engage broad international audiences and bolster national branding globally. Unlike food diplomacy, which addresses people who need help in crises, and culinary diplomacy, targeting diplomatic figures through formal dining or called diplomacy on the table, gastrodiplomacy encompasses public, cultural, and culinary diplomacy to increase attention and understanding of national culinary to many foreign people (Rockower, 2012). Zhang (2015) reinforces this argument in his study; he emphasizes that food is a gastrodiplomacy and nation-branding tool, and both are intertwined.

Upon closer reflection, the debate of nation-branding in gastrodiplomacy practice has sparked discussion. The definition of nation branding has been often studied since the late 1990s. Simon Anholt initially reflected nation branding as a means to form and promote different self-image and build an effective international reputation to fulfil national interests (Teslik, 2007). In its development, nation branding is then defined as a complex and unique concept; it is a multi-dimensional blend of elements that provide the nation with culturally grounded differentiation and relevance for all its target audiences (Dinnie, 2008; Chernatony, 2008). It is also noteworthy to understand that nation branding is very close to national identity and country of origin (Chernatony, 2008). Potential rewards to be gained when nation branding has been strengthened are attracting tourism, stimulating inward investment and boosting exports, increasing currency stability, helping restore international credibility and investor confidence, increasing international political influence, stimulating stronger international partnerships and enhancing nation-building (Temporal, 2006, cited in Chernatony 2008). In other words, nation branding reflects national identity, representing dominant values that are embedded in a particular community.

The definition of gastrodiplomacy is constantly evolving, but its main goals include conveying ideas through food, showcasing cultural aspects, and enhancing national branding. Furthermore, the public continues to be the focus of gastrodiplomacy initiatives. The research aims to complete the working definition of gastrodiplomacy by focusing on spices as critical components, which can serve as a driving force for gastrodiplomacy initiatives, particularly in Indonesia.

Research Methods

The research utilizes a mixed-methods approach to gather data and support analyses. Primary resources are collected by conducting focus group discussions with various stakeholders, including government and non-governmental actors involved in spices and gastrodiplomacy issues. A research team also engaged with experts in gastrodiplomacy, such as a government official from the Indonesian Embassy in Sydney, Australia, the Indonesian Embassy in Windhoek, Namibia, Indonesia's Ministry of Foreign Affairs, Indonesia's Coordinating Ministry of Maritime and Investment Affairs, founders of gastronomic associations in Indonesia, professional chefs in Indonesia and Australia, catering business owners in Australia, Indonesian gastronomic experts, and other relevant stakeholders.

Secondary resources are gathered by examining literature from official papers, books, and scholarly publications. Analysing texts and documents like government reports, media articles, books, and journals can help understand distributed or private knowledge (Hammarberg, Kirkman, & de Lacey, 2016). vom Brocke et al. (2009) emphasize that literature reviews are crucial in scholarship as science is primarily an accumulative pursuit. The research has also been inspired by Indonesia's ongoing efforts in food promotion worldwide since 2008, though the term 'gastrodiplomacy' has yet to be used at that time. Until the first Indonesian Gastrodiplomacy Congress was held in Jakarta in December 2020, it brought together an array of stakeholders focused on gastronomy to commit to developing robust and precise steps for enhancing the Indonesian gastrodiplomacy strategy.

In Australia, the research is supported by survey findings that analyse the Indonesian culinary business environment. Two surveys were conducted from September 8 to October 8, 2021, and then from October 8 to November 8, 2021. The online surveys were used to collect early data on the Indonesian restaurant business in Australia, helping to identify and map out the initial knowledge in the country. The initial phase sought responses from cafes, restaurants, and catering proprietors across Australia. The subsequent phase of the survey aimed to gauge the perspectives of consumers from Indonesian diasporas, including students, regarding these businesses.

Online surveys have gained popularity as a qualitative research tool, especially during times of social mobility restrictions, despite facing limitations like lower response rates compared to traditional survey methods (Braun et al., 2021; Buchanan & Hvizdak, 2009; Gordon & McNew, 2008). Using the Survey Monkey platform to send this survey to 27 business owners and 100 members of the Indonesian diaspora in Australia, it was expected

that the results would be comparable in nature and quality to those from traditional paper surveys (Gordon & McNew, 2008). A purposive sampling technique utilizing a snowball approach was used. There are around 151 Indonesian restaurants in Australia, according to the survey conducted by the Directorate of Public Diplomacy, Indonesia's Ministry of Foreign Affairs (2021), and these businesses were considered the population for the study. The research was carried out during the second wave of the COVID-19 pandemic.

For the Africa region, due to the limited move during the COVID-19 pandemic, the distribution of survey was challenging. However, complete information was primarily gathered through an extensive literature review, hearings with Indonesian government stakeholders and representatives of some embassies in African regions during the formulation of ISUTW, and active participation in events such as webinars organized by the Indonesian Embassy in Windhoek, Namibia. One notable event was the "Thirty Years of Indonesia-Namibia Diplomatic Relations: Towards a Dynamic Economic Partnership," held in 2021.

The research emphasizes Australia and Africa as potential markets for adopting Indonesian gastrodiplomacy, without forgetting spices, a crucial element of Indonesian identity. These two regions are essential for expanding the reach of Indonesian food marketing globally, and this writing will elaborate on the rationale.

Prelude to "Indonesia Spice Up the World": A Long Journey

Prior to the official launch of Indonesia Spice Up the World in the late of 2021, the spirit of Indonesia to promote Indonesia's plethora of food and spices has been present long before this commitment was stipulated and became the primary agenda of Indonesia's soft power demonstrated to the world. Non-state actors, in particular, have been instrumental in assisting the Indonesian government in promoting Indonesian foods and spices at a number of festivals and cultural events. Since 2008, there have been arguably four major programs that were considered as initial steps of Indonesia's gastrodiplomacy: Indonesia Inspired (2008), Indonesia-Spain Culinary Cooperation (2012), Spice it Up Program at Frankfurt Book Fair (2015 and 2016), Wonderful Indonesia Co-Branding Program (2017), and The First Congress of Indonesian Gastrodiplomacy (2020).

Indonesia Inspired

The Indonesian Embassy in London, in partnership with the Asia London Cultural Centre (Asia House), hosted the "Indonesia Inspired" festival from October 9-22, 2008, in the Asia House Building in London. Asia House held this kind of event annually to showcase Asian arts and culture, including Indonesia in 2008. William Wongso, an Indonesian chef, and culinary expert was invited to speak on this occasion regarding Indonesia's culinary heritage. At that time, Indonesia Inspired was considered the country's first and largest modern festival ("Indonesia Inspired akan diadakan", 2008). A committee of Asia House's "Indonesia Inspired" program, K. Pringgoharjono (2022, personal communication, January 4), also agreed that Indonesia has engaged in gastrodiplomacy long before what has been attempted recently,

citing food promotion in London in 2008 as an example. This festival, which incorporated fashion and films in addition to food promotion, can be seen as one of Indonesia's major steps in promoting its authentic foods abroad.

Indonesia-Spain Culinary Cooperation

Late in 2012, William Wongso, Indonesia's culinary expert, and Rafael Anson, Chairman of *Real Academia Gastronomica de Espana*, have agreed to take a collaborative action to promote culinary, particularly Indonesian foods, in Casino de Madrid, Madrid, Spain. This event was held in conjunction with the launch of 30 traditional Indonesian culinary icons by Mari Elka Pangestu, the former Minister of Tourism and Creative Economy of Indonesia (2011–2014) ("Spanyol promosikan kuliner", 2012). According to William Wongso (2022, personal communication, January 4), this effort may have been one of the earliest stages in the development of Indonesian gastrodiplomacy. This cooperation agreement aimed to foster networks and cooperation for the growth of Indonesia's gastronomy as well as establish the culinary association named Indonesian Gastronomy Association, or IGA. In addition, the Indonesian Embassy in Madrid utilized this opportunity to promote Indonesian foods in Spain, with William Wongso demonstrating culinary shows at the CETT Barcelona School of Tourism, Hospitality, and Gastronomy in Barcelona and the Alambique Cooking School in Madrid ("Spanyol promosikan kuliner", 2012).

Spice It Up! Indonesia

In 2015, Indonesia served as the Guest of Honour Country at the Frankfurt Book Fair, one of Germany's largest book fairs. With the main support of Indonesia's Ministry of Education and Culture, *Spice It Up! Indonesia* has a mission to promote Indonesian cuisine on a global scale (*Spice It Up*, 2015a). Inside the book fair, Indonesia provided culinary workshops, culinary shows, discussions, and cookbook launches by Indonesia's renowned chefs and culinary figures, showed more than 50 native spices, and opened the Spice Island Café, which served Indonesia's premium coffees and teas (*Spice It Up*, 2015b). The success of *Spice It Up! Indonesia* in 2015 continued Indonesia's diplomacy efforts at food and spice aspects in the following year. On October 18–23, 2016, Indonesia rejoined the Frankfurt Book Fair. *Spice It Up!* Committees organized the "Food Explorer" event, in which Indonesian chefs and students from a vocational cooking school in Germany cooked alongside around 1,000 kids aged 12 to 18 from schools in Germany, Austria, Italy, and other European countries (Wildan, 2016). By preparing Indonesian dishes, including Meatballs, Beef Rendang, Kue Lumpur, and Fried Noodles, they practiced "see, touch, feel, hear, and taste," which were essential cooking abilities. According to K. Pringgoharjono (2022, personal communication, January 4), former Chief Program Officer for Culinary, Youth, and Student Programs (*Spice It Up!*) for Frankfurt Book Fair 2015, the *Spice It Up!* program was arguably the first Indonesian government program, which successfully implemented a large-scale culinary program involving chefs, book authors, and culinary experts. Presumably, the *Spice It Up!* program has become one of the Indonesian early gastrodiplomacy programs that has

contributed to the growing awareness of utilizing Indonesian foods and spices as instruments of diplomacy to promote Indonesia's culture, nation brand, and market potential.

Wonderful Indonesia Co-Branding Program

Given the increasing need for a long-term program to support Indonesian culinary promotion, Indonesia's Ministry of Tourism (recently transformed into the Ministry of Tourism and Creative Economy in 2019) developed a program to support Indonesian culinary promotion (Trihartono et al., 2020). One of the most prominent programs was to collaborate with restaurants overseas established by Indonesian diasporas through the Co-Branding Wonderful Indonesia program in early 2018. (V. Datau, personal communication, June 10, 2020). R. Manan (2020, personal communication, September 17) adds that there were up to 100 restaurants that were co-branded through this Wonderful Indonesia program. This initiative was created to assist Indonesian restaurants abroad in promoting their cuisine in the host country. On the other hand, Indonesia's Ministry of Tourism might promote Indonesian tourist destinations by displaying photographs, artwork, and sculptures that symbolize Indonesia in their restaurants. There are three selection criteria for restaurant partners: 1) Location and Year of Establishment; restaurants must be in the city center, easily accessible, and have been in operation for more than three years; 2) Food Menu; restaurants must serve at least two of the five national foods of Indonesia, namely *Gado-gado*, *Nasi Goreng*, *Rendang*, *Satay*, and *Soto*; and 3) Wonderful Indonesia Partner; Indonesian restaurant owners may become an official partner for Wonderful Indonesia, a government-sponsored tourism brand. According to Trihartono et al. (2020), the Ministry of Tourism has cooperated with ten Indonesian restaurants abroad that meet the following criteria: 1) Ron Gastrobar in Amsterdam, the Netherlands; 2) Djakarta Bali in Paris, France; 3) Yono's Restaurant in Albany, New York, USA; 4) Kasih Restaurant in Los Angeles, California, USA; 5) Fluffy Lamb in Perth, Australia; 6) Sendok Garpu in Brisbane, Australia; 7) Ubud Restaurant in Sydney, Australia; 8) Sari Ratu in Singapore; 9) Bumbu Desa in Malaysia; 10) Indonesia Grill and Gastrobar in Houston, Texas, USA. The initiative had previously garnered an enthusiastic reaction from various stakeholders and had become the leading program for marketing Indonesian cuisine abroad at that time.

The First Congress of Indonesian Gastrodiplomacy

The concurrent presence of food promotion to the world leads government and non-government stakeholders to reaffirm the spirit of gastrodiplomacy by conducting the first congress of Indonesian gastrodiplomacy in 2020. Amidst the early upsurge of the COVID-19 global pandemic, the Indonesian Culinary Institute, under the auspices of Indonesian diaspora entrepreneur in the United States, Robert Manan, led and coordinated the conduct of the Congress of Indonesian Gastrodiplomacy on December 13, 2020. Many prominent figures in the gastronomic industry attended the congress, ranging from government actors, chefs, culinary storytellers, culinary business owners, culinary experts, culinary association leaders, private businesspeople, and academics. During the congress, all the stakeholders

came together and declared 14 initiatives symbolizing the commitment to promoting Indonesian foods and spices. The declaration of Indonesian gastrodiplomacy highlights: to synergize of various stakeholders to work collaboratively, create a culinary centre, database platform for Indonesian food records, and accommodation support (airlines for easing export procedures) for food promotion, take concern on Indonesia's maritime specialities and culinary diversity, strengthen historical narratives and culinary education, promote Indonesian culinary online, embrace and harness Indonesian diaspora abroad, provide ease and access for spices export-import mechanism and Indonesian restaurants opening overseas, and develop gastronomic cities in Indonesia (Declaration of Indonesian Gastrodiplomacy, 2020). The congress has been responded positively by many stakeholders. In the meantime, the timing was also in line with the government's idea to strengthen Indonesia's gastrodiplomacy in developing what is called Indonesian Spice Up the World (ISUTW), which has just been initiated as a response to the continuation of the food promotion program earlier. The role of the non-state actors was apparent. Their initiatives uniting various stakeholders and declaring a gastrodiplomacy commitment in a one-day meeting amidst the COVID-19 pandemic led to a great success that employed a good beginning for collaborative action for Indonesia's more robust food and spices promotion abroad that are future advanced through the national action plan of ISUTW.

The National Action Plan of Indonesia Spice Up the World

Since 2020, the Indonesian government has embraced food and spices as critical tools for diplomacy, drawing inspiration from Thailand and Vietnam's gastrodiplomacy successes. It is also supported by the fact that culinary was the sub-sector industry marked as the most significant contributor to Indonesia's GDP and considered the industry that recruited human resources the most. In 2020, the culinary industry contributed approximately 41% of the total GDP ("Kuliner penyumbang ekonomi", 2021) and the export worth of culinary attained roughly USD 1.3 billion (Catriana & Djumena, 2020).

The Indonesian government, under the coordination of Indonesia's Coordinating Ministry of Maritime and Investment Affairs, has been arranging a leading and strategic program to promote Indonesia's food and spices under the name of Indonesia Spice Up the World (ISUTW). ISUTW is a collaborative program involving all stakeholders aiming to promote Indonesian culinary to achieve the export values of spices and seasonings up to USD 2 billion and activate 4,000 restaurants overseas in 2024. Previously, this initiative also aimed to improve certain tourism sites in Indonesia to become the focal point of gastronomy tourism, with the goal of attracting foreign tourists to experience and discover the local food. Regardless of what types of foods the tourists choose, Purnomo, Somantri, and Adnan (2023) contend that tourists' consumption of local food while traveling determines which foods are considered authentic. Consequently, it is crucial to enhance Indonesia's status as a gastronomy destination. However, the main goals decided during the first cycle of ISUTW, which lasts until the end of 2024, are to initially stimulate the growth of Indonesia's restaurants overseas and enhance the export values of spices.

Officially announced on November 4, 2021, during the National Day at Dubai Expo 2020, ISUTW initially targeted Australia and Africa, recognising many unexplored market potentials for Indonesian products and restaurants there. However, it is then acknowledged that the markets would be expanded without limiting to those two continents (Sartin, 2021). By the end of 2022, the most recent update involves selecting 12 pilot project countries for ISUTW implementation. Focusing on some regions and countries will indeed be beneficial for Indonesia to map out the opportunities and challenges systematically. The countries mentioned include the United States (US), China, Japan, the Netherlands, Australia, the United Kingdom (UK), Germany, France, the United Arab Emirates (UAE), Turkey, Qatar, and South Africa (Indonesia's Coordinating Ministry of Maritime and Investment Affairs, 2022a). Australia and South Africa, located on the African continent, are also seen as prospective markets for Indonesia.

The formulation of ISUTW includes both state and non-state actors. The state actors comprise some of Indonesia's ministries, governmental bodies, and state-owned enterprises associated with trade, industry, maritime, agriculture, tourism, finance, international affairs, culture, law and human rights, transportation, and market research. On the other hand, non-state actors encompass gastronomy associations, expert chefs, culinary business owners, food influencers, and start-ups. Table 1 identifies the actors supporting the program formulation, including:

Table 1 State and Non-State Actors Participating in the Formulation of ISUTW

State Actors	Non-state Actors
Coordinating Ministry of Maritime and Investment Affairs	<i>Dewan Rempah Indonesia</i> (Indonesian Spice Council)
Coordinating Ministry of Economic Affairs	<i>Gabungan Pengusaha Makanan dan Minuman Indonesia</i> (GAPMMI) (Indonesian Association of Food and Beverages)
Ministry of Finance	Indonesia Culinary Institute (ICI)
Ministry of Tourism and Creative Economy	Indonesia Gastronomy Association
Ministry of Foreign Affairs	Indonesia Chef Association
Ministry of Trade	Asosiasi Chef Profesional (<i>Professional Chef Association</i>)
Ministry of Law and Human Rights	Indonesia Gastronomy Network (IGN)
Ministry of Education and Culture (later transformed into Ministry of Education, Culture, Research, and Technology in 2021)	Indonesia Gastronomy Community (IGC)
Ministry of Agriculture	<i>Asosiasi Pengusaha Jasaboga Indonesia</i> (APJI) (Catering Services Association in Indonesia)
Ministry of National Development Planning	Team Leader of Indonesia's Culinary Tourism Acceleration and Development, Ministry of Tourism (2014-2019)
Ministry of Industry	<i>Aku Cinta Masakan Indonesia</i> (I Love Indonesian Food)
Ministry of Health	Culinary Experts
Indonesian Institute of Sciences (later merged into National Research and Innovation Agency in 2021) (BRIN)	
Drug and Food Supervisory Body (BPOM)	
PT Garuda Indonesia	

Source: Indonesia's Coordinating Ministry of Maritime and Investment Affairs, 2020a.

Two key objectives of ISUTW are to be followed in the initial stage of implementation until 2024 (Indonesia's Coordinating Ministry of Maritime and Investment Affairs, 2022b). They include: 1) Increase export values of spices and seasonings to USD 2 billion; 2) Establish up to 4,000 Indonesian restaurants abroad.

Increase export values of spices and seasonings to USD 2 billion

Indonesia, known globally as 'the mother of spices,' aims to double its spice export value to USD 2 billion by enhancing the quality and export processes and promoting native spices through the ISUTW initiative. This strategy, which follows a notable increase in spice exports to USD 1.02 billion in 2020 ("Indonesia Spice Up the World", 2021), involves improving logistical support, expanding financial options, and extending networks of local enterprises, alongside reviving the Co-branding Wonderful Indonesia program. In addition to the increased export values, it is also hoped that the worldwide distribution of Indonesian spices could supply Indonesian restaurants and create common standards for the taste of Indonesian foods served abroad. This program is also anticipated to increase the economy of Indonesian society, especially the local Indonesian farmers as the spice's suppliers.

Establish up to 4,000 Indonesian restaurants abroad

To enhance its global culinary footprint, the Indonesian government targets the establishment of 4,000 eateries abroad in 2024, building from the current 1,100 (Indonesia's Ministry of Foreign Affairs, Public Diplomacy Directorate, 2021, personal communication, July 27). Achieving this goal requires setting restaurant standards, creating promotional menus, and fostering partnerships, especially with the Indonesian diaspora. This expansion also aims to globally promote *Gado-gado*, *Nasi Goreng*, *Rendang*, *Satay*, and *Soto*, leveraging their international acclaim as evidenced by CNN's recognition of *Rendang* and *Nasi Goreng* among the world's top foods in 2017 and *Rendang* again in 2021 (Cheung, 2017; "Rendang kembali masuk daftar", 2021). This strategy underscores the potential of Indonesian cuisine on the global stage.

The initiative of the ISUTW program has also gained various responses. As mentioned in Table 1, non-state actors have actively participated in the making. For instance, the US-based Indonesian diaspora, Robert Manan, also the founder of Indonesia Culinary Institute, was very engaged in the spirit of Indonesia's gastrodiploamacy, conducting the first congress of Indonesian gastrodiploamacy which gathered many stakeholders amidst the pandemic circumstances. Others, such as Indonesian diasporas in Australia and The Netherlands, have also informed regarding the program; however, the precise direction to implement the program and what diaspora could help are still limited. D. Tjoe (2021, personal communication, July 28), owner of one of Indonesian restaurants in Australia, responded that the initiative of ISUTW to open many Indonesian restaurants abroad also needs to look at the restaurants that are struggling or almost closed. Meanwhile, R. Lubis (2022, personal communication, May 22), co-owner of one of Indonesian restaurants in the Netherlands, is eager to support the implementation of ISUTW; however, the direction of what needs to be

assisted from the diaspora in the Netherlands to the program remains limited. If ISUTW is implemented, she added that Indonesia should focus on a clear and enhanced export mechanism for fresh ingredients and spices. After nearly three years, the ISUTW program continues to evolve, seeking concrete directions for expansion with the potential for greater diaspora involvement.

Australia as a Closer Neighbour: Opportunities and Challenges

Australia is one of Indonesia's closest neighbours as indicated by its geographical location. Despite their close proximity, neither Indonesia nor Australia has yet designated each other as its main trading partner. According to Gary Quinlan's (2019) speech, Indonesia is Australia's 13th largest trading partner, and Australia is Indonesia's 13th largest. Given the fact that China continues to be Indonesia's and Australia's major trading partner.

Nonetheless, as evidenced by the recent agreements that have been enacted, there is great potential for a deeper relationship between countries. Both countries have recently concluded two potential transformative agreements that may increase both relations in multifarious sectors, which are the Comprehensive Strategic Partnership (CSP) established in 2018 (Indonesia's Ministry of Foreign Affairs, 2020; Australia's Department of Foreign Affairs and Trade, 2018) and the Indonesia-Australia Comprehensive and Economic Partnership Agreement (IA-CEPA) that entered into force on July 5, 2020 (Australia's Department of Foreign Affairs and Trade, 2020). Prior to the newly established indentureships, Indonesia and Australia have actually developed close people-to-people ties within the framework of Australia's Government Colombo Plan, which was established in 1950 and renewed in 2014 to support Australian undergraduates studying and applying for internships in the Indo-Pacific region. Longing for the country's beauty and the indelible memories are some reasons people, particularly Australian youth, are keen to travel to Indonesia again for leisure. In 2019, over 1,263,850 Australian travellers visited Indonesia, making them the fourth-largest foreign tourist group in the country (Mulyasari et. al., 2020). In addition, the representative of the Indonesian Embassy to Australia in Canberra (2021, personal communication, March 17), stated that based on the VITO report, Indonesia is the most desired tourism destination for Australians post the COVID-19 pandemic.

It is self-evident that education, culture, and tourism are the most important sectors in Indonesia and Australia's practice of soft diplomacy, which they have maintained for a long time. Australian familiarity with Indonesian cuisine suggests the potential for further engagement. The cooperation framework within CSP and IA-CEPA agreements may also guide the initiative. This foundation positions Australia as a prominent market for the ISUTW program, highlighting opportunities and challenges to be navigated (Yayusman, Yaumidin, & Mulyasari, 2023).

Opportunities

Longstanding people-to-people ties between Indonesia and Australia have lured many Australians to come to Indonesia for a variety of purposes. Besides, many Indonesians also reside in Australia for reasons like marriage, education, employment, and business. In 2016, 73,213 Indonesian-born people were registered in Australia, with 56.9% of the Indonesian-born population having arrived prior to 2007 (Australia's Department of Home Affairs, 2016). This information places Indonesia among the top 20 countries of origin for foreign-born in Australia. In 2019, the number of Indonesian-born individuals reached roughly 88,740 (Australia's Department of Home Affairs, 2022).

Either for settlement or education, a significant number of Indonesian diasporas have begun to pursue culinary business opportunities in Australia. It could include restaurant openings, catering, and delivery services. The majority, however, are not restaurants.

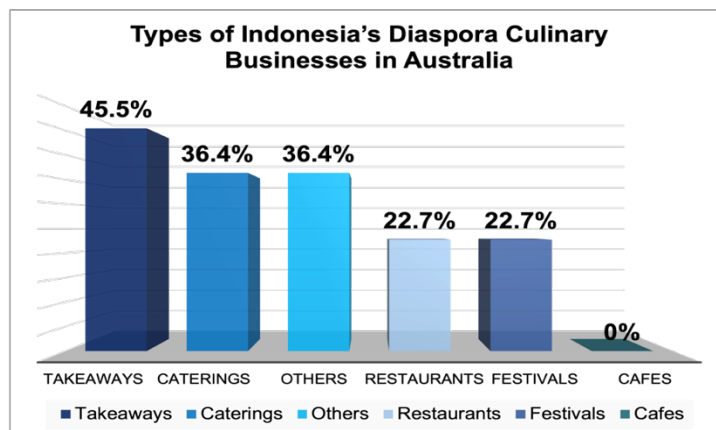


Figure 1 Types of Culinary Business Established by Indonesian Diasporas in Australia

Source: Research Center for Area Studies, National Research and Innovation Agency, 2021.

Surveys conducted by the Research Center for Area Studies, National Research and Innovation Agency in Indonesia in late 2021 indicate that the majority of Indonesian diasporas in Australia operate takeaways (45.5%) and catering services (36.4%). While restaurants are placed fourth, roughly 22.7% of Indonesian diasporas in Australia have opened a restaurant (Figure 1). There are over 140 Indonesian restaurants in eight states and two territories in Australia, including, but not limited to, 58 in New South Wales (NSW), 47 in Victoria and Tasmania (VIC and TAS), 15 in Western Australia (WA), 11 in Queensland (QLD), 9 in the Northern Territory (NT), 2 in South Australia (SA), and 1 in the Australian Capital Territory (ACT) (Indonesian Embassy in Canberra, personal communication, March 17, 2021). The numbers have been substantial, but there is potential for growth. On the other hand, data from Directorate of Public Diplomacy, Indonesia's Ministry of Foreign Affairs in mid-July 2021 showed an increasing number of Indonesian restaurants in Australia, reaching roughly 151. To be precise, In Australia, there are a total of 36 restaurants that make use of Indonesian

spices, and there are also 14 stores or food stalls that sell Indonesian spices (Indonesia's Coordinating Ministry of Maritime and Investment Affairs, 2021). Furthermore, Indonesia has a quite large number of diasporas living in Australia, and their contributions to the culinary industry are well established. There are also numerous associations founded by the Indonesian diaspora to promote culinary promotion in Australia, including the Indonesian Student Association in Australia (PPI Australia), the Indonesian Cultural Circle (ICC), and the Indonesian Restaurant Association (IRA).

Support from the Indonesian government has also been present, although significant progress is still anticipated. The Indonesian Embassy in Canberra, on the one hand, has conducted culinary initiatives such as annual Indonesian festivals at the Embassy and training for Indonesian restaurant owners in partnership with Indonesian diasporas. The Indonesian Consulate General in Sydney, on the other hand, reported that there are approximately 41,236 Indonesian diasporas working in the area, including food and beverage importers such as Sony Trading and Eastern Cross Trading, owners of grocery stores, tofu and tempeh producers, and factories producing traditional Javanese soy sauce made from fermented soybeans. As part of a previous government program, some Indonesian restaurants in Sydney have received the co-branding designation "Wonderful Indonesia". To be more precise, the Indonesian Consulate General in Sydney has incorporated gastrodiplomacy into multiple diplomatic agendas in relation to promotion. It has cooperated with Indonesia's Ministry of Tourism and Creative Economy and VITO Australia. Taste of Indonesia, Gastronomy Family Trip, blogger reviews on local media, and a market intelligence study were among the activities conducted (Indonesia's Coordinating Ministry of Maritime and Investment Affairs, 2020a).

In the meantime, at home, the Indonesian government, specifically the Ministry of Trade, has provided full support for expediting trade channels, particularly for spice products. As part of the implementation of IA-CEPA, Indonesia, on the initiative of the Indonesian Chamber of Commerce (KADIN), provides trading house services in order to enter the Australian market. The representative of Indonesia's Ministry of Trade (2021, personal communication, November 11) disclosed that the established trading house will provide training on how to export products to Australia, open up cooperation opportunities, particularly for spices, coffee, tea, seafood, handicrafts, and processed foods and beverages, expand exporter networks, and provide business consultation services for the Australian market. In the future, the trading house is projected to grow beyond its current location in Sydney.

Despite Indonesia's attempt to open the spice market to Australia, it is known that Australia is not among the top five export destinations for Indonesian spices. However, due to a high demand for spice products such as cinnamon, cloves, nutmeg, and pepper, Australia has a potential for it (Indonesia's Ministry of Trade, personal communication, November 11, 2021). Although still in its inception, the existence of Indonesia's trading house and the implementation of IA-CEPA may open the door to trade opportunities for Indonesian spices with Australia, Indonesia's closest neighbour. Moreover, this effort is anticipated to be highly helpful in achieving Indonesia's export ambitions for spices and basic condiments.

Aside from the technical support from the Indonesian government, the Indonesian diaspora has played a vital role in promoting Indonesian cuisine in Australia. They promoted Indonesian cuisine through social media and participation in cultural events and festivals.

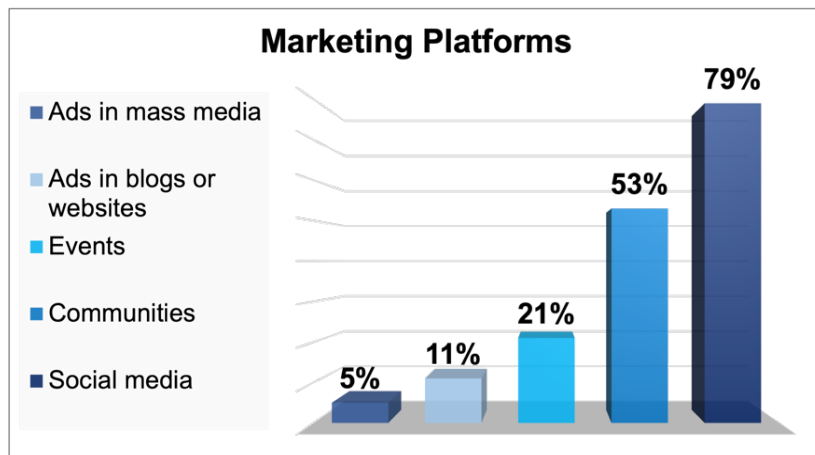


Figure 2 Marketing Platforms for Culinary Business Promotion

Source: Research Center for Area Studies, National Research and Innovation Agency, 2021.

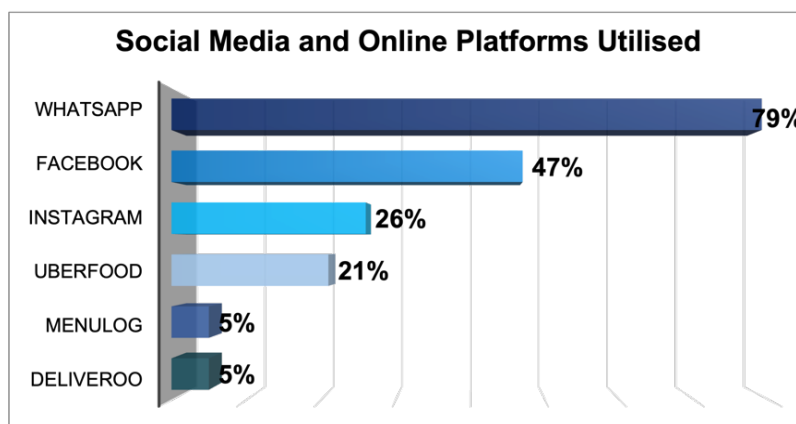


Figure 3 Social Media and Online Platform Used for Culinary Business Promotion

Source: Research Center for Area Studies, National Research and Innovation Agency, 2021.

The majority of Indonesian business owners communicated information and sold food via social media (79%) (Figure 2), mainly via WhatsApp Group (79%) (Figure 3). Communities (53%) and cultural events (23%) are the subsequent two venues where business owners advertise their foods (Figure 2). The group members and visitors are not only Indonesians, many native Australians and other Asians were also drawn to Indonesian foods.

Indonesia might capitalize on its current chances of advancing the gastrodiplomacy action by collaborating with both governmental and non-governmental entities to further the promotion of Indonesian cuisine and spices in Australia. When unveiled in Australia, agendas are not necessarily designed from scratch.

Challenges

While projecting Australia as a potential market for the ISUTW, despite the availability of opportunities, several hurdles also surface.

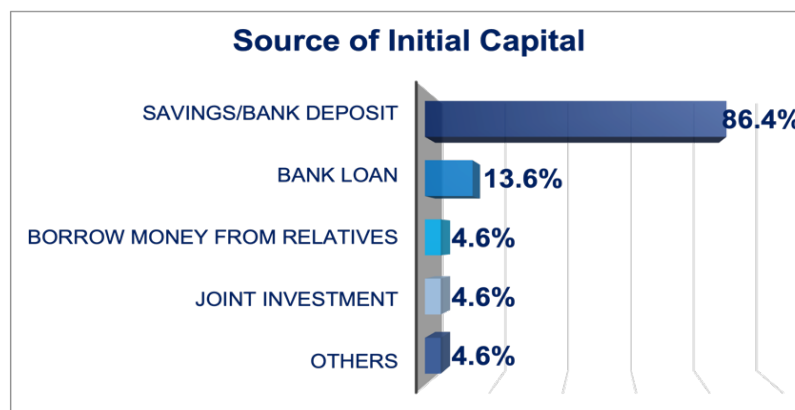


Figure 4 Source of Initial Capital for Opening Indonesia’s Culinary Business in Australia.
Source: Research Center for Area Studies, National Research and Innovation Agency, 2021

The majority of Indonesian restaurants (86,4%) (Figure 4) established in Australia were financed by the owners’ bank deposits or savings. Until the survey was finished, the Indonesian government arguably made minimal funding support to the establishment of Indonesian restaurants. The representative of the Indonesian Embassy in Canberra (2021, personal communication, March 17) concurred that capital constraints have become one of the obstacles for Indonesian culinary businesses in Australia. Throughout ISUTW, the necessity for specific mechanisms for financial assistance for the establishment of 4,000 restaurants is of the utmost importance. To begin a culinary business, a large amount of money is required for the business permit, management, and hiring of employees. According to the survey, Indonesian restaurants and other culinary businesses have less than two staff to run and serve the businesses, particularly during and after the COVID-19 pandemic (Figure 5). It is an exception for successful Indonesian restaurants, such as Shalom Restaurants, which have already opened several branches in various Australian states.

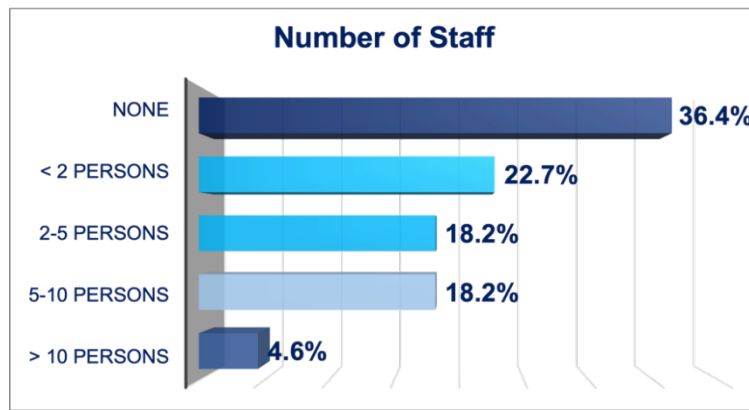


Figure 5 Average Number of Staff Working in Indonesia's Culinary Businesses in Australia.

Source: Research Center for Area Studies, National Research and Innovation Agency, 2021

Notably, Australia does not rank in the top five export markets for Indonesian spices. Indonesia's top five export markets for spices are the United States (USD 113.82 million), China (USD 104.12 million), India (USD 82.15 million), Vietnam (USD 48.83 million), and the Netherlands (USD 33.82 million) (Indonesia' Ministry of Trade, personal communication, November 11, 2021). Meanwhile, as the number of Indonesian culinary businesses increases, the need for basic condiments made from authentic spices has risen. It is some homework for the Indonesian government to be concerned about increasing Indonesian spice exports to Australia. In fact, Thai spices are more prevalent than Indonesian spices in foreign countries. The ISUTW aims to reach a USD 2 billion export target for spices, which necessitates clear clarification of export-import agreements.

Furthermore, as part of the ISUTW endeavour, Indonesia aimed to establish Indonesian fine-dining restaurants. Nevertheless, more than just restaurants can serve as a platform for Indonesia's gastrodiplomacy. B. Nugraha, a restaurateur at one of Australia's Indonesian restaurants (personal communication, November 12, 2021), opined that Indonesian food stalls offering express food are still lacking, despite the fact that they may contribute to the promotion of Indonesian cuisine. The current Australian lifestyle demands that everything, including meals, be served quickly. This mindset is essential for increasing the quantity of Indonesian culinary businesses using alternative methods. Indonesia's gastrodiplomacy strategy should include not only fine-dining establishments but also food trucks and food stalls. *Banh Mi*, a Vietnamese sandwich, has gained popularity in Southeast Asian countries due to its widespread availability around the city and its quick preparation.

Regarding export commodities, Australia's export mechanism is normally of a high standard. Finding Indonesian-origin spices in Australia is relatively tough. Numerous Indonesian products have not yet met the certification requirements (Indonesia's Ministry of Trade, personal communication, November 11, 2021). Therefore, the majority of spices in Australia come from Thailand and Vietnam. Most of the time, Indonesia exported its spices to third parties, causing the labelling mechanism to no longer list Indonesia as the owner of the products. This is a big hurdle for Indonesia. The goal of ISUTW is indeed to achieve spice export values of USD 2 billion, however, Indonesia should also position itself as one of biggest

spice exporters recalling its historical legacy. It is a valuable nation brand for Indonesia that needs to be preserved.

Academically, scholarly research on Indonesian gastrodiplomacy in Australia is notably scarce. A few studies conducted by Indonesian scholars, such as Yayusman et al. (2023) explores specifically Australia as a potential market for Indonesian gastrodiplomacy, emphasizing the importance of understanding Australian consumer behaviour and resources and opportunities Indonesia has in Australia. Prior to that, Sapuan and Azizah (2018) shed light on the gastrodiplomacy activities Indonesia employed towards Australia under President Susilo Bambang Yudhoyono (2004-2014) focusing on Indonesian food festivals, restaurants, and food product promotions. However, there is a dearth of research from foreign scholars' perspectives on Indonesia's soft power diplomacy in Australia. Previous research on foreign restaurants in Australia has mainly focused on Chinese, Korean, Thai, Japanese, Portuguese, and Greek cuisines (Collins et al., 1995; Hamada, 2011; Kye-Hong, 2016; Kye-Hong & Seunghoon, 2017; Ma & Hsiao, 2020). This oversight overlooks the potential of Indonesian restaurants and catering in Australia, one of its closest neighbours. Thus, it is essential to conduct research to formulate the optimal plan for Indonesian gastrodiplomacy more comprehensively, helping stakeholders to identify and navigate the challenges associated with while implementing the ISUTW program.

Seeking Potential in a Rising Africa: Opportunities and Challenges

Despite the geographical distance, Africa presents a growing market opportunity for Indonesia, bolstered by historical ties from South-South cooperation efforts like the Non-Aligned Movement (NAM) and the 1955 Asian-African Conference, notably the Bandung Conference (Amal & Galuh, 2022). NAM and the Bandung Conference in 1955 have created a collaboration platform that guarantees egalitarian values as a result of their previous overwhelmingly colonial experiences (Mathews, 1987). With some African countries, for instance Namibia, Indonesia has established a profound relationship due to a similar struggle for independence and liberation from European colonialism (Hakam, 2022). The rise of Africa, which is predominantly supported by Western countries and China's development initiatives and humanitarian aid, is now irrefutable. Indonesia, throughout its soft power initiative on gastrodiplomacy, should also take the potential of this growing continent into account.

Opportunities

There are opportunities to promote Indonesian food and its food culture in Africa, and the ISUTW program can play a crucial role in achieving the goal. The potential for the Indonesian culinary industry in Africa is attributed, among other factors, to Indonesia's extensive and favourable reputation in Africa, particularly when linked to the Bandung Conference (Phillips, 2016). The Bandung Conference marked a significant milestone as the first world event that was independently held and led by the leaders of these two continents. President Sukarno's administration in Indonesia organized the conference, which represented

the apex of the Afro-Asian solidarity movement that emerged from various freedom movements gaining momentum since the colonial era. The Bandung Conference was a pivotal moment for the rise of the Asian-African movement, which played a crucial role in shaping world history during the Cold War. The enduring legacy of the Bandung Conference has cemented Indonesia's name in African collective memory (Saptandari & Yuniarti, 2022), fostering ongoing South-South collaboration and may reinforce the relevance of Indonesia's Spice Up the World (ISUTW) program in Africa.

Indonesia has been actively trading spices like nutmeg and cinnamon with Egypt, Morocco, and Algeria, while importing cloves from Madagascar, Tanzania, and the Comoros, tapping into Africa's growing demand for packaged and instant spices. This demand contributed to a 13.56% annual increase in Indonesia's spice exports from 2015 to 2019, suggesting significant potential for expanding spice trade relationships across the continent (Saptandari & Yuniarti, 2022). Indonesian culinary exports, notably Indomie instant noodles, coconut milk, and Kapal Api's (Kopiko) coffee products, have found a receptive market in Africa, particularly in Namibia (Olomuyiwa, 2021). Soy sauce, *tempeh* and instant seasonings for *Nasi Goreng* and Satay are also available in some supermarkets in South Africa, although the production process is in other countries outside Indonesia (Indonesia's Coordinating Ministry of Maritime and Investment Affairs, 2020b).

The fact is there are Indonesian food products already manufactured by reputable companies such as Indofood, Wingsfood, Bango, and Sasa Inti in Africa, although their usage is not yet widespread. Indomie is an exception, enjoying significant popularity in Namibia and beyond, illustrating the potential for promoting Indonesia's national brand via its food products, as evidenced by multiple studies (Chinweobo-Onuoha, Patience, & Onyemaechi, 2018; Ramadhani et al., 2020; Tarrósy, 2016; Uzo & Nzegwu, 2018). The Indonesian Embassy in Windhoek often collaborates with Indomie to open booths at several exhibitions (Indonesia's Coordinating Ministry for Maritime and Investments Affairs, 2020b). Since 1995, Indofood has aggressively expanded its global footprint, launching a noodle factory in Nigeria and spreading to several African nations such as Egypt, Morocco, Nigeria, Sudan, South Africa, Mozambique from 2009 to 2019, thus positioning itself as a dominant player in the instant noodle market and Indonesia's most successful brand in Africa (Ramadhani et al., 2020).

Furthermore, Namibia, which heavily relies on imports in its international trade, presents a significant strategic opportunity, particularly in the culinary aspect. This can be a great opportunity for Indonesia to encourage industry players in the food sector to export to the country. Despite their geographical distance, Indonesian and Namibian societies have similar consumption patterns. They share similarities in the use of spices, meat dishes, seafood, and grains (Amalia, 2022) In Indonesia, various traditional meat dishes can be found, such as *Rendang*. Located on the west side of the Western Continent and bordering the Atlantic Ocean, Namibia, is also known for its popular seafood dishes among its people. Indonesia, being a maritime archipelago, boasts a plethora of renowned seafood dishes, including the popular *empek-empek*. This delectable fish cake is made from fish meat, tapioca powder, and various spices, and is typically served with a sweet and tangy *cuko* sauce. *Empek-empek* has gained global recognition, as it was recently voted the fourth best seafood dish in the world

by Taste Atlas, an online encyclopaedia of flavours that features traditional dishes, local ingredients, and authentic restaurants from around the world (Arnani, 2023). Given the shared love for seafood, the promotion of Indonesian seafood, including *empek-empek*, is anticipated as part of the gastrodiplomacy initiative to Namibia.

The gastronomic potential of Namibia prompted the Indonesian Embassy in Windhoek to expose Indonesian cuisine to the people in Namibia. In November 2016, the Embassy organized an event called “A Taste of Indonesia,” to introduce Indonesian cuisine in Namibia. The event featured the renowned Indonesian chef, William Wongso in which he transformed unique Namibian meat dishes such as eland and springbok into Indonesian specialties like rendang and satay. The event was highly successful, exceeding expectations, and eliciting enthusiasm from the Namibians to learn and discover the unique Indonesian cuisine, especially with the combination of Namibian ingredients and Indonesian spices (Amalia, 2022).

Challenges

Despite opportunities, running the ISUTW program in Africa is facing multiple obstacles including the uneven distribution of Indonesian culinary products, the limited number of diasporas, and the unfamiliarity of the local public with Indonesian foods. On a continent comprising 55 nations and home to 1.3 billion people, Indonesian cuisine is remarkably sparse, with only four Indonesian restaurants located in Egypt, South Africa, Rwanda, and Sudan (Indonesia’s Coordinating Ministry of Maritime and Investment Affairs, 2020b). The Embassy of the Republic of Indonesia in Pretoria, South Africa accredited to Botswana, Lesotho and Eswatini, for instance, stated that foreign restaurants in South Africa are dominated by Vietnamese, Korean, Japanese and Thai cuisines. Offered menus are typically similar to Indonesian foods. However, the number of Indonesian restaurants is still limited there. There is a Dutch-*Indische* restaurant in Johannesburg, owned by a South African of Dutch descent (Afrikaans), serving menus of Indonesian cuisines such as Satay (Indonesia’s Coordinating Ministry of Maritime and Investment Affairs, 2020b). However, the fact is that Afrikaans who know about Indonesian foods remain limited and in other words, have not yet been very familiar with Indonesian foods.

Furthermore, the Embassy of the Republic of Indonesia in the Republic of Namibia reports the absence of Indonesian restaurants in Namibia’s capital. Before the COVID-19 pandemic, two small-scale Indonesian food stalls, run by members of the Indonesian diaspora, were a staple at a local event dubbed “Street Food,” where they served popular dishes such as fried noodle, chicken satay, and *nasi goreng*. The Asian restaurants in Namibia are dominated by Indian and Chinese cuisines, with four Indian restaurants, five Chinese restaurants, two Thai restaurants, and a Japanese restaurant in the area surrounding the city (Indonesia’s Coordinating Ministry of Maritime and Investment Affairs, 2020b). Namibians are fond of sweet and salty culinary creations, in contrast to Angolans, who enjoy spicier food. This gastronomic preference aligns with the flavour of Indonesian dishes.

Another challenge is that Indonesian culinary businesses need help transporting Indonesian ingredients and spices due to the long distance and infrequent flights between Indonesia and African countries. However, with direct flights from Addis Ababa to Jakarta through Ethiopian Airlines, Ethiopia offers a potential solution to this challenge.

Conclusion

For many centuries, Indonesian spices have been highly appealing to global traders. Indonesia, which is currently very active in building up its gastrodiploamacy strategy, views spices as a valuable national richness, whose role could be boosted up as part of export commodities and national brand of the country. However, spice trade and export are not the only concerns; attention should also be given to food outlets like restaurants and other culinary businesses that sell authentic Indonesian food, mainly using spice-based ingredients. The research serves as a basis for why looking at Australia and African regions is essential for ISUTW, especially since the program's first cycle is about to end in 2024. Robust actions in regard to where the program should be prioritised are necessary for a more prosperous and concrete projected second cycle of ISUTW.

The research has produced findings and evidence showcasing the importance of both. The close distance between Indonesia and Australia, the bilateral agreement and the number of Indonesian diasporas linking with the gastronomy industry in the country are the strength to advance Indonesian gastrodiploamacy in Australia. On the one hand, Indonesian national product, Indomie, has been setting foot in Africa for more than twenty years. The instant noodle brand has been introducing Indonesian tastes to African people. The brand popularity is still going strong on the continent, which is a good start to achieve a satisfying result. Indonesian and African foods, especially in Angola and Namibia, which tend to be flavourful, have a lot in common when it comes to taste. This would also facilitate entry into the African market. Still, the hurdles are present.

In addition, to effectively assess ISUTW initiative's success in promoting Indonesian gastronomy, it is crucial to consider the specific target markets and the unique characteristics of each product category. In Australia, with its substantial Indonesian diaspora and a general familiarity with Indonesian cuisine, focusing on promoting restaurants and authentic dishes could yield benefits. This strategy utilizes existing cultural connections and the diaspora's potential influence in gastrodiploamacy. Conversely, in Africa, where engagement with Indonesian culture is comparatively lower yet products like Indomie (instant noodles) have attracted notable consumers, enhancing the assortment of packaged food and beverage offerings could leverage these established market presences. Moreover, offering instant ingredients (*bumbu*) for traditional dishes such as *Soto* and *Rendang* could serve as an introductory asset for locals to prepare authentic Indonesian meals at home, combining convenience with cultural exploration to appeal to a broader audience.

The road ahead will not be easy to reach the goals of bringing Indonesia's spice-based food renowned internationally. However, by officially having the gastrodiploamacy initiatives,

Indonesia has been on the right path. It is anticipated that additional research should be conducted on the opportunities and constraints of other possible nations for Indonesian gastrodiplomacy. The United States, for instance, is a crucial market that should be thoroughly examined.

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Nickel Downstreaming in Indonesia: Reinventing Sustainable Industrial Policy and Developmental State in Building the EV Industry in ASEAN

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Abstract

The developmental state concept, which entails proactive government support for economic structural transformation, remains contentious today. Some scholars vigorously argue that government intervention in the economy was indispensable to the success of East Asian countries, whereas others are critical of the practice, arguing that it tends to neglect sustainability dimensions and contending that government intervention in the market is often unwarranted. In this study, the authors analyse how Indonesia's nickel 'downstreaming' strategy represents a new developmental state model that considers the aforementioned discourse on the merit of industrial policy. The new model aligns the classical developmental state concept with the need to address pressing environmental and social concerns, which are widely recognized as being of paramount importance. Through an integrative literature review and secondary data analysis, the study reveals that Indonesia's downstreaming strategy does exemplify a new developmental state model, as the government does not aim just to stimulate economic growth but also to contribute to the energy transition with EV battery manufacturing and to invigorate social inclusion by ameliorating inequality particularly in Eastern Indonesia. Nevertheless, the application of the new developmental state model through the downstreaming strategy uncovers some areas where improvement is necessary. The policy needs to be continuously refined so that its negative environmental and social externalities can be mitigated, and it can serve as a better example of a new developmental state model.

Keywords: nickel downstreaming, developmental state, industrial policy, ESG, SDGs

Introduction

Nations endowed with abundant natural resources often face the paradox of the ‘resource curse’, which is characterized by sluggish economic growth and social instability despite possessing a wealth of resources such as oil, gas, and critical minerals (Smith & Waldner, 2021). To address these challenges, industrial policy has become an essential instrument for fostering potential growth and development (Rodrik, 2004). However, the implementation of such policy is also increasingly shaped by considerations of sustainability, specifically environmental, social, and governance (ESG) criteria (Ferraz et al., 2021), which often impose a new constraint on resource-rich countries. Critiques have also highlighted that industrial policy might not work in the contemporary world based on global value chain (Werner et al., 2014).

Against the backdrop, Indonesia has resorted to a ‘downstreaming’ policy to add value to the commodities owned by the country by promoting resource-based industrialization. Once reliant on raw mineral exports to drive economic growth (Ferreira & Pinto, 2022), the strategic shift towards downstream processing marks a pivotal move for Indonesia. This policy aims to bolster industrialization, particularly in sectors such as electric vehicle (EV) battery production, which aligns with global sustainability goals (Meckling, 2021). The policy also differs from the East Asian model of industrialization, given its focus on utilizing domestic natural resources (Hayashi, 2010; Tai et al., 2013).

Aligning with sustainability goals is critical to Indonesia’s downstreaming policy and essential for garnering international acceptance and investor confidence. Downstreaming enables Indonesia to better navigate the delicate balance between mitigating the threat of deindustrialization, escaping the middle-income trap, and adhering to ESG principles.

Based on a report on global critical minerals by the International Energy Agency (IEA), Indonesia stands poised to emerge as a significant player in the clean energy transition, given that it owns the world’s largest nickel reserves (21% of global reserves) and largest nickel refining capacity (over 50% of global capacity; IEA, 2024). Nickel’s pivotal role in energy-storage technology, a cornerstone of the energy transition sector, adds to Indonesia’s significance in this sector. Many EV batteries require high nickel content – as high as 80% for the cathodes of nickel-manganese-cobalt (NMC) batteries, and Indonesia’s nickel resources thus are poised to be critically important in this transformative global shift. Notwithstanding the potential, several studies have highlighted the challenges in the execution of the downstreaming policy in Indonesia, citing issues with the adequacy of infrastructure, technology access, skill gaps, and environmental considerations (Istiqomah et al., 2020).

The efficacy of Indonesia’s downstreaming policy will be contingent upon the execution of an approach that harmonizes economic objectives with social and environmental sustainability. Fukuzawa (2012) highlighted the importance of adopting green industry principles in nickel processing, incorporating environmentally friendly technologies, effective waste management, and ethical labour standards to ensure sustainability and minimize

negative environmental and social impacts. Achieving this vision requires a policy framework that fosters economic growth while adhering to the Sustainable Development Goals or SDGs.

To date, a limited number of studies have examined resource-based industrial policies or downstreaming as part of the linkage between developmental state model and sustainability practices. This article aims to further enrich the discourse on the matter by analysing Indonesia's nickel-downstreaming agenda by integrating the developmental state framework and ESG practices. Importantly, Indonesia's circumstances significantly differentiate the country and its policies from resource-scarce East Asian countries and their developmental state policies. The primary contribution of this study is its development of a downstreaming policy model aimed at fostering high-quality and inclusive economic growth while simultaneously addressing sustainability concerns.

Research Method

The authors employed an integrative literature review to elucidate the relationship between developmental state theory and sustainability in the nickel downstreaming policy (Snyder, 2019). Heeding Knopf's (2006) assertion that relevant reports may come from a variety of sources beyond academia, this study incorporated books, academic journals, Indonesian regulations, and several development indicators on these topics. The review synthesized the findings by following Torraco's (2016) procedure, namely summarizing the primary conclusions, highlighting areas of consensus and disagreement, and identifying gaps in the literature. Moreover, the authors also utilized secondary data analysis and closely examined the data provided by international institutions (e.g. IEA) and national agencies (e.g. Indonesian Statistical Agency).

The analysis emphasized the strategic significance of nickel commodities for the global energy transition. By exploring the interconnections between developmental state theory and ESG practices, this study adopted an integrated approach that merges a theoretical framework with practical application. The focus on the nexus between these concepts is crucial for comprehending the strategic role of nickel downstreaming policy. This study contributes to the discourse by offering insights into the close associations between these pivotal concepts, elucidating the critical impact of strategic downstreaming on sustainable development.

Analytical Framework: Developmental State Theory and ESG Principles

Castle (1992) argued that a developmental state can be identified by its ability to foster and maintain development characterized by high economic growth and structural changes in the production system. Further, Knight (2014) defined a developmental state as a state in which the government prioritizes economic growth and adopts institutional arrangements and incentive structures to achieve this goal. According to Johnson (1982), who first coined the term, the developmental state model emerged during the post-World War II economic resurgence of East Asian countries, especially Japan. Later, following the devastating Korean

War, South Korea replicated several key Japanese policy instruments for its own economic transformation strategy. Subsequently, in the late 1970s, China's developmental state model began with the implementation of economic reforms under Deng Xiaoping.

Johnson (1982) identified the key elements of Japan's developmental state model: extensive government intervention in development, active industrial policies for economic growth, and the central role of the state bureaucracy. Wong (2004) argued that these elements have been evident across East Asia, where the states have attempted to maximize national productivity through strategic market interventions. States are equipped with robust institutional capabilities for formulating and enforcing targeted economic policies, especially in key industrial sectors. Wade's (2018) analysis went further, highlighting the importance of high investment rates, coordinated sectoral promotion, and strategies such as export promotion and import substitution. Institutionally, limited central bank and financial sector independence and close state-industry relations for disciplined economic management have been vital. The East Asian states have employed policies such as directed credit, fiscal incentives for investment, trade protection, and strategic negotiations with foreign investors.

Subtle differences have appeared in the implementation of different countries' development models. Chang (2022) noted how South Korea resorted to vigorous government trade protection to develop its nascent manufacturing base, including by banning all importation of cars until the late 1980s. Korea further provided hefty financing support through state-owned banks for national companies to diversify into strategic new sectors. However, South Korean government's support for its domestic industries imposed a high price on the national companies, which were obligated to meet various targets, primarily regarding exports. Only companies that managed to demonstrate their competitiveness by achieving a greater footprint in the international market would continue to benefit from the government's largesse, and the government did not have any qualms about cutting off companies that failed to meet their high standards. Studwell (2013) thus observed that South Korean industrial policy was less about 'picking winners' than it was about 'weeding out losers'.

The Chinese government, on the other hand, shifted from a centrally planned economy to a more market-oriented socialist market economy. Keping (2010) contended that China's developmental state model represented a new paradigm in the development of developing countries; some Chinese policies that can be considered by other developing countries include (1) prioritizing research and development and technological innovation, (2) providing funds and financial support through state-owned banks, and (3) investing in infrastructure development, including the development of transportation networks and energy, communications, and related sectors.

Notwithstanding each country's unique contexts, East Asian countries exhibit several commonalities in their development strategy. The authors summarize important similarities between the East Asian countries' national strategies, synthesized from the literature, in Table 1.

The East Asian developmental states also demonstrated some weaknesses. Wong (2004) noted how they are ‘social welfare laggards’ because they have implemented too few programmes concerned with socioeconomic redistribution. Kim (2007) also argued that even though Korea experienced an economic miracle, the country’s social policy and outcomes are underdeveloped, as real wage growth lags far behind productivity growth. Another problem of the success of the developmental state model in promoting industry is the consequent environmental degradation (MacNeil & Paterson, 2012).

Table 1 Similarities in Developmental State Models of Japan, Korea, and China

Aspect	Similarities in Policy Implementation
Research and development (R&D) and innovation investment	The three countries recognized the importance of R&D and innovation in strengthening economic sectors. Governments encouraged investment in R&D, established research institutes, and encouraged public-private partnerships for technological innovation.
National industrial protection and promotion	Japan, China, and South Korea implemented national industrial protection and promotion policies to improve the competitiveness and sustainability of key sectors. Their governments provided financial support, implemented protectionist policies, and offered incentives to industries considered strategic for economic growth.
International trade and globalization	The three countries’ governments were active in shaping markets, establishing trade partnerships, and participating in global supply chains to strengthen exports and develop economic relations with other countries.

Source: Authors’ Analysis

In the economic literature, the term ‘developmental state’ is often used interchangeably with the term ‘industrial policy’. The notion of industrial policy entails proactive government interventions aimed at correcting market failures and enhancing industrial capabilities to drive sustainable economic growth and development (Otsubo & Otchia, 2021). It includes selective interventions that steer production towards sectors with higher growth potential, affecting both targeted industries and downstream sectors (Blonigen, 2016; Pack & Saggi, 2006). This type of policy dates back to the 18th and 19th centuries, when developed countries used it to build their industrial sectors (Landes, 2003). The impact of industrial policy, however, remains debated. A number of mainstream economists, such as Baldwin (1969), Krueger (1997), and Pack and Saggi (2006), typically oppose government intervention in industry, arguing it can harm market efficiency more than it can correct market failures. In contrast, scholars such as Wade (1990), Amsden (1992), Rodrik (1995), Stiglitz (1996), and Chang (2006) have highlighted the indispensable role of industrial policy in East Asia’s rapid economic transformation.

Despite differing views in the scholarship, the use of industrial policy has risen, with a worldwide increase from 381 policies in 2009 to 1,140 in 2018 (Juhasz et al., 2023). Despite the criticism it often attracts in academia, both developed and developing countries widely implement structural interventions to foster industrialization (Di Maio, 2014). Historical examples include active governmental support for industrialization in Great Britain, the United States, Germany, and Japan during the 18th and 19th centuries (Landes, 2003). Today, industrial policy is increasingly being embraced including by many developed countries who not so long ago publicly shunned the idea.

Within Indonesian policy circles, industrial policy has experienced periods of rise and decline. Industrialization has been viewed as central to the development process since the 1950s. However, in the early years of independence, from the 1950s until the mid-1960s, industrial development progress was slow due to political turmoil (Gunawan et al., 2020). After the mid-1960s, Indonesian industrial development became more successful. However, unlike the East Asian countries, Indonesia's success in manufacturing came with trade and investment liberalization, which encouraged foreign investment in the manufacturing sector. Moreover, Wie (2006) also highlighted that the government failed to foster an internationally competitive sector that was required to develop highly competitive industries in the 1980s. The financial crisis in the 1990s also proved to be fatal for the future of industrial policy in Indonesia, as Hill (1999) noted that the crisis drew more doubtful views for the efficacy of the industrial policy.

While the Indonesian government also pursued a pro-industrialization policy, according to Studwell (2013) and Chang (2022), the Indonesian government fell short in two areas, particularly compared to the more successful examples of the East Asian Tigers. The shortcomings are discussed in the following.

- a. The East Asian Tigers compelled their domestic enterprises and conglomerates to enter higher-productivity manufacturing sectors, whereas Indonesia did not.

The East Asian governments adopted various measures to encourage their domestic enterprises and conglomerates to enter new strategic manufacturing sectors. The measures comprised both 'carrots' and 'sticks'. For instance, the South Korean government offered various 'carrots', including government-backed concessional credit for companies diversifying into new strategic sectors. However, the government also wielded 'sticks', such as summoning the leaders of the large Korean conglomerates or *chaebols* to government detention centres to convey the importance of diversification as well as the government's ability to penalize those who defied its instruction. In light of these policies, South Korean conglomerates did not have much choice but to diversify. For instance, Hyundai, which started as a construction contractor, was nudged to diversify into shipbuilding and car manufacturing. The Indonesian government, however, did not carry out a similar policy. Indonesian conglomerates were allowed to continue to expand their business and become dominant in traditional sectors such as mining or agriculture. The carrots and sticks that were prevalent in the East Asian push for diversification were at best underused in the context of Indonesia.

- b. The East Asian Tigers imposed stringent conditions for their support for national champions, whereas the Indonesian government did not.

The policy of the East Asian governments to support domestic industries could have easily backfired. The conglomerates could have misused the close relations they enjoyed with the government. Instead of diversifying as the governments hoped, the conglomerates could have persuaded, including through bribery, the government officials to continue giving them the handouts that they enjoyed. This did not occur, however, because the East Asian governments had very strong strings attached to the incentives and support they provided to domestic industries. For instance, the South Korean government's support for domestic industries (e.g. trade protection, favourable bank loans, and subsidies) came with robust export targets. Korean companies that failed to meet such targets were cut loose. In this regard, the South Korean government did not just pick the winners but also weeded out the losers. The Indonesian government did use several policies that may appear similar to those of its East Asian counterparts, but Jakarta did not insist on similar conditions. Without such conditions, Indonesian companies enjoyed the benefits of government support but did not face the kind of pressure their East Asian peers experienced to diversify.

A summary of comparison of industrial policy implementation between East Asian Countries and Indonesia, as synthesized by the authors, can be found in table 2 below.

In the past, the East Asian countries were primarily determined to achieve economic objectives, whereas today, ESG principles have become increasingly pertinent to their countries' policies. The ESG concept first came to prominence as a strategic response devised by the UN for corporations to achieve sustainable growth. In connection with the need to comply with the SDGs, companies need to highlight the nonfinancial aspects of their operations that might affect their investment valuation (Park et al., 2022). The nonfinancial aspects of ESG are an extension of the earlier idea of corporate social responsibility (Dahlsrud, 2006). Consideration of ESG compels stakeholders to consider the environmental, social, and governance aspects of an investment. Therefore, factors that were previously omitted in financial statements, such as carbon emissions, corporate governance, and community engagement, must now be managed and linked to the financial statements (Amal Zadeh & Serafem, 2018; Nelson, 2018). In addition, according to Pollman (2022), the UN *Who Cares Wins* report states that ESG standards are a way of highlighting the links between the three different areas that are increasingly important for various stakeholders. The report further elaborates that the ESG system entails sound governance and risk management, which are crucial for the implementation of policies and measures to address environmental and social challenges from the perspective of financial institutions. The shift from conventional corporate principles to ESG presents an opportunity for countries to align their concern for sustainability in their development with the support of the private sector, which is also moving in a more environmentally and socially responsible direction.

Table 2 Comparison of Industrial Policy Implementation: East Asian Countries and Indonesia

Policy	Japan	South Korea	China	Indonesia
Protection of domestic industries	Very strong; high import tariffs	Very strong; high import tariff	Very strong; trade protection and subsidies	Haphazard application of import tariffs and domestic component levels
Selecting strategic sectors and encouraging domestic companies to enter them	Very strong	Very strong	Strong	Weak
Financing support	Vigorous, including through government banks	Vigorous, including through government banks	Vigorous, including through government banks and investment funds	Weak
Conditions	Robust, with demanding export targets	Robust, with demanding export targets	Adequate	Weak
Role of foreign direct investment (FDI) to support industrialization	Hostile; FDI was very limited to provide room for the diversification of domestic enterprises	Hostile; FDI was very limited to provide room for the diversification of domestic enterprises	Very open to FDI, with many onerous conditions, including forming joint ventures and undertaking technology transfers	Very open to FDI, with inadequate requirements for technology transfers
Involvement of state-owned enterprises in manufacturing	Not involved	Involved for some critical industries	Involved particularly for upstream industries	Limited involvement of SOEs in the manufacturing industry
Export promotion	Very strong	Very strong	Very strong	Weak

Source: Authors' Analysis

ESG has become a crucial element in the development of many countries, as investors increasingly prioritize sustainable and responsible companies. Baker et al. (2022) found through a revealed preference approach that investors are willing to pay 20 basis points more annually for a fund with an ESG mandate compared to an identical mutual fund without one. In addition, international trade is shaping investor behaviour as countries impose additional costs on carbon-intensive goods. For instance, the European Union has initiated the implementation of a carbon border adjustment mechanism (CBAM), raising the prices of carbon-intensive goods (European Commission, 2023). Moreover, consumers are becoming more environmentally conscious. A study by Frey et al. (2023) revealed that products with

ESG-related claims experienced 28% cumulative growth over the past five years, compared to 20% for products without such claims.

Several countries have undertaken initiatives to align with ESG principles. The United States enacted the Inflation Reduction Act, which aims to promote green industries, including by providing subsidies of up to \$7,500 for domestically produced EVs (Internal Revenue Service, 2023; Vazquez & Judd, 2022). China is also advancing its green industrial policies by offering subsidies and providing funding support (DiPippo et al., 2022; Hao et al., 2014; Jin, 2023; Wei et al., 2023). Currently, China is the world's largest producer of solar modules and EVs (IEA, 2024). Similarly, Japan, through its Ministry of Economy, Trade, and Industry, has targeted 14 sectors related to carbon neutrality and implemented various policy initiatives, including establishing a green investment fund worth two trillion yen and a performance-based interest subsidy system for energy transition initiatives.

Green Economic Transformation: Towards a New Developmental State Model

In the past, the notion of a developmental state and that of ESG were considered as two separate subjects. Now, however, there are growing linkages between developmental states and the sustainability imperative (Yülek, 2018). The developmental state model, which primarily rests on economic growth alone, is ill-equipped to confront today's global predicaments (Aiginger, 2014), as the repercussions of climate change and social inequality are too evident to ignore. Rapid industrialization in the present context would not only be inadequate but might even be counterproductive if it were to come at the expense of sustainability. Moreover, there has been protracted criticism of state intervention, with some economists fervently arguing it to be inefficient at best and disastrous at worst. Government interference is alleged to carry substantial risk of government failure, which would undermine economic development with rent-seeking side effects.

On the other side of the equation, compliance with ESG standards is increasingly popular, as there is a growing understanding that a business-as-usual government approach to address sustainability conundrums is not enough (Peshawaria, 2024). With the rampant market failures that have enabled the marginalization of environmental or social factors in economic development, even a number of neoclassical economists have contended that government intervention in this regard is warranted (Stern, 2022). Moreover, some have argued that ESG compliance will remain limited if it exclusively focuses on environmental sustainability while ignoring the short-term but more pressing needs of the impoverished populations in many parts of the world. In other words, as important as the future environmental sustainability agenda is, present basic economic needs also need to be addressed.

In this context, there is increasing recognition of the need to augment the nexus between the developmental state and ESG principles (Kastelli et al., 2023). A modern developmental state needs to take into account environmental concerns because doing so helps to legitimize government interventions. ESG practices also need to take into consideration short-term economic needs as well as proactive government interventions to break the business-as-usual

cycle. Table 3 summarizes these concerns by comparing the classical and new model of developmental state.

Table 3 Matrix of Comparison Between the Conventional and the New Model of the Developmental State

		Scope of objectives		
		Economic	Environmental and social	Economic, social, & environmental
Legitimacy for government intervention	Contentious legitimacy	Conventional Developmental State Model		
	Widespread legitimacy		Conventional ESG	New Developmental State Model: Green Economic Transformation

Source: Authors' Analysis

The rise of new developmental state models presents opportunities for developing countries that are striving to promote structural transformation in a manner that entails more legitimacy because their development goals are intertwined with social and environmental sustainability.

Nickel's Strategic Position in the Energy Transition

Advances in clean energy technologies are key to encouraging sustainable production and consumption behaviours worldwide (Nassani et al., 2019). Nickel is required for numerous new energy technologies. With unique properties that make it essential in a wide range of applications, nickel is used in many clean energy technologies, such as batteries for EVs and energy storage systems (ESSs). Material engineering of nickel can produce high-performance energy storage devices, and according to Sameti and Haghghat (2018), ESSs are set to play a significant role in achieving the target of net zero emissions.

Nickel's strategic importance is highlighted by its critical role in EVs and ESSs, which are experiencing rapid demand growth (Rajaeifar et al., 2022). Lithium-ion-based batteries (LIBs) with high nickel content are often the technology of choice for EVs because they offer the highest energy density on the market. Energy density is a priority for original equipment manufacturers because it determines the distance a vehicle can travel per battery charge. Further, nickel-containing cathodes in LIBs help to make the batteries smaller and lighter, leading to more efficient EVs capable of longer driving distances. According to data from Wood Mackenzie (2020), the share of nickel-based batteries—lithium-NMC oxides and lithium-nickel-cobalt-aluminum oxides—will be around 50% in 2030. This means that the potential demand for battery-powered EVs relying on nickel could reach 84.5 million units worldwide in 2030 (IEA, 2024b). The rapid growth of the EV industry directly affects the

demand for batteries that use nickel as a key component. According to the IEA (2022), in a climate-driven scenario such as the net zero emission scenario, nickel demand in 2030 is projected to more than double from that of 2021, driven by the rapid deployment of renewable energy technology.

Historically, nickel was primarily used for alloys, including stainless steel, but from 2020 to 2023, the clean energy sector became the main driver of a 30% increase in overall nickel demand (IEA, 2024b). By 2023, the share of clean energy applications as a proportion of total nickel demand crossed 15%, with EV batteries being the major source of demand (IEA, 2024b). Looking to the future, the demand for high-quality nickel raw materials is predicted to continue to increase, driven by the widespread adoption of EVs in various countries and the substantial expansion of battery ESSs.

As nickel's strategic importance in energy transition is rising so is the crucial role that Indonesia plays. This is evident from the export of nickel-derivative products from Indonesia. In 2021, less than 5% of Indonesia's nickel-derivative exports were nickel for EV batteries, but in 2023, the number jumped to more than 20% (Trademap, 2024). In recognition of this, Indonesia aims to attract investments to boost production capacity along the EV supply chain, leveraging its comparative advantage in nickel.

Currently, Indonesia holds the world's largest nickel reserves, constituting approximately 21% of the global total, estimated at 21 million metric tonnes. In 2022, Indonesia produced 1.6 million metric tonnes of nickel, significantly outpacing other countries. These reserves are primarily located in Eastern Indonesia, particularly in Sulawesi, Maluku, and Papua (US Geological Survey, 2023).

Nickel in Indonesia is processed into battery-grade material primarily through high-pressure acid leach (HPAL). The share of HPAL production, which is less carbon-intensive than alternative processing methods, is set to increase from 2% in 2023 to 15% by 2030, whereas the share of rotary kiln electric furnace production is projected to decline from 90% to 80% (IEA, 2024a). This shift could reduce the carbon intensity of nickel production from 80 tonnes CO₂ per tonne to 75 tonnes CO₂ per tonne by 2030. However, the reliance on coal for energy could keep total emissions high, despite cleaner processing methods (IEA, 2023). Therefore, Indonesia's efforts to scale up the use of renewable energy and improve waste management are crucial for reducing the environmental footprint of nickel downstream projects and aligning them with global sustainability goals.

Indonesia is determined to ensure that nickel downstreaming reaches the most strategic products with highest added value, namely EV batteries. As the private sector was still reticent to enter the sector, Indonesian government established a state-owned enterprise namely the Indonesia Battery Corporation in 2021 to advance its position as a major producer of EV batteries, with a target to manufacture 140 gigawatt-hour (GWh) battery capacity by 2030 (IBC, 2021). This initiative aims to capitalize on Indonesia's role as the world's largest nickel producer and enhance its involvement in the value chain of this critical mineral, thereby contributing significantly to global efforts in the clean energy transition.

The EV Market in ASEAN and Indonesia

As the global economy continues to exhibit signs of volatility in recent years, the economic landscape of Association of Southeast Asian Nations (ASEAN) has notably diverged from this trend by demonstrating remarkable vibrancy and resilience. For instance, while the global economic output experienced a moderate increase of 3.2% in 2023, the five principal member countries of ASEAN (Indonesia, Malaysia, Thailand, Philippines, and Singapore) or the so-called ASEAN-5 recorded a commendable 4.1% growth (IMF, 2024).

The positive economic outlook of the region is also reflected in the robust expansion of the electric vehicle market. The compound annual growth rate of EV in the ASEAN EV market is projected to reach between 16% and 39% between 2021 and 2035. Such rapid growth is set to propel, the annual sales of EV in ASEAN from US\$ 2 billion in 2021 to approximately US\$ 100 billion in 2035, reflecting a staggering increase of 50-fold (Utama et al, 2024).

The projected growth of EV market in ASEAN is enabled by several key factors. In the supply side, the region, particularly Indonesia and the Philippines are endowed with abundant reserves of nickel that is increasingly critical for EV battery manufacturing. Thailand, Indonesia, and Malaysia also possess adequate Internal Combustion Engines (ICE) vehicle manufacturing capacity that may support the transition to EV manufacturing. On the demand side, while the EV cost remains more expensive, governments in ASEAN including in Thailand, Singapore, and Indonesia have offered generous tax incentive to encourage EV adoption by consumers. Finally, countries in the region are also improving their EV infrastructure readiness, for instance Singapore already has 3,600 charging stations and Thailand has 2,600 charging stations (Utama et al, 2024).

The increasingly lucrative EV market in ASEAN, the region's natural resource endowment and the supportive government policies also help draw immense EV investment into the region. As can be observed in figure 1, In 2022, the EV related investment into the region jumped 6-fold which was not just spurred by FDI into EV manufacturing in the downstream but also EV battery material processing in the midstream, particularly in Indonesia. This influx of investment into the region has led the world's 10 largest EV manufacturers to establish their presence in ASEAN.

While the overall growth of EV in the ASEAN market is vibrant, the growth trajectories vary among the member countries. For instance, by 2035, the projected EV adoption rates are estimated to reach 25% in the Philippines and 15% in Malaysia, whereas Indonesia and Thailand are expected to achieve adoption rate of 50% and 45% respectively. The projection of EV annual sales in ASEAN countries can be seen in figure 2 below. Given Indonesia's vast market, 50% adoption rate of EV would translate into 4.5 million units of EV sales, making Indonesia the regional leader of EV market in terms of volume.

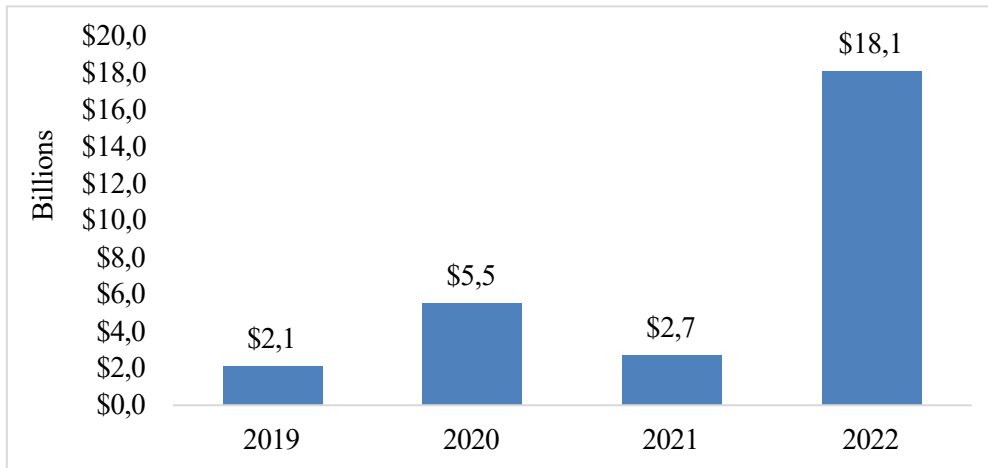


Figure 1 EV – Related Investment into ASEAN

Source: ASEAN Special Investment Report (ASEAN & UNCTAD, 2023)

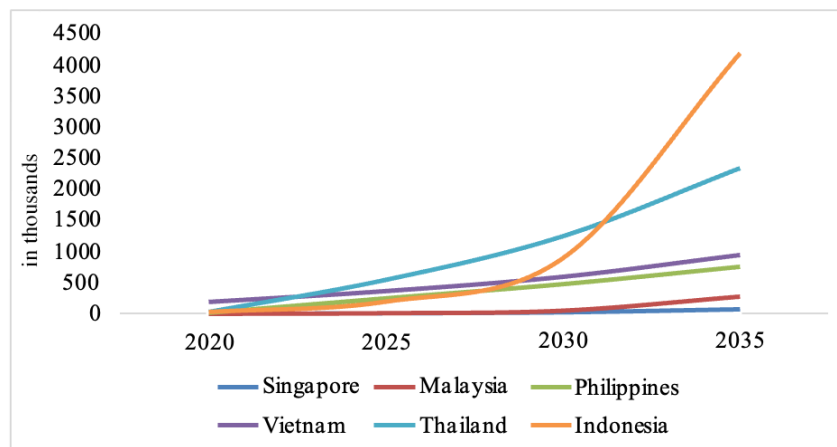


Figure 2 Projection of Annual EV Sales in 6 ASEAN Member Countries (in thousands)

Source: EY Analysis (Utama et al, 2024)

Given its leading role in the future of ASEAN EV market and its strategic natural resource endowment, Indonesia is poised to be an important epicenter of the regional EV value chain development. Taking Indonesia's importance into account, the following sections would focus on nickel downstreaming in Indonesia which is critical for the development of EV manufacturing in the country.

Indonesia's Policy to Promote Nickel Downstreaming

Indonesia's downstreaming strategy is anchored in the 1945 Constitution, specifically Article 33 Paragraph (3), which states that the earth, water, and the wealth contained therein shall be controlled by the state and utilized to the greatest extent for the prosperity of the people. Nickel, as one of the major natural resources, must thus be controlled by the state and

utilized for the greatest prosperity of the Indonesian people. In encouraging nickel downstreaming in Indonesia, the government has taken various policy steps and established regulations supporting industrial downstreaming; these are described in the following:

1. Law No. 4/2009 as amended by Law No. 3/2020 on Mineral and Coal Mining

This law explicitly stipulates the obligation of every business entity operating in the mining sector to increase the added value of minerals they own. The government is mandated to come up with minimum threshold for the mineral processing, taking into account market demand and the need to generate higher value for the people's welfare.

2. Law No. 3/2014 on Industry

This regulation emphasizes the need for domestic industry to increase the added value of natural resources through the development of domestic processing industries. The government has the authority to impose restrictions or even prohibitions on the export of natural resources in this context.

3. Minister of Energy and Mineral Resources Regulation No. 11 of 2019 on Mineral and Coal Mining

This regulation explicitly set the deadline for nickel ore export permit to December 31st 2019, after which nickel ore export would be banned. The regulation marked a turning point for Indonesia's nickel downstreaming journey. Previously, the implementation of the downstreaming strategy was not optimal with policy inconsistency. After the decree was issued, the government strictly enforced the ban which laid the groundwork for the policy's success in attracting nickel processing investment.

The Indonesian government's downstreaming strategy also entails a carrot and stick approach. Indonesia is applying this carrot and stick approach to develop an end-to-end supply chain for EV battery manufacturers and exporters. In the upstream context, Indonesia is utilizing its nickel reserves and applying restrictive measures in the form of export bans as the 'stick', and further down the value chain, namely in EV battery production and EV adoption, Indonesia is offering incentives in the form of tax breaks for producers and consumers as 'carrots'.

The harnessing of natural resources for economic development can also be found in other countries. One of the most notable benchmarks is China and its rare earth mineral (REM) downstreaming. Shen et al. (2020) asserted that China's pro-industrial policies have successfully promoted downstream processing industries for REM. China's rare earth export restriction was found to significantly increase the domestic processing of the minerals.

During the first decade of export restrictions, China's REM processing capacity increased by 15% annually. From 2004 to 2014, China's share of global REM processing capacity rose from 43% to 70%. Since 2015, around 80% of China's REM production has been processed domestically, with only a small portion exported in raw form. The export restriction led to domestic REM prices being much lower than international prices, providing an indirect

subsidy to downstream REM sectors with competitively priced raw materials. For example, in 2011, international REM prices were seven times higher than domestic REM prices in China.

Similar with China's mineral export restriction, the most radical 'stick' strategy implemented by Indonesia was the raw nickel ore export ban imposed in 2014, which was relaxed in 2017 and eventually reimposed in early 2020. Amid fears of a global nickel shortage, the ban convinced foreign companies to set up processing plants in Indonesia. There are currently several nickel processing projects under development in Indonesia, and these projects will be key to ensuring the future global nickel supply for batteries.

In the downstream segment of the supply chain, Indonesia uses a 'carrot' strategy to offer incentives for EV consumers through Presidential Regulation No. 79/2023. Under the presidential regulation, both two- and four-wheel EV consumers can receive a sizable incentive, such as a waiver of the luxury goods tax for four-wheel EV. Furthermore, under the new presidential regulation, the incentive applies not only to EVs that are made locally but also to imported EVs as long as the manufacturers have a plan to produce their EVs locally in the future.

Currently, the South Korean automaker Hyundai and battery giant LG Energy Solution (LGES) are finishing the construction of Indonesia's first EV battery cell factory, with a planned annual production capacity of 10 GWh (Reuters, 2021), thus creating the opportunity for Indonesia to capitalize on the investment and improve its own EV production capacity. The plant is expected to start production in 2024. These battery cells will be used by Hyundai and its affiliate Kia. LGES' US\$1.1 billion investment in this plant is part of a US\$9.8 billion overall EV battery cell investment deal (Reuters, 2020). Chinese battery giant CATL (which supplies batteries to companies such as Tesla, BMW, and Volkswagen) has also announced plans to invest roughly US\$6 billion in Indonesia (CATL, 2022). CATL's recycling arm, Brunp, has invested in a nickel processing project led by Chinese battery material producer GEM.

Transforming raw natural resources into higher-value-added products has become a heated topic of debate. Some argue that the Indonesian government should consider intensifying current economic policies by focusing on downstream products and leveraging comparative advantages in upstream industries to enhance competitiveness (Kim, 2023; Kim, 2024; Muhamad & Djong, 2024). For example, Kim (2024) argued that the export ban imposed by the government of Indonesia has significantly increased investment in downstream nickel sectors, including MHP, nickel matte, stainless steel, and EV batteries. Moreover, Kim (2024) highlighted the importance of strengthening the industrialization process by developing technologies, expanding financing, and improving ESG standards. On the other end of the spectrum, others have argued that the downstreaming policy has some inadequacies. Tai (2016) contended that state capacity in Indonesia is flawed as evident in the failed national car program in the 1990s with collusion between the government and the private sector. Patunru (2023) noted how the past downstreaming policy in Indonesia involving trade protection of timber and rattan did not end well, as it led to more deforestation and failed to deliver a substantial economic gain. Patunru also emphasized a concern that the overall added value of the nickel downstreaming policy would only be marginal because the value would require

extra capital and labour from other sectors, which would reduce the added value of those sectors. Finally, Patunru also asserted that the capital-intensive nature of nickel processing would mean that the added value would likely be captured as a return to foreign capital owners instead of for Indonesians.

This debate has arisen because downstreaming of natural resources has significant economic, social, and environmental aspects. The following is a summary of the potential upsides and downsides of downstreaming which have been actively discussed upon.

1. **Economic:** Advocates of downstreaming contend that processing natural resources locally can increase the added value of resources and contribute to the industrial sector's role in economic growth. Job creation, income growth, and reduced import dependency are cited as some of its benefits (Kim, 2023; Kim, 2024; Muhamad & Djong, 2024). Conversely, detractors express concerns about potential risks of downstreaming, including risks associated with the capital-intensive nature of nickel downstreaming (Patunru, 2023), trade retaliation (AswicaHyono & Rafitrandi, 2018), and previous cases of downstreaming failures such as the case of rattan. (Patunru, 2023).
2. **Social:** Proponents argue that downstreaming can create new job opportunities and improve local economic well-being. Critics, however, contend that the burden of the downstreaming policy is oftentimes asymmetrical to the detriment of vulnerable communities. The CREA/CELIOS (2024), for example, reported that there is an increasing trend of air-pollution-related health costs linked to nickel-smelting sites including the growing number of respiratory diseases.
3. **Environmental:** Advocates of downstreaming assert that efficient processing of natural resources can reduce harmful environmental impacts and promote sustainable practices. Moreover, if directed at EV battery production, nickel downstreaming can play a critical role in supporting clean energy transition in Indonesia and in the world. However, critics argue that downstreaming can cause significant environmental damage, such as deforestation, water pollution, and greenhouse gas emissions. According to Schandl et al. (2020), irresponsible material processing, which may be part of downstreaming practices, can undermine environmental sustainability.

Indonesia's Nickel Downstreaming: New Developmental State Model in Practice

Based on the preceding discussion, Indonesia's nickel downstreaming strategy may be perceived as a manifestation of a new developmental state model. On the one hand, the country sees a tremendous opportunity in harnessing the increasingly strategic nickel reserve it has at its disposal. On the other hand, the country is looking into the paradigm of a new developmental state model that legitimizes proactive government intervention in the economy to add value to its nickel resources as long as the ultimate objective includes social

inclusion and environmental sustainability. In other words, the downstreaming strategy is a practical example of how the old developmental state model has been refined into one suited to the current era. Figure 3 illustrates the analytical framework.

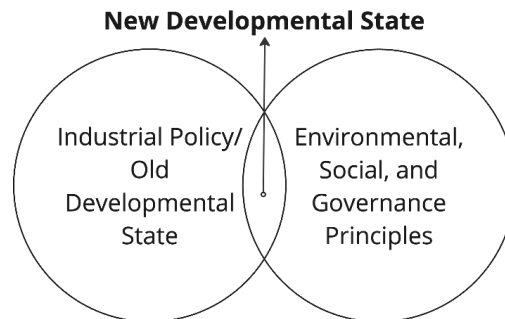


Figure 3 New Developmental State Model Source: Authors

If Indonesia were to adopt the old developmental state model, the government would probably focus its policy on supporting the development of new sectors that do not have a direct bearing on sustainability. In the old paradigm, the government would be content to develop the stainless-steel industry because doing so would already mark an industrial upgrade that is needed for the economy to grow. However, the government’s ultimate target for downstreaming is the EV battery manufacturing industry, a sector which does not just involve higher added value but is also critical for energy transition.

The government is not exclusively directing its efforts to help create the EV battery manufacturing industry but is also striving to ensure that this industry grows in an environmentally sustainable manner. For instance, the government is adamant that the tailings from HPAL nickel-processing plants must not be disposed at sea (so-called deep-sea tailings) but instead must be processed through the dry-stacking method, which may reduce the negative environmental impact (Nangoy & Ungku, 2021; Silva, 2023). The government is also encouraging the industry to reduce its carbon footprint by utilizing renewable energy and by promoting carbon capture storage (CCS) for the nickel downstream industry. Currently, the government already has a number of specific regulations to promote CCS, including Presidential Regulation No. 14 of 2024 on the Implementation of Carbon Capture and Storage.

Besides environmental protection, the government is also keen to ensure that the nickel downstream industry also generates greater economic benefits for local communities. This is done by, among other initiatives, strengthening the implementation of the micro, small, and medium enterprises (MSMEs) partnership program under the regulation of the Minister of Investment/Chairman of Coordinating Board of Investment No. 1 of 2022. The ministerial regulation obliges large investors that receive fiscal incentives (such as tax holidays) to work with local MSMEs. Encouraging the inclusion of local MSMEs in large investors’ supply chains is one of the most potent ways to ensure that local communities can reap greater benefits from downstreaming.

The downstreaming of the nickel industry may also mark an important step in supporting the alignment of Indonesia’s economic development with the SDGs. For instance, the nickel downstream industry may contribute to SDG 8 (decent work and economic growth) by creating jobs and promoting inclusive economic growth, to SDG 7 (affordable and clean energy) by expanding access to affordable and clean energy through the increased production of EV battery materials, to SDG 13 (climate action) insofar as downstreaming may help to facilitate the energy transition that is critical for climate change mitigation, and to SDG 10 (reduced inequalities) insofar as downstreaming may help many local communities in Eastern Indonesia that have been marginalized to secure a better livelihood. In short, downstreaming opens up more opportunities for Indonesia to meet the SDG targets, particularly if the country’s strategy is refined to better address social and environmental side effects.

By implementing the new developmental state model through the downstreaming strategy, Indonesia has achieved several positive outcomes. At the macro level, the country has attracted investments in manufacturing sectors and diversified its export base, increasing the share of high-value-added goods. Notably, regions hosting nickel downstream industries, such as Morowali in Central Sulawesi and Central Halmahera in North Maluku, have experienced substantial improvements in their standards of living. Over the past four years, following the ban on raw mineral exports, real GDP per capita in these regions grew by 102.49% and 22.95%, respectively, far surpassing the national average of just 3.53% (see Fig. 4). Moreover, Indonesia’s increased export share of critical minerals, as highlighted by the IEA, has elevated its role in the global shift towards a greener economy. This structural transformation signifies Indonesia's departure from its previous reliance on resource extraction. If sustained, the transformation may also potentially reverse Indonesia’s premature deindustrialization and help to position the country on a sustainable economic trajectory.

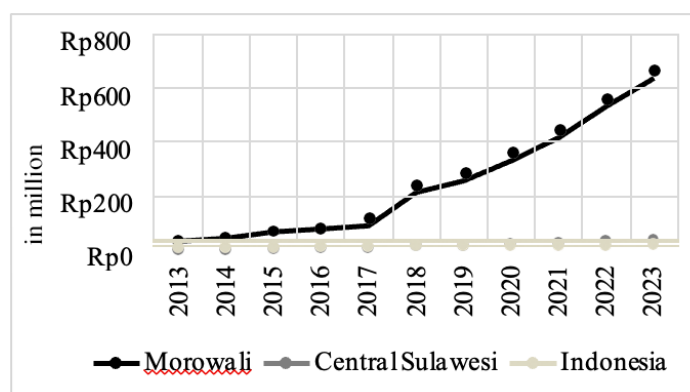


Figure 4 Real GDP per Capita of Morowali, Central Sulawesi, and Indonesia

Source: Indonesian Statistics Agency

Unlike in old developmental state models that often overlooked social outcomes, Indonesia has paid more attention to this aspect. According to Kim (2007), wealth distribution in South Korea during its rapid growth era was relatively unequal, with the national Gini coefficient rising from 0.332 in 1970 to 0.392 in 1978. Recently, Raeskyesa (2020) also posited that manufacturing growth has statistically insignificant correlation with inequality. In contrast, there have been significant improvement in the wealth distribution of downstreaming regional epicenters. The Gini coefficient in Morowali decreased from 0.377 in 2015 to 0.281 in 2023, and in Central Sulawesi, it declined from 0.374 to 0.304 over the same period. The decline in Gini coefficient can be observed in Figure 5.

Despite the improvement in Gini ratio, downstreaming has brought to fore a number of social issues that require attention, including the increasingly limited access to education and healthcare. The extraordinary expansion of the nickel downstream industry has attracted a significant influx of migrant workers along with their school - age children from various regions of Indonesia to key downstreaming hubs including Morowali and Central Halmahera. This surge in population has exacerbated the demand for social services including education and healthcare, which the existing infrastructure is unable to adequately support. As the result, some schools are forced to operate in three shifts per day, with some teachers managing more classes than is pedagogically feasible.

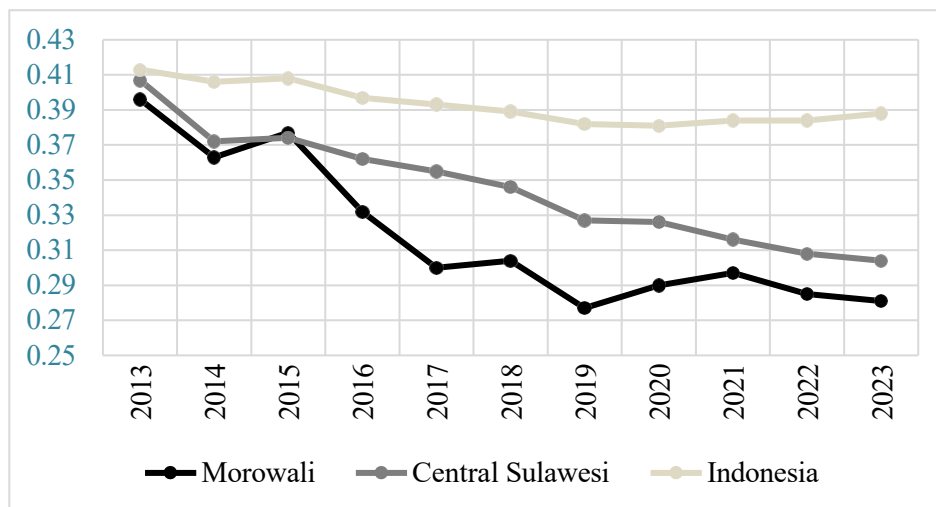


Figure 5 Gini Ratio From 2013 to 2023 in Morowali, Central Sulawesi, and Indonesia

Source: Indonesian Statistics Agency, 2024

In addition to the social issues, the Indonesian government must address environmental concerns, as local communities face increasing environmental damage. Figure 6 highlights the significant rise in CO2 emission estimates following the increased operations of downstream industries. Emissions in North Maluku increased from 2.4 million tonnes CO2 equivalent in 2020 to 15.7 million tonnes CO2 equivalent in 2023, while in Central Sulawesi, emissions rose from 9.6 million tonnes CO2 equivalent in 2019 to 20.8 million tonnes CO2 equivalent in 2023.

The increase in CO2 emission is a serious concern that the government needs to address in order to ensure the future sustainability of nickel downstreaming. There have been efforts by the government to encourage the use of renewable energy including through Presidential Regulation No. 112 in 2022 on accelerating the electricity generation from renewable energy. Nevertheless, much still needs to be done given Indonesia's persistent high reliance of fossil fuel in its energy mix.

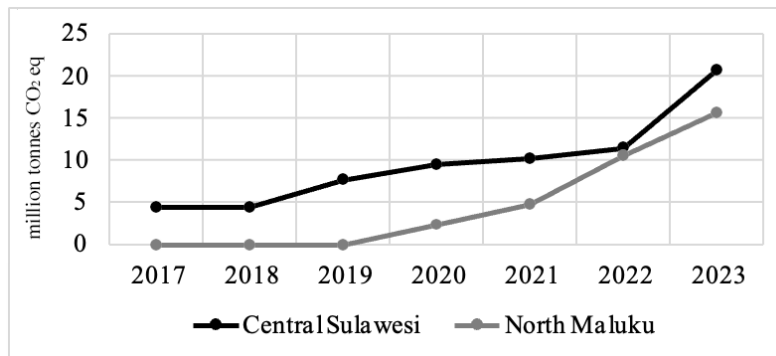


Figure 6 Estimates of CO2 Emissions in Major Regional Hubs for Nickel Downstream Industries

Source: Global Energy Monitor Tracker, 2024

Conclusion

History demonstrates that Indonesia has much to learn from the industrial policy experience of East Asian developmental states. Among others, the Indonesian government should be more proactive to encourage industrial upgrading of its companies through various policy 'carrots' and 'sticks' that must come with clear conditions. However, the window for the Indonesian government to replicate the policies of its more advanced peers in the past is closing today. The kind of active government interventions that were used by East Asian developmental states have now fallen out of favour amidst the pro-globalization discourse. Moreover, the increasingly dire climate change impacts make it clear that an industrial policy that only focuses on economic growth is no longer adequate. In this context, there is an opportunity for Indonesia to create a strategic nexus between developmental state concept and ESG principles. In line with the ESG imperative, the government's proactive intervention can be justified if it is aimed at achieving economic transformation as well as environmental sustainability and social empowerment.

Through its downstreaming policy, the Indonesian government is attempting to seize the advantage that comes with having the world's largest nickel reserve by following several hallmarks of East Asian industrial policy, including active government intervention in the market through the nickel ore export ban. However, even though the policy has the potential to significantly improve key economic indicators, a classical East-Asian-style developmental

state model would likely generate negative environmental and social side effects. Thus, the Indonesian government is also adjusting its foray to industrial policy to the new global context by targeting the EV battery sector, which is pivotal for the global energy transition as well as ensuring that downstream industries mitigate their possible negative environmental externalities. Furthermore, the government is also striving to improve social inclusion by encouraging large investors to partner with local MSMEs.

The Indonesian government's endeavour to align industrial policy with ESG imperatives still leaves much room for improvement. For instance, despite some progress, the carbon footprint of downstream industries remains high. Going forward, the government should formulate a downstreaming model that optimizes the positive economic impacts and mitigates the negative effects across social and environmental dimensions. We acknowledge that the environmental and social impacts require further in-depth and comprehensive exploration to provide a clearer understanding of the nickel downstreaming industry in Indonesia.

Through this writing, the authors presented a novel perspective that integrates the developmental state model with ESG principles. This approach addresses the ongoing dialectics surrounding globalization and liberalization in relation to Indonesia's nickel downstreaming within the context of emerging economies. The findings of this study may provide valuable insights for policymakers in developing countries and contribute to the broader intellectual discourse concerning the new developmental state.

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Identifying Key Determinants of Civil Society Robustness in Southeast Asia

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Abstract

The research examines the key determinants of civil society robustness in Southeast Asia, addressing a significant gap in quantitative research within the region. Utilizing the beta regression model on data spanning from 1986 to 2023, the researcher explores the impact of participatory democracy, civil liberty, political stability, the rule of law, and neopatrimonialism on civil society's robustness. Moderating effects of GDP per capita, control of corruption, freedom of expression, and digital freedom accessibility are also considered. Findings reveal that participatory democracy and civil liberties significantly enhance civil society's robustness, whereas political instability tends to undermine it. Surprisingly, neopatrimonialism shows a positive influence, suggesting complex adaptive strategies by civil organizations. Along with the insignificant result of the rule of law, neopatrimonialism challenges conventional views, standing out among the variables analyzed. The research contributes to understanding the multifaceted dynamics of civil society in Southeast Asia, offering insights for policymakers and Civil Society Organizations (CSOs) to foster democratic governance and social justice. It underscores the necessity for region-specific strategies acknowledging the unique political, economic, and cultural landscapes of Southeast Asian countries.

Keywords: Southeast Asia, civil society's robustness, participatory democracy, civil liberty, political stability, neopatrimonialism, beta regression

Introduction

The role of civil society in shaping political, social, and economic outcomes in Southeast Asia has garnered significant attention in the scholarly community, reflecting a broad consensus on its importance in fostering democratic governance, accountability, and social

cohesion (Bünthe & Weiss, 2023; Edwards, 2019; Ganesan, 2015; Hansson & Weiss, 2023). Civil society, encompassing a wide array of non-governmental organizations, community groups, labor unions, and social movements, serves as a critical intermediary between the state and the citizenry, advocating for public interests and providing services where governmental capacities may be limited (Chandoke, 1995; Edwards, 2019). In the context of Southeast Asia, a region characterized by diverse political regimes, economic disparities, and social challenges, the robustness of civil society has been both a reflection of and a response to the region's dynamic socio-political landscape (Case, 2002; Hansson & Weiss, 2023; Uhlin, 1997).

Acknowledging the vital role that civil society plays in the socioeconomic and political fabric of Southeast Asia, there remains a critical challenge in understanding how varying degrees of civil society robustness emerge across the region. This robustness, or lack thereof, directly impacts civil society's ability to influence policy, advocate for social justice, and engage in effective governance. Despite extensive scholarly investigation into the mechanisms of civil society globally, the Southeast Asian context presents unique challenges that are not fully addressed in existing literature. These challenges include navigating political restrictions, varying degrees of freedom of expression, economic constraints, and cultural differences that can facilitate or hinder the development and effectiveness of Civil Society Organizations (CSOs) (Bünthe & Weiss, 2023). The deficiency in subtlety, region-specific research into these factors limits not only academic understanding but also the practical strategies that can be employed to bolster the effectiveness and resilience of civil society in Southeast Asia (Heinrich, 2005; Mercer, 2002).

Building upon the need for an in-depth exploration of the factors influencing civil society robustness in Southeast Asia, the research is designed to fill the existing research gap by systematically investigating how participatory democracy, civil liberty, political stability, rule of law, and neopatrimonialism contribute to or detract from the robustness of civil society within this region. Furthermore, it acknowledges the potential moderating effects of Gross Domestic Product (GDP) per capita, control of corruption, freedom of expression, and digital freedom accessibility on these relationships. Consequently, the primary objective of the research is to elucidate the complex interplay between these variables and their collective impact on the robustness of civil society in Southeast Asia. Hence, this objective leads to the formulation of the main research question: What are the significant factors that affect the robustness of civil society in Southeast Asia?

The research also addresses the notable gap in quantitative analyses, specifically focusing on civil society within the Southeast Asian context. Through rigorous statistical examination of the proposed independent and control variables, the research aims to fill a critical void in empirical evidence regarding the factors influencing civil society's robustness in the region. The quantitative approach not only allows for a precise measurement of the impact of each variable but also facilitates a comparative analysis that can highlight patterns and trends not immediately apparent through qualitative methods alone. By providing robust, data-driven insights, the research seeks to offer a solid foundation upon which policymakers, CSOs, and international actors can base more effective strategies for fostering a vibrant civil society's landscape in Southeast Asia. Therefore, it contributes significantly to

the literature on civil society's role in advancing democratic governance, social justice, and sustainable development across varied socio-political and economic settings.

The research utilizes secondary datasets to investigate the relationship between the robustness of civil society in Southeast Asia and a set of predetermined variables. The datasets are sourced from reputable international organizations and research institutes, namely Varieties of Democracy (V-Dem) and World Bank's Data Bank, which provide comprehensive data on political, economic, and social indicators across Southeast Asian nations. Statistical analysis is conducted using beta regression models to accommodate the proportional nature of the dependent variable, allowing an in-depth examination of the effects of the independent and control variables. This approach enables the identification of significant predictors and their relative impact on civil society's robustness. Despite its strengths, this methodology bears limitations, notably the potential for data incompleteness and the challenge of accurately capturing the complex and multidimensional nature of civil society's robustness solely through available indicators. Furthermore, the reliance on secondary data limits the ability to control data collection methods and potential biases inherent in the original sources.

The research identifies and elucidates the significant determinants of civil society's robustness in Southeast Asia, providing new insights that contribute to understanding civil society's dynamics in the region. The findings reveal that participatory democracy and civil liberties significantly enhance civil society's robustness, while political stability plays a critical supporting role. Surprisingly, the research also identifies a positive impact of neopatrimonialism on civil society's robustness, challenging traditional assumptions and introducing a novel perspective into the interplay between civil society and governance structures. The research underscores the complexity of factors influencing civil society in Southeast Asia and highlights the unique adaptive strategies that civil societies may employ in diverse political environments.

Lastly, the research structure is systematically designed to guide the readers through the research process and findings. Following the introduction, the literature review section synthesizes existing research on civil society in Southeast Asia, identifying gaps the research aims to fill. The theoretical framework then delineates the conceptual underpinnings of civil society's robustness and outlines the expected relationships between the independent, dependent, and control variables. Subsequently, the methodology section provides a detailed account of the data sources, analytical techniques, and the rationale behind the choice of beta regression analysis. The results and discussion section presents the findings, interprets their implications for the robustness of civil society in Southeast Asia, and contextualizes them within the broader scholarly discourse. Finally, the conclusion summarizes the key insights, acknowledges the research limitations, suggests avenues for future research, and considers the practical implications of the research findings for policymakers, CSOs, and other stakeholders interested in strengthening civil society's role in the region.

Literature Review

The scholarly examination of civil society, particularly in relation to democratization, spans a broad spectrum, ranging from theoretical explorations to empirical analyses. Theoretical discussions have historically focused on the genesis and evolution of civil society, delineating its varied manifestations across democratic, authoritarian, and totalitarian regimes and asserting its role as a barometer for democratization's trajectory (Aron, 1990; Bobbio, 1997; Chandoke, 1995; Hann & Dunn, 1996; Seligman, 1992). These foundational works underscore the distinct functions and challenges of civil societies within different political contexts, providing insights into their potential to influence democratic processes. Regarding this theoretical framework, empirical studies have investigated the impact of national contexts on the strength of civil societies, revealing the significant role that socio-political environments play in shaping civil society's capacity and effectiveness (Kamstra et al., 2016). Furthermore, specific attention has been directed toward the contributions of Non-Governmental Organizations (NGOs) in advocating for and safeguarding rights, such as gender equality and labor issues, highlighting the critical role of CSOs in advancing social justice and democratic values within various democratic settings (Chaney, 2016; Jacobsson & Korolczuk, 2017). This multifaceted scholarly discourse forms the foundation for understanding civil society's intricate dynamics and its pivotal role in the democratization process, setting the stage for the subsequent exploration of civil society in the unique context of Southeast Asia.

Civil society, a term replete with complex interpretations and varying definitions, traditionally denotes the realm of organized social life that is voluntarily constituted, public in nature, and distinct from state apparatuses and familial structures (Bratton, 1994; Cohen & Arato, 1992; Meidinger, 2002). The historical roots of civil society theory extend back to early discussions on social contract by philosophers such as Hobbes, Locke, and Rousseau, further enriched by Adam Smith's notions on market dynamics, Kant's balance between law and freedom, and Tocqueville's emphasis on civic associations (Brinton, 2010; Hill, 2010; Laskar, 2013; Schmidt, 2010). The theoretical landscape is marked by three principal traditions—Hegelian, Marxian, and Gramscian—each offering distinct perspectives on civil society's role and interplay with the state and market forces (Chandoke, 1995; Katz, 2010; Klein, 2010). Gramsci's view of civil society as a site of contestation underscores its critical role in democratization and social reform, emphasizing the dynamic interactions between various actors, including NGOs, community groups, and social movements (Thompson, 2015). These organizations, diverse in their missions and scope, collectively contribute to civil society's capacity to advocate for change, monitor state activities, and engage in democratization processes (Charnovitz, 1996; Gemmil-Herren & Bamidele-Izu, 2002; Riaz & Rahman, 2016). The strength and effectiveness of civil society are thus perceived through lenses of autonomy, service functionality, and organizational participation, reflecting its essential role in advancing democracy, freedom, and social justice (Edwards, 2019; Fowler, 2000; Howell & Pearce, 2001; Kalm & Uhlin, 2015; Uphoff & Krishna, 2004).

The nexus between civil society robustness and democratic governance has been extensively studied, underscoring the critical role of civil society in shaping democratic landscapes. With its myriad organizations and movements, civil society functions as a fundamental pillar of democracy, providing citizens the autonomy and the means to engage in the political arena actively. John Keane's assertion that civil society operates as a crucial "realm of freedom" to democracy highlights the indispensable role of civil society in facilitating citizens' ability to define their identities, rights, and responsibilities within a political and legal framework (Keane, 1999). This realm of freedom is not only pivotal for the sustenance of democracy but also for the enhancement of political participation and democratic processes. Civil society's impact on democracy extends beyond mere participation. It embodies the principle of associationism, empowering individuals to collaboratively engage with and influence state mechanisms (Warren, 2000).

In Southeast Asia, a region characterized by diverse paths and experiences of democratization, civil society has emerged as a key factor in promoting democratic governance. The growth of intermediary associations, notably NGOs, in the wake of the third wave of democratization, illustrates civil society's expanding role in the democratic process. International NGOs in Southeast Asia, such as CARE Myanmar, Partners Asia, Save the Children Fund UK, and the Salvation Army, exemplify civil society's capacity to improve living standards, advocate for minority rights, and challenge authoritarian regimes, even under restrictive political conditions (Walton, 2015). These organizations, by mobilizing for social and political change, not only protect individual rights but also foster a culture of participatory democracy, where civil society robustness is both a product and a determinant of democratic governance. Through this lens, the experience of Southeast Asia underscores the symbiotic relationship between civil society and democracy, highlighting how civil society's freedom to operate, advocate, and mobilize can significantly influence the trajectory of democratization in developing contexts (Hansson & Weiss, 2023).

The robustness of civil society is not just about active engagement but also maintaining a critical distance from governmental structures to ensure genuine checks and balances within the political system. This dynamic is critical in fostering a political environment where civil society not only supports democratic transitions but also safeguards against the co-option by political elites. Therefore, it preserves its independence and effectiveness in advocacy (Stefes & Paturyan, 2021). Moreover, the robustness of civil society in Southeast Asia can be seen as both product and prerequisite for enduring democratic governance, underpinning the region's complex interplay between state and society. In this light, civil society is not only reactive to political changes but also proactively shapes them, making it a foundational element in the stabilization and deepening of democracy.

Despite the pivotal role that civil society plays in promoting and sustaining democracy, critical gaps remain concerning its integration and influence within the frameworks of democratic governance. In many Southeast Asian contexts, a discrepancy exists between the theoretical empowerment of civil society and its practical execution. This gap is often widened by restrictive governmental policies, which limit the operational capacity of CSOs under the guise of national security or political stability. Additionally, the dependency on foreign

funding can sometimes skew the priorities of CSOs towards the interests of their donors rather than the local populace, leading to a disconnect between the organizations and the communities they aim to serve (Muskhelishvili & Jorjoliani, 2009).

Furthermore, while civil society is instrumental in bridging the gap between the state and the citizenry, its effectiveness is frequently undercut by a lack of coordination and a proliferation of smaller and less influential groups that struggle to exert meaningful influence on political processes. This fragmentation within civil society can lead to a dilution of efforts and a reduction in the potential to drive substantial democratic reforms (Broers, 2005; Jones, 2006; Muskhelishvili & Jorjoliani, 2009; Wheatley, 2010). Thus, for civil society in Southeast Asia to fully realize its role as a cornerstone of democracy, these critical gaps need addressing through enhanced legal protections, greater local funding opportunities, and stronger intra-sectoral alliances that align diverse initiatives towards common democratic goals.

The intricate interplay between civil society's robustness and the overarching frameworks of democracy, civil liberties, and political stability in Southeast Asia is a testament to the region's dynamic political landscape. As previously discussed, the robustness of civil society, defined by its independence and the active participation of its citizens, is not merely a byproduct of democratic environments but a cornerstone for their development and sustenance. According to Keane (1999), civil society embodies a realm of freedom indispensable to democracy, ensuring that citizens can choose their identities and responsibilities within a democratic framework. This perspective is echoed in the case studies of Southeast Asia, where civil society's engagement, particularly in countries experiencing varying degrees of democratization, highlights its pivotal role in promoting democratic values and processes (Bünthe & Weiss, 2023; Weiss, 2023).

Political stability and the rule of law emerge as critical factors influencing the robustness and effectiveness of CSOs. In environments where political volatility reigns, civil society often faces restrictions that impede its ability to function and contribute to democratic governance. Conversely, political stability can offer a fertile ground for civil society to thrive, advocating for transparency, good governance, and the protection of minority interests. However, the relationship between civil society and political regimes is complex, with less democratic systems posing significant challenges to civil society's autonomy and role as a watchdog for democracy (Edwards, 2019; Kamstra et al., 2016).

The legal framework within a country, underpinned by the rule of law, plays a crucial role in defining the operational space for civil society. Adequate rights and legal protections are essential for flourishing diverse social organizations and upholding societal accountability. The significance of a supportive legal environment for civil society is highlighted, emphasizing that without protected rights to associate, the potential for civil society to contribute effectively to policy-making and social advancement is greatly diminished (Salamon & Toepler, 2000). This dual emphasis on the rule of law and a conducive legal framework underscores the intricate interplay between civil liberties, legal structures, and the vitality of civil society in Southeast Asia (O'Donnell, 2005).

Neopatrimonialism, a hybrid state formation process originating from colonial rule, poses unique challenges and opportunities for civil society in Southeast Asia. This governance style, characterized by the fusion of personal and state interests, complicates civil society's engagement in democratic processes. According to Goh (2015), how colonial experiences in Malaysia and the Philippines have led to a distinct neopatrimonialism, affecting postcolonial state formation and civil society's role within it. The entanglement of colonial legacies with local power dynamics has perpetuated a governance style where personal networks often overshadow formal institutions, which reflects the region's colonial past and shapes the operational landscape for CSOs, influencing their strategies and interactions with the state. The recognition of neopatrimonialism as a significant factor in Southeast Asian governance underscores the necessity for civil society to traverse these complexities to foster democratic engagement and accountability (Hutchcroft, 2001; Bach, 2011).

The interplay between economic development and the robustness of civil society is a critical area of study, with GDP per capita often serving as a key indicator of economic health and its potential impact on civil society's capabilities. A higher GDP per capita is generally associated with a greater allocation of resources towards CSOs, enhancing their ability to engage in advocacy, service delivery, and policy influence. Economic prosperity also fosters a conducive environment for civic engagement and volunteerism since citizens in wealthier countries are more likely to have the time and resources to invest in civil society's activities. However, economic development alone does not guarantee a vibrant civil society. The quality of governance and the control of corruption play pivotal roles in determining the effectiveness of CSOs. High-quality governance, characterized by transparency, accountability, and participatory mechanisms, significantly enhances the operational space for civil society, enabling it to thrive and contribute to democratic processes and development outcomes (Kamstra et al., 2016; Lipset, 1994).

Furthermore, freedom of expression and digital accessibility is indispensable for the vitality of civil society, serving as moderating variables that enable or constrain civil society's efficacy. Freedom of expression allows CSOs to critique government policies, advocate for change, and mobilize public opinion. In contrast, digital freedom accessibility empowers civil society through the use of information and communication technologies to enhance outreach, advocacy, and mobilization efforts. In regions where these freedoms are curtailed, civil society faces significant challenges in its ability to operate effectively and fulfill its democratic functions. Conversely, in settings where expression freedoms and digital access are protected and promoted, civil society is better equipped to engage in policy dialogues, hold governments accountable, and foster democratic governance. The Southeast Asian context, with its varied political landscapes and levels of economic development, presents a complex picture of how these moderating variables impact civil society, underscoring the need for a comprehensive understanding of the conditions under which civil society can flourish (Inglehart & Baker, 2000; O'Donnell, 2005).

In addition, previous studies by Sinpeng and Koh (2023) and Alami et al. (2022) underscore that despite the rising cyber authoritarianism, digital news organizations in Southeast Asia continue to engage in critical journalism and civic engagement. These

organizations persist in reporting politically sensitive issues, motivated by the public good and an enduring commitment to democratic processes, even when faced with state repression. This resilience highlights the dual nature of digital spaces in the region—both as arenas for government control and platforms for democratic engagement. The findings suggest that while digital authoritarianism presents substantial challenges, it does not uniformly suppress civil society’s ability to support democratic transitions and maintain checks on political power.

Despite these abundant scholarly works, quantitative research on the robustness of civil society within Southeast Asia remains scarce. This scarcity emphasizes a critical need for rigorous, data-driven analyses that can quantitatively assess the multifaceted elements contributing to civil society’s strength and effectiveness in the region. While qualitative case studies have provided deep insights into the political, social, and economic contexts in which civil society operates, the paucity of quantitative studies limits comprehensive assessments of civil society’s broader patterns, challenges, and successes. Such research is essential for developing targeted strategies to enhance civil society’s capacity for advocacy, participation, and contribution to democratic governance. Addressing this gap, the researcher employs statistical methods to examine the relationships between civil society’s robustness and key variables like political stability, governance quality, and socioeconomic development. This analytical approach offers a more robust explanation of civil society’s role across the region, highlighting the importance of the research in shedding light on these critical dynamics.

Theoretical Framework

The theoretical framework of the research serves as a foundational blueprint guiding the exploration of civil society’s robustness within Southeast Asia. It aims to delineate the constructs and variables under study, clarifying the relationships and mechanisms through which civil society influences and is influenced by the socio-political environment. This framework is instrumental in shaping the research questions, hypotheses, and the overall direction of the research. By systematically integrating theoretical perspectives on civil society and democratization, this framework elucidates the multifaceted role of CSOs in democratic governance and societal development. Specifically, it seeks to understand how varying degrees of participatory democracy, civil liberties, political stability, rule of law, and neopatrimonialism impact the robustness of civil society across different Southeast Asian contexts. This examination is critical, considering the region’s diverse political landscapes and the pivotal role of civil society plays in advocating for democratic processes, social justice, and accountability.

Civil society robustness, the dependent variable of the research, is defined within the context of Southeast Asian countries as the strength and resilience of CSOs to engage in civic and political activities independently and effectively. Robust civil society is characterized by its autonomy from state control, enabling citizens to pursue their political and civic goals freely. Dimensions of civil society’s robustness include the ability of CSOs to mobilize

resources, engage in policy advocacy, and influence governance outcomes, as well as the presence of legal and institutional environments that support such activities. Indicators of civil society's robustness, notably the Core Civil Society Index (CCSI), offer quantitative measures that reflect the extent to which civil society enjoys freedom from state interference and the capacity of citizens to engage in the democratic process actively (Bernhard et al., 2017; Pemstein et al., 2022). These dimensions and indicators provide a comprehensive framework for assessing the health and impact of civil society across Southeast Asian contexts.

The relationship between civil society and democratization has been extensively theorized, suggesting that a vibrant civil society is crucial for the development and consolidation of democratic governance. Theories in this domain posit that civil society contributes to democratization by facilitating political participation, enhancing governmental accountability, and fostering social capital among citizens. These functions are particularly pertinent in the Southeast Asian context, where the diversity of political regimes and historical trajectories of democratization presents unique challenges and opportunities for civil society. Drawing from key theoretical models, including those proposed by scholars such as Putnam et al. (1993) and Cohen and Arato (1992), the research examines the relevance of these theories to Southeast Asian countries, where civil society's role in democratization processes varies widely. By situating civil society within the public space that bridges the private sphere and the state, this theoretical exploration underscores the multifaceted ways in which civil society organizations contribute to and are shaped by the broader democratization and governance landscapes in Southeast Asia.

Participatory democracy stands as the first independent variable, encapsulating the breadth of citizen engagement beyond mere electoral participation to include involvement in CSOs and other non-electoral democratic processes. At its core, participatory democracy posits that genuine democracy extends beyond the ballot box, offering citizens continual opportunities to partake in decision-making processes that impact their lives actively. This engagement ranges from direct participation in CSOs to involvement in community meetings and collective actions. The underlying premise is that such participatory mechanisms enhance democratic governance by fostering social cohesion, improving governance quality, and elevating the overall quality of life within societies (Coppedge et al., 2015). Empirical evidence, including Garcia (2015) within the European Union context, supports the assertion that higher levels of participatory democracy correlate with the presence of more independent and autonomous civil society organizations. Thus, the research posits that participatory democratic environments inherently provide a nurturing ground for civil society, enabling it to flourish, advocate for societal changes, and execute its watchdog role more effectively. This hypothesis aligns with the theoretical expectation that participatory democracy not only empowers citizens but also engenders a conducive atmosphere for civil society's operations, advocacy, and government accountability.

H1 : Higher levels of participatory democracy in Southeast Asia are associated with greater robustness of civil society.

Civil liberty, the second independent variable, plays a crucial role in determining the robustness of civil society in Southeast Asia. Civil liberty, defined as the protections and freedoms guaranteed to individuals, particularly regarding expressions, assembly, association, and the press, is fundamental to civil society's capacity to function and thrive. The significance of these liberties is highlighted in civil society's ability to engage in advocacy, dialogue, and collective actions, which are essential for democratic participation and accountability (Sidel, 2011). The extent to which civil liberty is upheld or restricted within a country directly influences the operational environment of civil society, impacting its ability to contribute effectively to governance and societal well-being. In Southeast Asia, where political regimes and the degree of civil liberty vary widely, the relationship between civil liberty and civil society's robustness becomes particularly pronounced (Gerard, 2014). The research posits that countries with higher levels of civil liberty are likely to exhibit stronger and more dynamic civil societies as the freedoms of expression, assembly, and association are critical for civic engagement and the pursuit of collective interests.

H2 : Higher levels of civil liberty in Southeast Asia are associated with greater robustness of civil society.

Political stability, as the third independent variable, significantly influences civil society's robustness and operational capacity. Political stability is defined as the government's resilience against unconstitutional or violent threats, including domestic unrest and terrorism, and is crucial for civil society's functionality (Kaufmann & Kray, 2023). Stable governance provides a predictable environment conducive to CSOs, enabling them to plan and execute their activities effectively. Conversely, political instability may preoccupy governments with internal conflicts, diverting attention and resources away from fostering a supportive atmosphere for civil society. Thus, political stability is essential not only for the mere existence but also for the flourishing of civil society, allowing it to pursue its objectives without the looming threat of governmental upheaval. This variable is operationalized through a composite measure incorporating indicators that measure perceptions of the likelihood that the government in power will be destabilized or overthrown. It is imperative to distinguish political stability from a country's level of democracy, as a stable regime, regardless of its democratic credentials, may offer conditions more favorable to civil society than an unstable democratic setup. In addition, empirical evidence is provided, underscoring the complex relationship between political stability and civil society freedom, illustrating how stable political environments can enhance civil society's capacity to contribute to social cohesion, governance, and peacebuilding, irrespective of the regime type (Ziegler, 2010; Kaiser, 2020). This distinction clarifies that political stability, distinct from the level of democracy, influences civil society's freedom to operate and pursue its agendas.

H3 : The less likely the government is in Southeast Asian countries to be destabilized, the more robust its civil society will be.

The rule of law, as the fourth independent variable, is pivotal in establishing a just and equitable environment where civil society can flourish. It encompasses the principles of legality, fairness, and protection of rights, ensuring that laws are applied impartially and

consistently. This variable is operationalized through a composite measure incorporating indicators like rigorous and impartial public administration, transparent laws with predictable enforcement, and citizen access to justice, reflecting the legal system's fairness, predictability, and accountability (Pemstein et al., 2022). These aspects are crucial for maintaining a legal environment conducive to civil society activities. However, according to Curley (2018), in Cambodia, legislation like the NGO Law, ostensibly aligned with the rule of law, has been used to constrict civil society under the guise of legality. This situation points to a complex relationship where the rule of law is instrumental for civil society's freedom, yet its manipulation can serve to undermine civil society's autonomy and effectiveness.

H4 : Stronger adherence to the rule of law in Southeast Asian countries is positively associated with the robustness of civil society.

Neopatrimonialism, as the fifth independent variable, encapsulates governance where personalistic authority infiltrates formal institutional frameworks, blending clientelistic politics, dominant executive powers, and political use of state resources for legitimacy. In contexts where neopatrimonialism prevails, CSOs may face challenges in maintaining independence and navigating a political landscape marked by favoritism and patronage (Clapham, 1985). Reflecting on studies of Clapham (1985) and Bratton and Van de Walle (1997), the research posits that higher levels of neopatrimonialism, characterized by clientelism, presidentialism, and regime corruption, affect civil society's robustness in Southeast Asia. This hypothesis acknowledges the complexities introduced by neopatrimonial practices on civil society's ability to operate effectively within the democratic process.

H5 : Higher levels of neopatrimonialism in Southeast Asian countries are negatively associated with the robustness of civil society.

Additionally, GDP per capita and control of corruption serve as essential control variables in understanding civil society's robustness. GDP per capita is a crucial economic indicator that reflects the average economic output per person and can influence the resources available for civil society's activities (Callen, 2024; World Bank, 2023). Higher GDP per capita often correlates with better societal well-being, potentially fostering a more vibrant civil society. Control of corruption, on the other hand, measures the prevalence of corruption within public sectors and its impact on society, including "grand corruption" and "state capture" (Kaufmann & Kray, 2023). A lower perception of corruption is indicative of stronger institutional integrity, which can provide a more conducive environment for civil society's growth and effectiveness.

Freedom of expression and digital freedom accessibility are critical for the operational freedom and influence of civil society. Freedom of expression encompasses the rights to free speech, media freedom, and open political discourse, which are fundamental for civil society's engagement in advocacy and policy influence (Pemstein et al., 2022). Higher freedom of expression is often associated with increased civil society's dynamism, empowerment, and participation in the democratic process, facilitating a more informed, active, and resilient public sphere. Digital freedom accessibility, a composite index created for the research,

averages indicators related to the Internet and social media freedoms (Mechkova et al., 2019). Higher values in this index represent greater digital freedom, essential for civil society's adaptability and reach in the digital age, allowing for broader engagement and mobilization across societal and political landscapes.

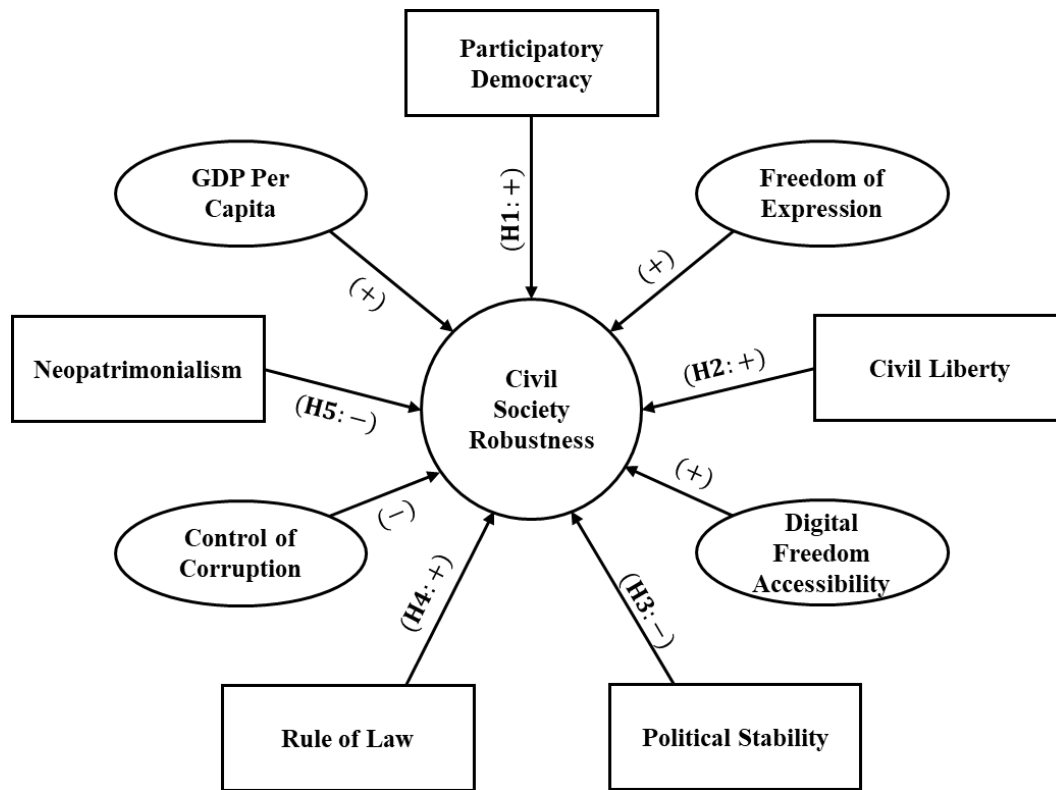


Figure 1 Theoretical Framework Diagram

Integrating the theoretical insights into the Southeast Asian context reveals that while these theories offer a comprehensive understanding of civil society's dynamics. Their applicability varies across the region's diverse political and cultural landscapes. Southeast Asia's unique blend of political systems, historical legacies, and social norms necessitates a proper application of these theories, acknowledging the potential limitations and regional specificities that might influence theoretical assumptions. This diversity underscores the importance of adapting theoretical models to reflect the realities of civil society in Southeast Asia, where the interplay between civil liberty, political stability, and socioeconomic factors shapes the operational environment for civil society organizations.

In summary, this theoretical framework (see Figure 1) establishes a foundation for investigating the robustness of civil society in Southeast Asia, proposing hypotheses that elucidate the relationships between participatory democracy, civil liberty, political stability, rule of law, neopatrimonialism, and civil society's robustness. The inclusion of control

variables like GDP per capita, control of corruption, freedom of expression, and digital freedom accessibility further refines the analysis. This comprehensive approach not only highlights the multifaceted role of civil society in the region but also guides the research methodology and subsequent analysis, aiming to contribute valuable insights into the conditions under which civil society can thrive in Southeast Asia.

Research Methodology

The research adopts an explanatory research design, utilizing quantitative methods through statistical analysis to explore the dynamics and determinants of civil society robustness in Southeast Asia. The justification for this methodology stems from the objective to empirically assess the impact of participatory democracy, civil liberty, political stability, rule of law, and neopatrimonialism alongside control variables like GDP per capita, control of corruption, freedom of expression, and digital freedom accessibility on civil society's robustness. By employing a quantitative approach, the research aims to uncover patterns and relationships within data that qualitative methods may not reveal, facilitating a broader understanding of the factors contributing to civil society's robustness.

The research strategy is operationalized through the analysis of a comprehensive dataset spanning from 1986 to 2023, a period marked by significant political transitions in Southeast Asia that saw shifts from authoritarian regimes to more democratic forms of governance. The choice of 1986 as the starting point is deliberate, aligning with the onset of the third wave of democratization in the Philippines. This event catalyzed similar transformations across the region. This period's significance lies in its witness to the burgeoning of democracy and the rise of social movements, presenting a rich backdrop for examining civil society's evolution. Data for the research are derived from secondary datasets provided by the V-Dem and the World Bank, renowned for their comprehensive and reliable metrics on political, social, and economic indicators globally.

The operationalization of the dependent variable, civil society robustness, utilizes the CCSI. This index, with an interval scale from 0 (low robustness) to 1 (high robustness), is a composite measure reflecting the autonomy of civil society from the state and the degree to which citizens can freely and actively pursue political and civic goals. Based on Bayesian factor analysis, it is aggregated from various indicators, including CSOs' entry and exit, CSOs' repression, and CSOs' participatory environment (Bernhard et al., 2017; Pemstein et al., 2022).

Next, the operationalization of independent variables in the research involves comprehensive and quantitatively driven approaches. For participatory democracy, the research utilizes an interval scale from 0 to 1, embracing a broad perspective on citizen's involvement in both electoral and non-electoral political processes. This variable is measured through indicators of direct democracy engagement, involvement in civil society organizations, and subnational electoral participation, also factoring in the level of electoral democracy (Coppedge et al., 2015). Civil liberty is similarly quantified on an interval scale

from 0 to 1, encapsulating the extent of individual freedoms from government constraints and violence. The measurement aggregates indices of physical violence and political and private civil liberties, reflecting the comprehensive scope of liberal freedoms in society. Political stability integrates perceptions regarding government stability and its vulnerability to unconstitutional changes, reversed scaled from 0 (stable) to 1 (unstable). It employs data normalization processes, including interpolation using K-Nearest Neighbors (KNN) and trend extrapolation for missing values. This variable addresses the complex dynamics between civil society's operational freedom and governmental durability. Rule of law examines the fairness and impartiality of law enforcement and governance, also on a 0 to 1 scale. This index is constructed from various indicators reflecting judicial independence, transparency, and accountability within the legal system (Pemstein et al., 2022). Lastly, neopatrimonialism is assessed through a scale reflecting the degree of personalistic authority, clientelism, and political corruption, indicating a governance structure's divergence from democratic norms.

Finally, the operationalization of control variables in the research includes economic, political, and informational factors. GDP per capita is represented as continuous data (logged for analysis) from the World Bank to indicate economic output per person, affecting civil society's resources. Control of corruption uses normalized interval data from 0 to 1 to reflect perceptions of public power misuse, applying KNN interpolation and trend extrapolation for missing data. The freedom of expression and alternative sources of information index aggregates media and speech freedom variables on a 0 to 1 scale using the V-Dem dataset. The Digital Freedom Accessibility Index (DEFI) averages the measures of government Internet and social media restrictions on a similar scale, also based on V-Dem data.

The research also employs beta regression models to examine the relationship between various independent variables and the robustness of civil society in Southeast Asia as the dependent variable. Beta regression is particularly suited for data bounded between 0 and 1, such as the measures of civil society robustness used in this analysis (Cribari-Neto & Zeileis, 2010; Ferrari & Cribari-Neto, 2004). This approach naturally accommodates the proportional nature of the dependent variable, incorporates features such as heteroskedasticity and skewness, and allows the modeling of variables that assume values in the standard unit interval.

To estimate the parameters of the beta regression model, the researcher utilizes Maximum Likelihood Estimation (MLE). MLE aims to find the parameter values that maximize the likelihood of observing the data given in the model. The beta regression model specifies the mean of the dependent variable as a function of independent variables through a link function. Specifically, the expected value $E(y|x)$ is related to the independent variables x through a linear combination as follows.

$$g(E(y|x)) = \beta_0 + \beta_1x_1 + \dots + \beta_nx_n$$

It shows g as a link function (such as the logit or probit function), $\beta_0, \beta_1, \dots, \beta_n$ as the coefficients estimated by MLE , and x_1, \dots, x_n as the independent variables. This modeling approach, by employing numerical optimization techniques such as the Newton-Raphson algorithm, efficiently addresses the complexities associated with data in the unit interval, including heteroskedasticity and potential skewness (McCullagh & Nelder, 1989).

Result and Discussion

The analysis undertaken in the research employs a beta regression model to evaluate the determinants of civil society robustness in Southeast Asia. As revealed in Table 1, with an R^2 of 0.952, the model demonstrates an exceptional fit, signifying that the variables selected for the research substantially explain the variation in civil society's robustness across the region. The high log-likelihood value of 563.961, based on 340 observations, further attests to the model's efficacy in capturing the complex interplay between civil society robustness and its predictors.

The positive and statistically significant coefficient for participatory democracy (3.524, $p < 0.01$) strongly suggests that higher levels of participatory democracy are associated with greater robustness of civil society. This finding underscores the importance of active citizen engagement and the inclusion of diverse voices in the democratic process. It corroborates the theoretical perspective that a participatory democracy framework, where citizens are actively involved in decision-making processes beyond electoral participation, serves as a critical foundation for a dynamic and resilient civil society.

Similarly, civil liberty emerges as a crucial determinant of civil society's robustness, with a coefficient of 2.688 ($p < 0.01$). This significant positive impact highlights the essential role of freedoms concerning expression, assembly, and the press in fostering an environment where civil society can thrive. It aligns with the expectation that civil liberty provides the space for CSOs to operate effectively, advocate for social justice, and contribute to the broader democratic governance ecosystem.

The coefficient for political stability, at -0.426 ($p < 0.05$), indicates a significant association with civil society's robustness. The negative coefficient implies that greater political instability correlates with decreased civil society robustness. This result suggests that political instability within a government may actually hinder the effectiveness and resilience of CSOs. Stable governance appears to be a key factor for civil society, providing the predictable and secure environment that is necessary for these organizations to flourish and sustain their advocacy and engagement efforts.

The coefficient for the rule of law, though negative (-0.376), is not statistically significant ($p > 0.05$), indicating a complex relationship that does not straightforwardly affect civil society robustness. This outcome may reflect the varying quality of governance and legal enforcement across Southeast Asia, where the theoretical support of the rule of law for civil society's functions may be undermined by inconsistent application or challenges in legal frameworks.

Interestingly, neopatrimonialism shows a positive significant influence on civil society robustness (0.892, $p < 0.05$). This finding suggests that in environments where state-society relations are characterized by neopatrimonial practices, CSOs may still find avenues to assert their influence and maintain their robustness. This result contributes to understanding how civil society navigates and adapts to different governance contexts.

Table 1 Beta Regression Results for Robustness of Civil Society in Southeast Asia

Beta Regression Results for Robustness of Civil Society	
	<i>Dependent variable:</i>
	Robustness of Civil Society
Participatory Democracy	3.524*** (0.346)
Civil Liberty	2.688*** (0.219)
Political Stability	-0.426** (0.173)
Rule of Law	-0.376 (0.420)
Neopatrimonialism	0.892** (0.406)
GDP Per Capita	0.139*** (0.033)
Control of Corruption	-0.187 (0.252)
Freedom of Expression	2.202*** (0.134)
Digital Freedom Accessibility	0.416 (0.353)
Constant	-4.550*** (0.517)
Observations	340
R ²	0.952
Log Likelihood	563.961
<i>Note:</i>	* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

The positive effect of GDP per capita (0.139, $p < 0.01$) underscores the link between economic development and civil society robustness, suggesting that wealthier nations provide a more fertile ground for civil society activities. Conversely, the control of corruption's non-significant negative coefficient (-0.187, $p > 0.05$) hints at the complex dynamics where

corruption prevalence may not directly correlate with civil society vitality, possibly due to the multifaceted nature of corruption and its impact on societal structures.

Freedom of expression stands out as a significant predictor of civil society robustness (2.202, $p < 0.01$), highlighting its fundamental role in enabling civil society's activities. The finding emphasizes the importance of safeguarding expressive freedoms to ensure civil society's ability to advocate, mobilize, and engage in public discourse. Meanwhile, the non-significant coefficient for digital freedom accessibility (0.416, $p > 0.05$) suggests that while digital platforms are increasingly relevant for civil society, their impact on robustness may vary, reflecting the digital divide and differing levels of digital literacy across the region.

The research findings affirm the pivotal roles of participatory democracy, civil liberty, and political stability in enhancing the robustness of civil society within Southeast Asia, echoing the extensive discourse on democratic governance as crucial to social cohesion and public accountability (Hansson & Weiss, 2023; Edwards, 2019). Active engagement of citizens and the safeguarding of individual freedoms are foundational to a dynamic civil society, which, in turn, substantiates the theory that participatory democracy and civil liberties significantly contribute to civil society's effectiveness. These results underscore the importance of inclusive political processes that facilitate diverse societal voices, thereby promoting democratic depth and resilience.

Political stability emerges as another critical factor, supporting the notion that a predictable and stable governance environment is indispensable for the efficacy of civil society's operations (Case, 2002; Hansson & Weiss, 2023). The findings illustrate how political predictability allows civil organizations to plan better and execute their agendas, enhancing their ability to contribute to societal development and democratic governance without the interruption of political turmoil. This stability not only fosters civil society growth but also strengthens its capacity to advocate for democratic norms and social justice.

Contrary to established assumptions within theoretical literature, the positive impact of neopatrimonialism on civil society's robustness introduces an intriguing perspective to the discourse (Goh, 2015). This result suggests that civil societies in Southeast Asia may possess unique adaptive capabilities that enable them to operate effectively and exert influence even within political systems marked by personalized power dynamics. The implication that civil societies are active agents capable of navigating and leveraging such governance structures for their advantage challenges conventional views. It indicates a more complex interplay between civil society and political systems.

Moreover, the relationship between economic development, as indicated by GDP per capita and civil society's vitality, is significantly positive, aligning with modernization theories that suggest a well-resourced society provides a fertile ground for civil society's activities (Lipset, 1994). This relationship prompts a broader discussion about the economic determinants of civil society's robustness, proposing that economic health directly influences the operational capacity and effectiveness of civil societies. It invites future research to explore how variations in economic conditions across the region may affect the strategic approaches of CSOs.

The analysis presented robustly confirms the hypotheses that participatory democracy and civil liberty significantly enhance the robustness of civil society in Southeast Asia, as proposed in the theoretical framework. The positive and statistically significant coefficients for participatory democracy and civil liberty not only corroborate the data but also strengthen the arguments laid out by scholars like Coppedge et al. (2015) and Sidel (2011), discussing the impact of democratic engagement and freedoms on civil society efficacy. These findings affirm that a greater emphasis on democratic participation and civil liberties can directly lead to a more robust civil society since these elements encourage a more active and engaged citizenry capable of advocating for change and influencing policy.

Furthermore, the analysis sheds light on the significant role of political stability in civil society's robustness. The negative coefficient for political instability aligns with the hypothesis that political stability supports civil society effectiveness by providing a predictable environment that is free from unrest and governmental upheaval (Kaufmann & Kray, 2023; Ziegler, 2010). The data support the assertion that stable political conditions allow civil organizations to operate without the fear of sudden disruptive changes, fostering an atmosphere conducive to sustained civil engagement and robust operation of civil societies.

The theoretical implications of these findings are profound. They suggest that the traditional models of civil society, which often emphasize the adversarial role of civil organizations in challenging state power, may need to be revised to incorporate the cooperative dynamics observed in contexts of stable governance and active democratic participation. These insights contribute to understanding civil society in Southeast Asia, highlighting the interdependence between civil society's robustness and democratic structures. On the other hand, this understanding also challenges the traditional dichotomy of state versus civil society, proposing a model where robust civil societies emerge from synergistic relationships with democratic institutions and stable political environments.

On a practical level, the findings have significant implications for policymakers and civil society organizations. They underline the necessity of fostering environments that enhance participatory democracy and civil liberties, which are shown to be fundamental for the vitality and effectiveness of civil society. For instance, policies aimed at enhancing public participation in governance and protecting freedoms can lead to stronger civil societies which are capable of contributing more effectively to democratic governance and social development. Additionally, understanding the positive role of political stability in civil society's robustness suggests that efforts to maintain or achieve political stability should be seen as integral to strengthening civil society.

Finally, although counterintuitively, the surprising positive correlation between neopatrimonialism and civil society's robustness opens new avenues for research and strategy. This finding invites policymakers and civil society's leaders to consider how civil societies may leverage existing political structures, even those characterized by personalized power dynamics, to their advantage. It also calls for a deeper exploration into the adaptive strategies employed by civil societies in such governance environments, which can lead to innovative approaches to advocacy and engagement under various political regimes.

Conclusion

The research makes a significant contribution to the discourse on civil society's influence and interaction with the democratization process within the diverse context of Southeast Asia. It systematically examines the relationships between participatory democracy, civil liberty, political stability, neopatrimonialism, rule of law, and robustness of civil society, drawing on extensive quantitative analysis. The research confirms the hypotheses that participatory democracy and civil liberty are positively associated with civil society robustness, reinforcing the critical role these factors play in fostering a conducive environment for civil engagement and advocacy. Political stability further underscores the conventional views, highlighting the indispensable role of a stable and predictable governance environment for the effectiveness and growth of civil society. The analysis also reveals that the relationship between the rule of law and civil society's robustness is not statistically significant, indicating a more complex or possibly context-dependent interaction that does not straightforwardly affect civil society's robustness as previously theorized. Surprisingly, the positive impact of neopatrimonialism on civil society's robustness offers a novel perspective, challenging conventional wisdom and suggesting a complex adaptive relationship between civil society organizations and governance structures characterized by personalized power.

These findings are particularly relevant given the region's vast political, economic, and cultural diversity. They underscore the necessity for tailored strategies that recognize the unique challenges and opportunities presented by each country's context. For policymakers and CSOs, it implies the development of policies and practices that support democratic engagement, protect freedoms, and foster stability. Specifically, strategies to enhance participatory democracy may include promoting civic education and facilitating greater public involvement in policy-making processes. Safeguarding civil liberty may involve legislative reforms to ensure freedom of expression and assembly while adapting to neopatrimonialism can require CSOs to develop more flexible approaches to advocacy and service delivery.

Reflecting on the methodological approach, the research's reliance on secondary data sources, while a limitation, also highlights the utility of existing datasets in uncovering broad trends and patterns across the region. Future research can build on these findings through primary data collection, qualitative methodologies, or comparative studies with other regions to deepen understanding of the variables affecting civil society's robustness. Moreover, the unexpected findings related to neopatrimonialism invite theoretical reflection. They suggest that existing frameworks may need to be expanded or revised to more accurately capture the dynamics of civil society in contexts where governance structures blend formal institutions with personalistic networks. Therefore, the research not only fills a gap in the empirical landscape but also challenges and extends theoretical models of civil society's role in democratization.

In the context of ongoing debates on the dynamics of democratization, the research findings illuminate the complex interplay between civil society and democratic governance. The positive association between participatory democracy, civil liberty, and civil society's

robustness aligns with democratic theories that advocate for enhanced citizen participation and freedoms as foundational to strong democratic institutions. Conversely, the unexpected positive impact of neopatrimonialism on civil society's robustness challenges the typically negative connotations associated with such governance systems in the literature, suggesting that in certain contexts, these systems may foster more rather than hinder the development of robust civil societies.

These insights contribute to a comprehensive understanding of how diverse governance frameworks can variably impact civil society effectiveness. It underscores the importance of contextualized strategies for civil society's strength, tailored to the specific political and cultural realities of Southeast Asia. It also suggests a broader implication for the global discourse on democratization that the pathways to robust civil society are not uniform, and the models of democracy may need to be adapted to reflect local governance structures and historical legacies.

Furthermore, for the research limitation, the research excludes Brunei Darussalam and Timor-Leste due to unavailable data and limited data availability, respectively. While the exclusion of these countries narrows the scope of the analysis, it ensures the robustness and reliability of the findings across the remaining Southeast Asian countries. Additionally, despite the strengths of beta regression in handling data within the unit interval, potential biases and limitations inherent in the secondary datasets used must be acknowledged. Such limitations include the reliance on externally sourced indicators for participatory democracy, civil liberty, and other variables, which may not fully capture the nuances of civil society's robustness. The data manipulation and normalization methods also may pose additional bias for the analysis. Moreover, the interpretation of the regression coefficients requires careful consideration because it pertains to the mean of the transformed variable rather than the original scale of measurement.

Future inquiries may focus on exploring how these findings relate to other regions with similar political landscapes, potentially broadening the scope of these insights into global contexts. It can help to refine theories of civil society and democracy, ensuring they are inclusive of the varied ways in which civil society can contribute to democratic processes across different political regimes. Moreover, the research's insights into the role of political stability and the rule of law – or the lack thereof – in influencing civil society's robustness offer a fertile ground for policy discussions aiming at enhancing the efficacy of democratic governance worldwide.

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ASEAN in the World's 100 Top-Ranked Pension Funds: Lessons for Indonesia

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Abstract

The research explored the pension funds of Singapore, Malaysia, and Vietnam, which had managed to exceed Indonesia's total pension fund assets under management despite having smaller populations and workforces. With Indonesia aiming to increase its pension funds to 60% of its GDP by 2045, the research aimed to extract lessons from the investment strategies, governance structures, and other key indicators of the pension funds in these three ASEAN countries to aid in achieving Indonesia's target. This research utilized a document analysis method to gather data on top-ranking pension funds in ASEAN countries, including the Central Provident Fund (Singapore), Employees Provident Fund (Malaysia), Social Insurance Funds (Vietnam), and BPJS Ketenagakerjaan (Indonesia), with qualitative and descriptive statistics methods employed for data analysis. This research has found that Singapore and Malaysia excel in managing their pension fund accounts by offering innovative services tailored to meet the needs of their citizens. Singapore has special home ownership and asset management accounts with a strong social media presence. Malaysia offers both conventional and Sharia-based services, including services for the hajj, which cater to the religious needs of its Muslim population. Meanwhile, Vietnam has a more inclusive system that covers foreign workers, similar to Indonesia's, but demands that foreign workers join the program should align with available program information in English.

Keywords: ASEAN studies, government policy and regulation, insurance, pension fund, retirement.

Introduction

In recent years, policymakers have come to appreciate the significant potential of a well-established pension system in promoting economic growth and capital market development (Dibal et al., 2024; Eğrican & Kayhan, 2022; Morina & Grima, 2022; Yakubu et al., 2023), with pension reform recognized as a vital policy measure for achieving economic development (Kajwang, 2022; Kibet & Simiyu, 2016). Various studies have demonstrated a positive correlation between economic growth and pension funds, suggesting that such funds may fuel economic growth by offering additional investment funds (Bijlsma et al., 2018; Castañeda et al., 2021; Choi, Lee, & Kim, 2021). The provision of funded pensions may lead to a more profound development of private capital markets by enabling a more effective distribution of capital, ultimately resulting in improved efficiency across various sectors. Institutional investors' role in long-term investment commitment could be strengthened by accumulating more enormous pension savings, as García-Sánchez et al. (2022) noted. This could result in institutional investors' ability to act as large shareholders, thus increasing firm efficiency and enhancing governance (Lewellen & Lewellen, 2022; Sakawa & Watanabel, 2020; Thomas & Spataro, 2016). Furthermore, it is commonly understood that pension fund assets have a long-term orientation, implying that more significant pension funds may provide financial benefits and a sustainable economy. Pension fund managers allocate pension funds into various financial instruments, including government infrastructural bonds, commercial papers, fixed deposits, corporate bonds, treasury bills, and other investment vehicles. As a result, these investments should be available to investors in the real sector, leading to an overall increase in investment levels in the economy (Sanusi & Kapingura, 2021).

Visual Capitalist recently published a list of the world's top 100 pension funds, which includes only three ASEAN countries: Singapore (ranked 9th), Malaysia (ranked 15th), and Vietnam (ranked 98th) (Ross, 2022). This information is intriguing and warrants further exploration, particularly because these three countries, despite having considerably smaller populations and workforces than Indonesia (as shown in Figure 1), have exceeded Indonesia's total pension fund assets under management. The Director General of State Assets at the Ministry of Finance of the Republic of Indonesia has made an audacious declaration: to achieve the status of a prosperous and advanced nation by 2045, Indonesia must increase its accumulated pension funds to an astonishing 60% of its gross domestic product (GDP), from the current contribution of less than 7% (Huda, 2023). While this target may appear ambitious, research has demonstrated a direct connection between pension funds and economic growth, implying that Indonesia's future economic success depends on its capacity to increase its pension funds. This is a critical moment for Indonesia, and it is essential to safeguard the country's financial future.

In this sense, it is important to understand how the world's top pension funds are crucial for strategic planning and decision-making within Indonesia's financial sector. Lestari et al. (2022) and White (2020) highlight the benefits policymakers gain from international benchmarking and learning from worldwide experiences to enhance domestic decision-making. Numerous studies have also underscored the value of benchmarking in boosting

organizational performance (Erdil & Erbiyik, 2019; Horváthová, Mokrišová, & Vrábliková, 2021; Sutia et al., 2020; Wulandari, Arfidh, & Utama, 2020). Insights garnered from this research can inform policymakers and stakeholders about the current state of Indonesia's pension funds and provide direction for further reforms. Indonesia's performance in the context of global pension fund rankings can also reflect its competitiveness and attractiveness as an investment destination. Therefore, benchmarking and/or assessing allows for informed comparisons in this research, facilitating the identification of best practices and areas requiring improvement.

When compared with previous research conducted by Hadi, Bruder, & Setioningtyas (2022), which focuses on Iceland and the Netherlands as exemplars of the world's best pension systems, serving as a lesson for Indonesia, this research adopts an ASEAN perspective, encompassing countries ranking among the top 100 pension funds globally. This approach is justified by ASEAN's perceived capacity to comprehend the regional context and unique challenges associated with pension fund management, particularly amidst rapidly evolving demographic dynamics and socio-economic variations across its member nations. Moreover, research indicates that Singapore, Malaysia, and Indonesia share similar sociocultural characteristics (Sukamdani, 2023), influencing attitudes toward savings and retirement, which are crucial for the effectiveness of pension schemes. Meanwhile, Vietnam and Indonesia face shared challenges in their economic growth trajectories (Raeskyesa, 2020), impacting pension funds through factors like sustainable returns, inflation management, demographic shifts, investment opportunities, and long-term planning considerations. This research anticipates yielding deeper and more pertinent insights conducive to the development of pension policies within the ASEAN region.

As it is delved into the comparative analysis of pension fund data among the selected ASEAN countries, the focus inevitably shifts towards Indonesia's unique position within this framework. While Singapore and Malaysia boast longstanding pension systems, Indonesia emerges as a focal point due to its distinct socio-economic landscape and the evolving nature of its pension fund management practices. By juxtaposing the performance metrics, investment strategies, governance structures, and other key indicators of these countries' pension funds, this research aims to discern patterns, identify best practices, and extract valuable lessons that could inform policy decisions in Indonesia. Through this comparative lens, it seeks to offer comprehensive insights into the strengths and weaknesses of pension systems across the region, with a keen focus on Indonesia's trajectory towards enhancing retirement security and financial stability for its citizens.

The novelty of this research lies in its focus on examining the representation of ASEAN countries within the world's top 100 ranked pension funds and extracting lessons specifically tailored to Indonesia's pension fund system, while there have been studies examining pension funds globally or focusing on specific countries. Analyzing ASEAN countries collectively provides a comprehensive regional perspective on their presence and performance within the world's top pension funds. The context of ASEAN is a closer comparison of Indonesia's natural characteristics compared to lessons drawn from other countries within the world's top pension funds. By emphasizing lessons for Indonesia, this research addresses the specific

needs and challenges of Indonesia’s pension fund system. This direct relevance makes the findings more actionable for policymakers and stakeholders in Indonesia. Overall, this research stands out for its regional focus, direct relevance to Indonesia, comparative analysis, and broader economic insights, thereby contributing significantly to the existing literature on pension fund management and economic development in ASEAN countries.

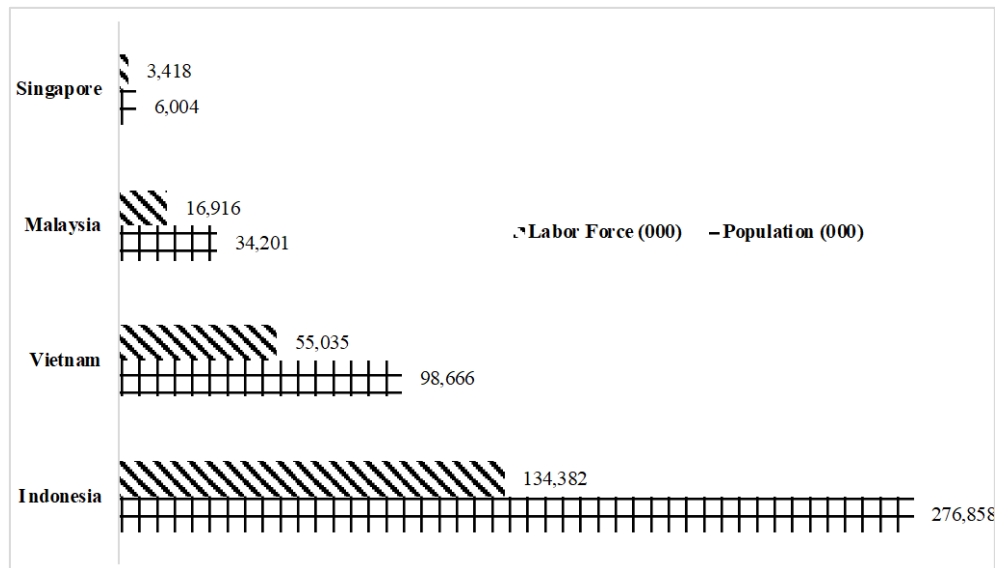


Figure 1 Population and Labour Force in Four ASEAN Countries
(World Bank, 2022a; World Population Review, 2023b)

Research Method

The research will analyze and compare factors influencing pension fund growth in the top-ranking pension funds in ASEAN countries, including the Central Provident Fund (CPF) in Singapore, the Employees Provident Fund (EPF) in Malaysia, and Social Insurance Funds (SIF) in Vietnam. The researchers will also examine pension funds in Indonesia, namely BPJS Ketenagakerjaan, which is comparable to CPF, EPF, and SIF. To gather data, the researchers will use a document analysis method, which involves analyzing existing documents, such as financial statements, annual reports, journals, and other open data on financial literacy, life expectancy, education, minimum wage, and Old-Age Dependency Ratio (OADR) which all are deemed to influence the participation rate and amount of pension funds. The research aims to provide useful insights into the best practices for managing pension funds, which can benefit policymakers, fund managers, financial planners, and other stakeholders in Indonesia.

For comparison purposes, the researchers apply a framework derived from Mercer CFA Institute (2021), integrating three core elements: adequacy (encompassing benefits, system design, savings, government support, home ownership, and growth assets), sustainability (covering pension coverage, total assets, demography, public expenditure, government debt, and economic growth), and integrity (including regulation, governance, protection,

communication, and operating costs). Based on this framework, researchers collect information from various open data sources, including the websites of pension funds in the compared countries, the World Bank, the World Population Review, Worldometer, the Wage Centre, and online news or publications from the year 2022-2023 with limitation of data availability.

This research employs a cross-sectional design (Maier et al., 2023) using secondary data analysis that involves gathering, verifying, and synthesizing evidence from various past sources to achieve the objective of this research. However, the main challenge is ensuring the information sources are reliable and valid, which the researchers attempt to overcome. To ensure the reliability and validity of the data, researchers cross-reference multiple sources, conduct data triangulation, and utilize statistical analysis techniques where applicable. Quality control measures are implemented throughout the data collection and analysis process to uphold the integrity of the research findings. Finally, qualitative and descriptive statistics methods will be employed to analyze the data. Qualitative data analysis involves carefully examining the data and identifying key themes and patterns. Descriptive statistics, on the other hand, incorporate numerical measures to depict the distribution and proportions of key variables within the dataset (Lesko, Fox, & Edwards, 2022). This facilitates a clear representation of the quantitative aspects of the research findings, enhancing their accessibility and comprehensibility to a broader audience.

Analysis

Country Overview

Of the world's 100 top-ranked pension funds, only Singapore, a developed country with a GDP of USD 423.6 billion (Koop, 2022), has a pension fund contribution of 89% of its total GDP. This count only includes the total assets of CPF, which is a private pension fund managed by the Singaporean government. In contrast, Malaysia, Vietnam, and Indonesia are classified as developing countries with respective GDPs of USD 434.1 billion, USD 413.8 billion, and USD 1,289.4 billion (Koop, 2022). Their pension fund contributions to GDP are 56%, 13%, and 0.08%, respectively (It only considers the total assets of government-managed pension funds, namely EFP, SIF, and BPJS Ketenagakerjaan). These percentages are considerably lower than the total pension fund assets in the Organization for Economic Cooperation and Development (OECD) area, which amounted to 105% of the total GDP (OECD, 2023).

At the individual level, external factors such as income, education (Kaniki & Ntuli, 2011; Kanime, Mukong, & Kaulihowa, 2021; Sembiring & Leon, 2021), financial literacy (Bongini & Cucinelli, 2019; Kanime, Mukong, & Kaulihowa, 2021; Yeh, 2022), as well as internal motivators such as policy reinforcement, trustworthiness, perceived advantages, and family responsibilities (Long, Niu, & Yi, 2024) strongly determine whether a person participates in a pension fund or not. Available data shows that Indonesia outperforms Vietnam in these three factors, with a minimum wage of USD 173, tertiary education percentages of 36%, and a

financial literacy rate of 32%. In contrast, Vietnam's corresponding figures are USD 162, 35%, and 24%. Meanwhile, Singapore and Malaysia outperform Indonesia in all three factors, with a minimum wage of USD 1,020 (known as the base salary) and USD 289, tertiary education percentages of 93% and 43%, and financial literacy rates of 59% and 36%, respectively (Klapper, Lusardi, & van Oudheusden, 2015; Wage Centre, 2022; World Bank, 2022c). Singapore has no official minimum wage; the National Wage Council of Singapore (NWSC) recommends a base salary of at least USD 1,020 for local employers (Wage Centre, 2022).

Regarding the other two categories, namely the old-age dependency ratio (OADR) and life expectancy, Indonesia has the lowest percentage among the four countries. Singapore recorded 19.46%, Malaysia 10.75%, Vietnam 11.96%, and Indonesia 6% (World Population Review, 2023a). A relatively low OADR percentage indicates that the productive age population in Indonesia is significant, and if they register for a pension fund as early as possible, they can receive the maximum benefits when they retire. It is an opportune moment for the Indonesian government to increase the value of pension fund contributions.

In terms of life expectancy, as of 2023, Indonesia has reached 72.32 years, while Singapore, Malaysia, and Vietnam have reached 84.07 years, 76.65 years, and 75.77 years, respectively (Worldometer, 2020). The World Bank (2022b) notes that life expectancy in these four countries has increased over the years due to improvements in healthcare, nutrition, and living standards. However, with the current average pension age in Indonesia being 58 years, there is a gap of about 14 years where workers do not have a fixed source of income. Typically, people would have set aside money from their pensions, but certain upbringing circumstances in specific countries prevent them from having that privilege (Xu & Islam, 2019). Therefore, government efforts are needed to provide pension scheme literacy early, enabling individuals to have a steady income source post-retirement to sustain their living standards. By offering a guaranteed stream of income for life, pension schemes can assist individuals in mitigating the risk of outliving their savings. Joining a pension scheme is vital in ensuring a secure and comfortable retirement, particularly in light of the escalating trend of life expectancies. As a result, it is crucial to prepare for retirement and enroll in a pension scheme to secure a comfortable and safe retirement.

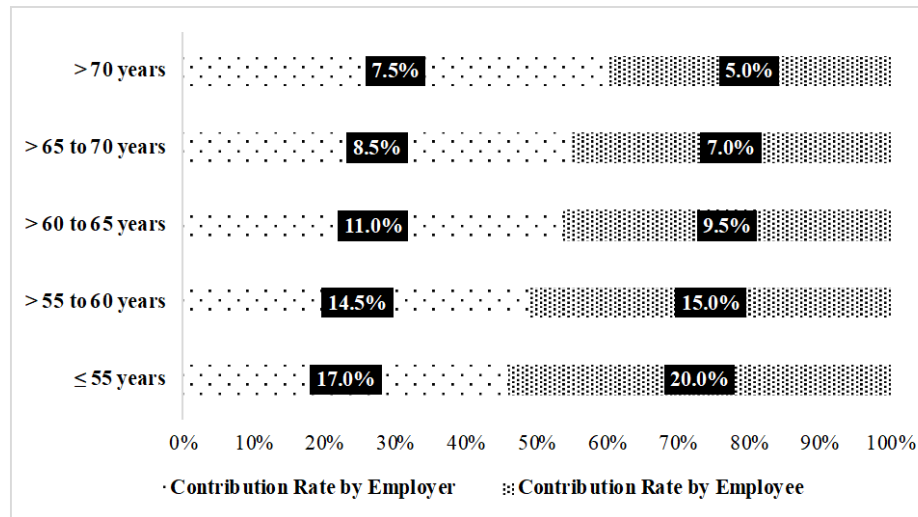
Pension Funds

Central Provident Fund in Singapore

Singapore's Central Provident Fund (CPF) has a long history, with its inception in 1953 and implementation in 1955 (Hidayah, 2020; Twomey, 2023). The CPF is a comprehensive social security system that serves the purpose of enabling Singaporean working citizens and permanent residents to allocate funds for various objectives such as education, property acquisition, family safety, wealth growth, healthcare, and retirement (Chia & Tsui, 2019; Greener & Yeo, 2022). Under the Ministry of Manpower, the CPF is managed by the Central Provident Fund Board (CPF Board), which is a statutory board. This mandatory savings scheme mandates both employers and employees to contribute a specific percentage of the employee's

gross monthly salary to the provident fund, with contributions ranging from 7.5% to 17% for employers and 5% to 20% for employees (Figure 2). The contributions are then allocated into four categories, namely the Ordinary Account (OA), MediSave Account (MA), Special Account (SA), and Retirement Account (RA). The OA is intended for retirement, housing, insurance, and investment purposes. Meanwhile, the MA is designated for hospitalization, medical expenses, and approved medical insurance. The SA aims to facilitate investment in retirement-related financial products and old-age provisions, and the RA provides a monthly payout to the members when they reach the age of 55 years and above. This account is automatically opened for the member upon reaching the stipulated age, and the allocation is sourced from the OA and MA until the minimum amount required to start the monthly payout is reached. As younger members join the CPF, a greater percentage of their contributions are directed toward the OA to assist in purchasing homes. Conversely, as they age, a larger portion of their contributions are channeled toward the SA and MA to meet their growing retirement and healthcare requirements. All CPF contributions are invested in various types of investments, including fixed income, equity, real estate and infrastructure, money market, government securities, and advance deposits, with a minimum Return on Investment (RoI) of 2.5% for the OA and 4% for the other accounts (Central Provident Fund Board, 2022b). The total assets of CPF currently stand at USD 375.0 billion (Ross, 2022).

CPF membership generally comprises various types of employees, including self-employed individuals, and the available account options are limited to conventional accounts (Central Provident Fund Board, 2022a). As an exclusive state-managed savings scheme established to cater to the retirement needs of its members, the high level of CPF participation is attributed to easy access to program information, particularly financial reports and investment options, as well as the extensive advocacy carried out through various channels and activities, such as the website, mobile app, microsite, service centers, contact center, social media, direct mail, podcast, community outreach, and student outreach. CPF extensively utilizes social media platforms, such as Facebook, Instagram, Telegram, YouTube, and TikTok, and has recorded 13.5 million engagements with the public (Central Provident Fund Board, 2022a). This shows that CPF recognizes the importance of providing adequate financial education and better access to financial information for both students and consumers, as they play a significant role in influencing participation and returns on pension products (Kim, 2022). Moreover, CPF has implemented a risk management framework based on the ISO 31000 Risk Management Standard to manage risks (Central Provident Fund Board, 2022a). Nevertheless, CPF is currently grappling with certain challenges that need to be addressed, particularly concerning demographic changes (Malhotra et al., 2018; Xue, Bai, & Bian, 2022), as Singapore is experiencing more accelerated aging compared to other countries. Consequently, this has led to its pension fund's financial and demographic starting point ranking occupying 53rd, whereas its sustainability rank is 62nd among 70 countries (Allianz, 2020). Financial and demographic starting point establishes the basis for any pension reform by combining demographic changes and public financial conditions. Emerging countries with young populations and low public deficits tend to score well, while European countries with aged populations and high debts rank poorly. The sustainability index assesses the ability of pension systems to adapt to demographic shifts.



Note: Contribution rate for employees with monthly wages exceeding \$750

Figure 2 Employer-Employee Contribution Rate by Age Category
(Central Provident Fund Board, 2022b)

Employee Provident Fund in Malaysia

In Malaysia, pension funds are also centralized under the Employees Provident Fund (EPF), managed by the Ministry of Finance. EPF is a mandatory pension fund for citizens, permanent residents, and non-Malaysians registered as EPF members before August 1, 1998 (Shuhadawati, Mohamed, & Torla, 2021). EPF, founded in 1951, is among the most well-established and extensive retirement funds globally, boasting assets valued at USD 242.6 billion (Ross, 2022). The fund’s membership comes from private sector employees, non-pensionable public sector employees, and voluntary contributors (Shuhadawati, Mohamed, & Torla, 2021). The management of EPF accounts is divided into three types: Account 1, Account 2, and Gold Account (GA). Account 1 serves as a reservoir for 70% of the member’s monthly contribution, specifically intended for retirement purposes, and is only withdrawable at 55 years old (Shah et al., 2023). The remaining 30% is allocated to Account 2, which can be utilized for various objectives, such as education, housing acquisition, health, and hajj. If the member continues to work after attaining 55 years, any subsequent contributions will be deposited into their GA, only attainable when they reach 60 (Employees Provident Fund, 2022).

Like Indonesia, which has a majority Muslim population, the EPF offers two types of accounts: conventional accounts, where savings are managed and invested conventionally, and sharia accounts, where savings are managed and invested according to Sharia principles. The benefits offered are quite diverse, ranging from Account 1 savings top-up, hajj registration, retirement, incapacitation, and death to annual tax exemption. Meanwhile, the employer’s obligation is relatively lower than in Singapore, ranging from 6% to 13%, while the employee’s contribution ranges from 5.5% to 11% (Figure 3). All funds collected are

invested in various investment schemes listed in the annual report, including fixed income (45%), equity (44%), real estate and infrastructure (6%), and money market (5%), which can provide a minimum RoI guarantee of 2.5% (Employees Provident Fund, 2023b; Employees Provident Fund Board, 2022a).

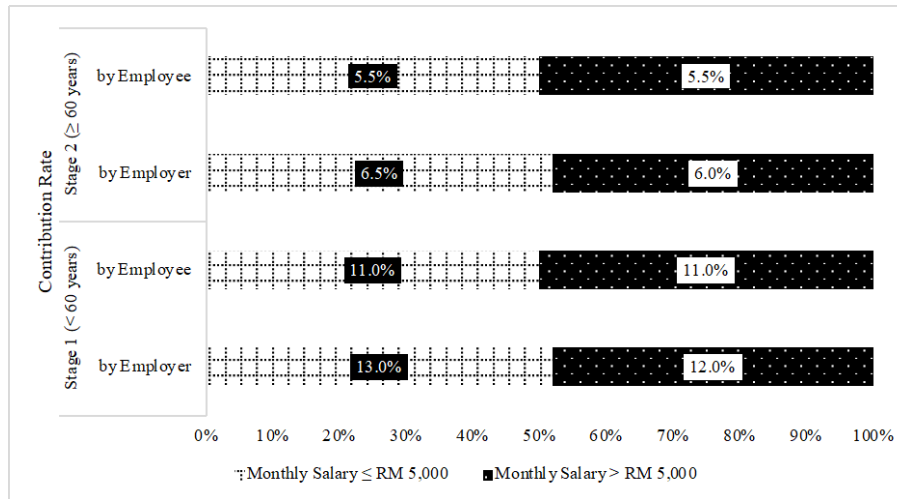


Figure 3 Employer-Employee Contribution Rate by Age Stage
(Employees Provident Fund, 2023a)

EPF has adopted various international standards, including ISO 31000, ISO 27001 (information security management), ISO 9001 (quality management system), ISO 45001 (health and safety management), and ISO 14001 (environmental management systems). These standards not only provide evidence of the institution’s commitment to quality but also serve as a competitive advantage, enhancing the pension fund’s appeal to investors and stakeholders. Additionally, EPF utilizes a range of media and methods such as the Protégé program, surveys, virtual media and radio engagements, and streaming on social media and private platforms. The aim is to provide local communities with easy access to EPF and its services, promote adequacy of Malaysians’ savings, increase financial literacy and inclusion, raise awareness of retirement planning, and empower local communities economically. EPF members have access to bilingual virtual assistance, advisory support, a contact management center, an online appointment platform, surveys, and polls, initiatives announced via media sources (website and news outlets), as well as inquiry and complaint handling through the website (Employees Provident Fund Board, 2022b, 2022c). Despite this, the EPF faces a major issue as many workers have inadequate retirement savings, with 9 out of 10 contributors earning a monthly salary lower than RM5,000 (Mokal et al., 2023). As a result, the pension fund’s sustainability rank is at the lowest position, and its adequacy ranking is 51st out of 70 countries (Allianz, 2020). This information highlights the need to re-evaluate the current model to ensure members’ financial independence after retirement.

Social Insurance Fund in Vietnam

In contrast to pension funds in Singapore and Malaysia, which are exclusively mandatory for citizens and permanent residents, the Social Insurance Fund (SIF) is a mandatory program under the Vietnam Social Security (VSS) that applies to all workers, including foreign workers under labor contracts lasting over one month or with indefinite terms (Vietnam Briefing, 2022). As a centralized entity, SIF provides individuals with the means to save for retirement, and it tackles problems linked to an aging population, which encompasses retirement, survivorship, disability, maternity/paternity, sickness, work-related injuries, occupational diseases, social insurance (such as weather and disaster risk insurance), and health insurance (Long, Thu, & Phong, 2021). Notably, participants who opt for voluntary registration with SIF are only offered two types of benefits: retirement and survivorship. Details concerning contribution rates and frequencies for both mandatory and voluntary schemes are presented in Table 1.

Table 1 Compulsory-Voluntary Scheme Contribution Rate

Contribution	Compulsory Scheme	Voluntary Scheme
Rate	26% of monthly salary, consists of: 1) Employer: 18% (14% for pension and survivorship, 3% for sickness and maternity, and 1% for occupational disease) 2) Employee: 8% for survivorship and pension	22% of monthly income for pension and survivorship with subsidized as follows: 1) Poor: 30% 2) Near-poor: 25% 3) Others: 10% (maximum 10 years)
Frequency	Monthly	Monthly, quarterly, biannually, annually, a lump sum for multiple years, or a catch-up contribution for missed years

Note: The compulsory scheme is intended for employees in formal sectors, whereas the voluntary scheme is tailored for those in informal sectors. Source: (Long, Thu, & Phong, 2021)

The origins of SIF can be traced back to the establishment of Vietnam Health Insurance (VHI) under the Ministry of Health in 1992, followed by the formation of VSS in 1995 directly under the government. The two were subsequently merged in 2002 (Vietnam Social Security, 2020b). As a result, SIF is under the management of three ministries with different functions: (1) for social and unemployment insurance (Ministry of Labour, War Invalids and Social Affairs) and (2) for the financial mechanism of social insurance, unemployment insurance, and health insurance funds (Ministry of Health and the Ministry of Finance) (Vietnam Social Security, 2020a). Currently, the total assets of SIF have reached USD 55.7 billion (Ross, 2022). Vietnam's pension fund is encountering significant challenges in expanding social insurance coverage and ensuring the sustainability of the country's social security fund (Kuhlmann & Nullmeier, 2022), partly due to a lack of worker interest (Giang, 2023). According to Allianz (2020), Vietnam's pension system is ranked 32nd out of 70 countries surveyed regarding sustainability, while Indonesia remarkably tops the list. Vietnam's rapid aging rates present

sustainability challenges for its social security and pension system, given the rising dependency burden from a growing elderly population (Dinh et al., 2022).

Furthermore, the sustainability of SIF is heavily influenced by the transparency and accountability of its financial management. Per the 2014 Law on Social Insurance, SIF must undergo a triennial audit by the State Audit, and the audit results must be reported to the National Assembly. However, this means that the public is only informed of SIF's financial status through state media at that time, and the audit report is not accessible to the public (Giang, 2023). Research has consistently shown that transparency and compliance play significant roles in achieving pension reform goals, particularly ensuring sustainability (Aliu et al., 2023). These qualities promote accountability, enable the fund to contribute meaningfully to public discourse, and enhance its ability to mitigate future economic and financial crises. SIF's commitment to transparency and disclosure is vital for promoting financial stability and ensuring market participants can gather and analyze relevant information, thereby building trust in the entire system.

SIF also faces challenges related to its stringent regulations on investment forms, which mainly focus on long-term investments with fixed interest rates, such as bank deposits, government and state-owned commercial bank bonds, and investments in national key projects. While these investment structures ensure the safety of the fund's activities, they do not yield high returns, which affects the fund's investment efficiency (Vietnam Social Security, 2018). Furthermore, SIF is hindered by its restricted means of communicating with stakeholders, particularly prospective members, which are currently limited to its website, hotline, and email. The lack of alternative avenues for engagement is a limitation that could potentially hamper the fund's effectiveness. As emphasized by Nguyen, Nguyen, and Nguyen (2019), educating individuals about Vietnam's social security system is essential to guaranteeing social security for Vietnamese employees as they approach retirement age.

Lesson Learned for Pension Funds in Indonesia

The pension fund system in Indonesia operates through a complex institutional mechanism, where pension fund providers consist of Employer Pension Funds (DPPK) and Financial Institution Pension Funds (DPLK), totaling 200 institutions (195 institutions operate conventional pension funds, while only five institutions provide sharia-compliant pension funds) (Otoritas Jasa Keuangan, 2023). Of these, three institutions have been specifically established by the government under the law to provide national social security programs, namely BPJS Ketenagakerjaan (for all types of workers), TASPEN (for civil servants), and ASABRI (for armed forces personnel). This research focuses only on BPJS Ketenagakerjaan, which is more general and can reach a broader public audience. BPJS Ketenagakerjaan falls under the DPLK category. Generally, this institution operates conventionally, but BPJS Ketenagakerjaan has specifically implemented sharia services in Aceh Province (the sole Indonesian province officially implementing sharia law). In the future, this service option will be offered more widely throughout Indonesia. This plan could be a strategic step, especially

if the sharia services provided can offer benefits such as the opportunity for hajj, as practiced in Malaysia.

In its history, before being renamed BPJS Ketenagakerjaan in 2014, the institution was called Perum AsteK, established in 1977, and later changed its name to PT Jamsostek in 1995. BPJS Ketenagakerjaan's total assets amount to USD 1.07 billion (Badan Penyelenggara Jaminan Sosial Ketenagakerjaan, 2022). The institution's membership comprises both formal and informal sector workers (Badikenita, 2023). Similar to the pension fund in Vietnam, BPJS Ketenagakerjaan is mandatory for Indonesian and foreign workers who work for at least six months in Indonesia. However, the challenge is the lack of trust in financial institutions and the government. Previous experience with financial scams, fraud, and corruption (Fadhilah & Yusuf, 2023; Gautama et al., 2023; Sutrisno, Panuntun, & Adristi, 2021) has made many people skeptical of investing their money in any financial product, including pension funds. Therefore, financial institutions and the government must work hard to build trust with consumers and provide reassurance that their hard-earned money will be managed responsibly.

From a benefits perspective, BPJS Ketenagakerjaan provides at least five insurances: work accidents, death, old age, pension, and job loss. These benefits are provided from the contributions of employers, workers, and the government, with the percentages being 6.24-7.74% (employers), 3% (employees), and 0.22% (government) (see Table 2 for details). The challenge is that the percentage of contribution to each insurance offered by this institution is governed by several different regulations, which may lead to confusion and inefficiencies in policy implementation. Additionally, inadequate public awareness of the institution's programs has resulted in many companies failing to register their employees as program participants. Therefore, addressing these challenges will necessitate a combination of regulatory reform and effective communication strategies to raise awareness and understanding of the benefits of pension funds. The government could potentially introduce tax incentives, as implemented in Malaysia, to encourage a higher level of employee participation. This aligns with the findings of Kim (2022), indicating that tax advantages and financial assistance offered to employers and employees can substantially boost the adoption of pension products.

Table 2 shows that Indonesia's pension fund contributions percentage is relatively lower compared to the other three countries. Account management is currently benefit-based and lacks focus on basic needs (e.g., housing and education) and asset development for the future. BPJS Ketenagakerjaan can adopt best practices from Malaysia and Singapore for more innovative and varied account management, including the utilization of social media platforms (Facebook, Twitter, Instagram, and YouTube) and the channels currently used by BPJS Ketenagakerjaan (website, call, chat, mobile, and mail) to raise awareness and knowledge of the benefits of participating in the program, ultimately increasing voluntary participation rates.

Table 2 Benefit-Based Contributions in BPJS Ketenagakerjaan

Types of Insurance				
Work Accidents	Death	Old Age	Pension	Job Loss
The contributions are categorized into five groups based on the level of occupational environmental risk: 1) Very low-risk level: 0.24% 2) Low-risk level: 0.54% 3) Medium-risk level: 0.89% 4) High-risk level: 1.27% 5) Very high-risk level: 1.74%	The contribution of 0.30% is paid by the employer only	The contribution of 5.7% is paid by: 1) Employee: 2% 2) Employer: 3.7%	The contribution of 3% is paid by: 1) Employee: 1% 2) Employer: 2%	The contribution of 0.46% is paid by: 1) The central government (0.22%) 2) Recomposition of the contribution for work accident insurance (0.14%) 3) Recomposition of the contribution for death insurance (0.10%)
Note: The contributions are paid by employers, and the evaluation of the occupational environmental risk level is conducted at least every two years.				
BPJS ketenagakerjaan's total contribution rate for its five benefits ranges from 9.46% to 10.96%				

Source: Indonesian Government Regulations (No. 44/2015 on the Implementation of the Occupational Accident Insurance and Death Insurance Program, No. 46/2015 on the Implementation of the Old Age Insurance Program, No. 45/2015 on the Implementation of the Pension Insurance Program; and No. 37/2021 on the Implementation of the Unemployment Insurance Program).

As a government agency accountable directly to the President of the Republic of Indonesia, BPJS Ketenagakerjaan has implemented good governance principles, as evidenced by several international certifications, such as ISO 20000 (IT Service Management), ISO 27001, and ISO 31000. In its annual report, BPJS Ketenagakerjaan states that monthly contributions from its members are invested in several instruments, including deposits (10.89%), equities (11.94%), bonds (74.68%), mutual funds (2.08%), direct participation (0.02%), and property (0.39%). However, there is currently no information available on the minimum RoI members are entitled to receive to ensure transparency and accountability of the system. Additionally, the fact that the report is not available in English is concerning, especially considering that foreign workers are also obligated to become members of the program. BPJS Ketenagakerjaan must recognize that providing access to information and addressing its members' changing needs and complaints is essential. Openness and transparency in BPJS Ketenagakerjaan will build trust with individuals who are still skeptical about investing in financial products. Therefore, program engagement and advocacy with various stakeholders through digital technology will be critical, especially in promoting special outreach initiatives for target groups (such as youth or women). Communication campaigns will also be key to educating individuals on the importance and benefits of retirement savings. These campaigns must be tailored to make them accessible and relevant to different target audiences. A summary of the pension fund systems for the four countries is provided in Table 3.

Table 3 Pension Funds System in Singapore, Malaysia, Vietnam, and Indonesia

Category	Singapore	Malaysia	Vietnam	Indonesia
Institution Name	Central Provident Fund	Employees Provident Fund	Social Insurance Fund	BPJS Ketenagakerjaan
Establishment Year	1955	1951	1992	1977
Rank in the World (Based on Total Assets)	9 th	15 th	98 th	Not available
Main Challenge	Singapore's accelerated aging has resulted in its pension fund ranking 53rd in the financial and demographic starting point and 62nd in sustainability among 70 countries	A considerable proportion of EPF contributors have insufficient retirement savings, as 9/10 earn less than RM 5,000/month, leading to the fund's low ranking in both sustainability and adequacy (at 70 th and 51 st positions, respectively, out of 70 countries)	Lack of interest from workers as well as the program's lack of transparency and accountability	The presence of several separate regulations on national social security can result in confusion and inefficiencies in policy implementation, and inadequate public awareness and understanding of the institution's programs has led to many companies failing to register their employees as program participants
Adequacy				
Benefit	Housing, healthcare, education, long-term investment, retirement, and family protection	Account 1 savings top-up, hajj registration, retirement, incapacitation, death, and annual tax exemption	Sickness, work injury and occupational diseases, maternity/paternity, pension, survivorship, social insurance, and health insurance	Work accidents, death, old age, pension, and unemployment
Account Management	Ordinary, MediSave, Special, Retirement	Account 1, Account 2, Gold Account	Three accounts: 1) pension and survivorship, 2) sickness and maternity, 3) occupational disease	Benefit-based
Account Option	Conventional	Conventional and sharia	Conventional	Conventional and sharia services
Contribution Ratio (%)	Employer: 7.5 - 17 Employee: 5 - 20	Employer: 6 - 13 Employee: 5.5 - 11	Employer: 18 Employee: 8	Employer: 6.24 - 7.74 Employee: 3 Government: 0.22
Investment	Fixed income, equity, real estate and infrastructure, money market, government securities, and advance deposits	Fixed income, equity, real estate and infrastructure, and money market	Bonds of the government and state-owned commercial banks, bank deposits, and national key projects	Deposits, equities, bonds, mutual funds, direct participation, and property
Return on Investment (%)	Ordinary account: minimum 2.5 Other accounts: minimum 4%	Minimum 2.5%	No information	Not available
Sustainability				
Population (000)	6,004	34,201	98,666	276,858
Labour Force (000)	3,418.16	16,915.83	55,034.92	134,381.72
GDP (USD billion)	423.6	434.1	413.8	1,289.4
Pension Fund	89	56	13	0.08
Contribution to GDP (%)				
Minimum Wage (USD)	1,020 (base salary)	289	162	173
Education (%)	93	43	35	36
Financial Literacy (%)	59	36	24	32
Old-Age Dependency Ratio (%)	19.46	10.75	11.96	9.6
Life Expectancy (year)	84.07	76.65	75.77	72.32
Total Assets (USD billion)	375.0	242.6	55.7	1.07

Compulsory Imposition (Based on Employee's Status)	Citizens and permanent residents	Citizens, permanent residents, and Non-Malaysians (registered as EPF members before 1 August 1998)	Citizens and foreigners	Citizens and foreigners
Current Membership	Different types of employees, including self-employed persons	Private sector employees, non-pensionable public sector employees, and voluntary contributors	Formal and informal workers	Formal and informal workers
Integrity				
Governing Body	Central Provident Fund Board under the Ministry of Manpower	Ministry of Finance	Ministry of Labour, War Invalids and Social Affairs, Ministry of Health, and the Ministry of Finance	Indonesian Government
Structure	Centralized	Centralized	Centralized	Decentralized
Financial Reporting	Available	Available	Not available	Available
International Standardization	ISO 31000	ISO 31000, ISO 27001, ISO 9001, ISO 14001, ISO 45001	No information	ISO 31000, ISO 20000, ISO 27001
Method of Advocacy and Engagement	Website, mobile, microsite, service centres, contact centre, social media, direct mail, podcast, community outreach, and student outreach	Website, protégé program, surveys, polls, radio, social media, virtual assistance, advisory support, contact management centre, and online appointment platform	Website, hotline, and email	Website, call, chat, mobile, mail, and social media

The examination of pension fund systems in these four countries, as provided in Table 3, reveals a nuanced landscape of similarities and differences, reflecting each country's unique socio-economic context and policy priorities. Despite shared objectives of providing retirement benefits and financial security, each nation faces distinct challenges and adopts diverse approaches to managing its pension funds.

While Malaysia's EPF and Singapore's CPF stand as the oldest among the four, having been established in the mid-20th century, Indonesia's BPJS Ketenagakerjaan and Vietnam's SIF were established in the late 20th century. The main challenges vary from aging populations to insufficient retirement savings and issues of transparency and accountability. Across these pension systems, a multi-account structure is employed to manage contributions, encompassing various needs such as retirement, healthcare, and family protection. However, contribution ratios, investment portfolios, and sustainability indicators diverge significantly, reflecting the unique circumstances of each country.

Singapore and Malaysia exhibit higher pension fund contribution to GDP ratios compared to Vietnam and Indonesia, indicative of more robust pension systems. Furthermore, the scope of compulsory imposition varies, with some countries mandating contributions from citizens and permanent residents while others include both citizens and foreigners. While Indonesia's pension system presents unique challenges, including its decentralized structure and fragmented regulations, it also offers opportunities for reform and improvement. With its large population and growing economy, Indonesia has the potential to

strengthen its pension system through greater transparency, regulatory coherence, and public awareness initiatives. Addressing these issues is critical to ensuring the long-term sustainability and effectiveness of Indonesia's pension fund, as well as enhancing social security for its citizens.

Conclusions

Low enrollment in pension plans threatens long-term financial stability and overall economic well-being by negatively impacting savings, consumption, and investment despite rising life expectancy and falling mortality rates. This research advances the literature by focusing on the pension fund systems of three ASEAN countries, Singapore, Malaysia, and Vietnam, and extracting lessons specifically tailored to improve Indonesia's pension system. Employing a cross-sectional design and secondary data from diverse sources, the research highlights the strengths and unique features of each country's pension management.

Singapore and Malaysia generally excel in managing their pension fund accounts, with Singapore having special accounts for home ownership and asset management, while Malaysia offers both conventional and Sharia-based services, including services for hajj. Singapore also stands out for its extensive social media reach, with over 13 million engagements. Vietnam's more inclusive system covers foreign workers, a practice similar to Indonesia's. However, the demands from foreign workers to be part of the national social security program must align with the availability of program information and its benefits, which must be accessible in English, particularly regarding annual reports and financial statements.

This research focuses on the ASEAN context within the world's top 100 ranked pension funds, a perspective often overlooked in the existing literature that tends to emphasize global comparisons or single-country analyses. By examining ASEAN countries collectively, which share socio-economic similarities with Indonesia, this research provides a nuanced regional perspective. This approach enriches the literature by offering targeted insights into how Indonesia can adapt and implement best practices from neighboring countries to enhance its pension system. The direct relevance of these findings enhances their applicability for policymakers and stakeholders in Indonesia. By addressing Indonesia's specific challenges and needs in pension fund management, this research contributes actionable insights to foster financial security and social welfare in the country.

Based on the research's findings, three policy recommendations are aimed at the Golden Indonesian Vision 2045, specifically in the two pillars of sustainable economic development and equitable development, by increasing society's participation in the pension fund program. These recommendations can be grouped into three categories (3Ps): programs, promotion, and policy.

First, expand the pension fund through a flagship program that addresses basic human needs (such as shelter/housing and education) by integrating the process of home ownership

and access to quality education into the pension fund system (nexus between pension funds, housing, and education needs). Such an approach would strengthen the Indonesian economy and improve the quality of human resources in Indonesia through better living conditions and education. To achieve this, there must be transparency and clear allocation for each purpose, and pension fund participants should be able to access and utilize the program practically through an online or mobile system. In addition, providing facilities for hajj and umrah can be an attractive package for the public, given that most Indonesians are Muslim.

Second, utilize digital media to promote membership benefits programs to increase public awareness and financial literacy, particularly among young workers aged between 15-34, who make up a noticeable part of the Indonesian workforce. The goal is to encourage them to be more oriented towards “saving for the future”, which will ultimately improve the rate of pension fund participation. Promotions can be achieved by collaborating with influencers through social media platforms such as TikTok, YouTube, Instagram, and Facebook.

Third, issue a policy designed to provide tax incentives and financial support to both employers and employees who enroll in pension funds. This policy should seamlessly integrate with existing administrative mechanisms, like the tax reporting system, ensuring smooth usability and effective monitoring. Additionally, it is crucial to establish clear eligibility requirements for foreign workers applying for work permits in Indonesia for durations exceeding six months. This eligibility framework must be tightly integrated with the work permit issuance process, guaranteeing the automatic enrollment of foreign workers in the Social Security program upon obtaining their Indonesian work permit. To achieve this, BPJS Ketenagakerjaan needs to strengthen collaboration with relevant technical ministries and upgrade its infrastructure, particularly by providing comprehensive program information and bilingual customer support services.

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Navigating Turbulence: ASEAN's Leadership Challenges in the Human Rights Violation in Myanmar and South China Sea Dispute

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Abstract

The Association of Southeast Asian Nations (ASEAN) is one of the most rapidly growing regional organizations, significantly influencing the geopolitical landscape of Southeast Asia and beyond. Despite these successes, however, ASEAN currently faces serious challenges in maintaining its unity, solidarity, and cohesiveness. A critical issue is the divergence in views, attitudes, and policies of member countries on crucial political and security matters. This study explores the concept of leadership within the structure of regionalization in the Association of Southeast Asian Nations (ASEAN). The concept is shaped by structural capabilities derived from the region's resource production and manpower, with charisma playing a crucial role in leadership. Based on this concept, this study explores the leadership role in ASEAN's efforts to address current and upcoming issues, particularly about human rights abuses in Myanmar and South China Sea disputes. This study compares Indonesia's leadership within ASEAN to that of other member states using a qualitative comparative case study design. This method investigates how different elements affect the phenomenon that is being studied. A more nuanced understanding of the complex relationships between various variables, including leadership, domestic turmoil, and regional dynamics, can be obtained through the analysis of cases in real-life contexts. The study posits that ASEAN will not be able to uphold its integrity and accelerate the realization of a harmonious ASEAN society in the future without robust leadership. Unlike in

its early years, ASEAN today lacks a leader capable of mobilizing political resources to address and resolve collective issues within the organization.

Keywords: Leadership, ASEAN, Regionalization, Human Rights, South China Sea

Introduction

In 2023, Indonesia took a turn as chairman of ASEAN for the fourth time. As the founding country of ASEAN and the largest country among the other ASEAN member states, it is recognized that Indonesia has played a very significant role in building ASEAN as a regional organization that is as advanced and developing as it is today. The safe and stable domestic political conditions, strong leadership, and a conducive international political environment have provided ample opportunities for Indonesia to fully carry out its role in ASEAN. During the three previous chairmanships, Indonesia, together with other member countries, has succeeded in producing various great ideas that have become references in ASEAN cooperation in various fields (Kominfo, 2023). It is not surprising that for a long time, ASEAN has been seen as one of the most successful regional organizations in the world. The number of members and strategic partners continues to grow. The issues addressed cover traditional and 'new' issues, such as non-traditional security threats (Caballero-Anthony & Cook, 2013). Admittedly, it has been successful in many areas, but not in certain areas.

Indonesia hopes and strives hard in the era of its chairmanship in 2023 to be able to play an important role again in enhancing and maintaining cohesiveness, solidity, and solidarity among ASEAN member countries. However, when Indonesia becomes the chair of ASEAN in 2023, the domestic political situation and conditions in Indonesia and other ASEAN member countries, as well as the international political environment, will be very different from the previous situations and conditions. Indonesia's domestic politics today are not as solid as in the previous era. Meanwhile, several other ASEAN member countries are also facing domestic political problems that are no less serious than what Indonesia is currently facing. Take the example of what has happened to Myanmar's domestic politics in recent years. Myanmar's political turmoil due to the military coup against the civilian regime led by Aung San Suu Kyi has impacted the solidity and cohesiveness of ASEAN (Paddock, 2022). This is marked by the appearance of direct 'criticism', 'sharp criticism', or 'appeals' from the leaders of the ASEAN member states themselves, actions that contradict or 'violate' the principles of the ASEAN Way (Ruggi, 2023). The impact is the strained relations of several ASEAN member countries with Myanmar, which is indicated by the existence of a 'boycott' or ban on the presence of Myanmar's current leader in several ASEAN high-level meetings.

The international political environment has also been, is, and continues to change from time to time, which causes the current situation and condition of the international political environment to be different from the previous times. In the last two or three decades, there has been a global geopolitical, geoeconomics, and geostrategic shift along

with its inherent impacts, which are significant for the region and the world. In the Southeast Asian region, for example, the emergence of China as an aggressive new world power has invited a strong response from Western powers, especially the United States (Kausikan, 2015).

This rivalry between China and Western countries, especially the US, has ultimately affected the political dynamics, stability, and security of the Asia Pacific region, including Southeast Asia. One of the impacts of the rivalry between China and the West is the weakening of cohesiveness and solidarity among ASEAN member countries. This is evident in the case of the South China Sea conflict, where ASEAN failed to implement the consensus principle because several countries need to agree with the attitudes and policies of most ASEAN members on the issue. Admittedly or not, the solidity, cohesiveness, and solidarity among ASEAN member countries have undergone quite severe erosion in recent years.

Many Southeast Asian countries face a massive test for their peace and security in the form of the South China Sea dispute, which might be one of the most complicated issues ASEAN has faced. Regretfully, ASEAN alone has little sway over how things will turn out in the South China Sea. ASEAN's history and the domestic views of its member states may hold it back from usefully contributing to resolving the dispute. In return, these disputes create distrust and malign intentions between member states, which leads to an emerging security dilemma to compel each state to arm itself against the possibility of aggression from the others (Collins, 2001). This intra-ASEAN security dilemma, in return, hinders a cohesive and united response to external security challenges.

Another serious challenge is human rights violations and crimes against humanity, such as the Rohingya and the suppression of democracy by the military junta in Myanmar in recent years. As is well known, for so long, there have been human rights violations and crimes against humanity of the Rohingya people in Myanmar. Discrimination and oppression against the Rohingyas were systematic and planned after Burma gained independence in 1948. This oppression and discrimination continues in the era of the military junta regime between 1962-2010. The junta further excludes the Rohingyas by issuing a 1982 Citizenship Law, which explicitly rejects the Rohingyas from Myanmar citizenship. Since then, the junta has repeatedly conducted military operations to eliminate the Rohingyas from the Rakhine region by carrying out arbitrary detention, torture, and even mass murder. Human rights violations and crimes against the humanity of the Rohingya have resulted in hundreds or thousands of victims dying and thousands more being forced to flee to ASEAN countries.

Indonesia's response to these critical challenges during its ASEAN chairmanship will have far-reaching implications for the region's future. Success in addressing geopolitical tensions will enhance ASEAN's relevance, resilience, and cohesion. Conversely, failure to effectively tackle these challenges could undermine ASEAN's unity, credibility, and influence on the global stage. In this context, Indonesia has long been said to be the 'natural born leader' within ASEAN (Roberts & Widyaningsih, 2015).

Southeast Asian governments had tremendous mistrust and anxiety toward Indonesia before the organization's founding. This mistrust was evident after Sukarno's *Konfrontasi* policy, which jeopardized the Federation of Malaysia's intended formation. As Indonesia propagandized attacks using slogans like 'Crush Malaysia', threats surfaced, and the conflict grew more intense. Indonesia did not begin a peaceful involvement in relations with Southeast Asia until Suharto's 'New Order' regime when it pledged that Indonesia's considerable influence would not be misused to threaten the region's peace. Thus, ASEAN can be considered to be ruled by structural capabilities that stem from the region's ability to produce resources and manpower, while charisma is a key component of leadership.

Derived from the theory of charismatic leadership, it is stated that the leader who possesses the unique capacity to influence followers profoundly often creates innovation and discovers social changes (Delatour et al., 1948). A charismatic leader has a clear, compelling vision for the future and can communicate this vision effectively. Their ability to articulate a desirable future state motivates and aligns followers toward common goals. In regards to Indonesia's leadership, the discussions about Indonesia's chairmanship of ASEAN in 2023 seem to be more focused on the efforts to restore the regional economy and its member countries rather than on highlighting a sphere of influence that the leader is capable of. This is reflected in the themes that emerged in the context of Indonesia's chairmanship in ASEAN, which generally relate to "ASEAN Connectivity, Solidarity, and Synergy in Regional Economic Recovery" (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2022). Practitioners, researchers, academics, and the public rarely discuss or examine specifically the importance of charismatic leadership in bringing ASEAN forward. This aspect is crucial not only to realize ASEAN's vision in the economic, social, political, and security fields but also to maintain the existence and integrity of ASEAN as a regional organization. Therefore, this research aims to fill the gap in which variable is essential in developing the virtue of ASEAN's leadership in the future, especially in the effort to maintain cohesiveness and solidarity in the middle of dynamics of domestic and international politics.

Literature Review

ASEAN: The Success Story of Regionalization

ASEAN has shown much progress in various areas of cooperation. Viewed from the aspect of economic cooperation, for example, until now, ASEAN as a single entity has managed to improve its status to become the sixth-largest economy in the world with a value of 2.555 trillion US dollars and also as the largest market in the world (Shofa, 2023a). In addition, ASEAN has also successfully increased its status as the fourth largest trading bloc in the world after the North American Free Trade Agreement (NAFTA), European Union (EU), and *Bienvenidos al Mercado Común del Sur* (MERCOSUR), with a value of 2.7 trillion US dollars (Lim, 2020).

In the field of politics and security, ASEAN has also successfully resolved various cases peacefully, both relating to the interests of ASEAN member countries and the interests of the international community (Nesadurai, 2009). For example, ASEAN and its strategic partners succeeded in resolving the prolonged Cambodia conflict in the early 1990s, the Thailand and Cambodian conflicts over the Preah Vihear temple, the Indonesia-Malaysia Conflict on Sipadan and Ligitan islands, the Malaysian-Filipino Conflict over Sabah (Nair, 2021).

In addition, ASEAN has also succeeded in agreeing on various agreements and cooperation schemes that have become the foundation for ASEAN to move forward, such as the Zone of Peace, Freedom, and Neutrality (ZOPFAN), Treaty of Amity and Cooperation in Southeast Asia (TAC), Bali Concord I, II, and III, and various other important agreements and treaties (Southgate, 2021). Two other substantial and crucial achievements that ASEAN has achieved in the past two decades, which are often considered indicators of the success of these regional organizations, are, first, the success of ASEAN in agreeing on the ASEAN Charter at the 13th ASEAN Summit in Singapore, November 2007, which came into force since 15 December 2008. The ASEAN Charter is critical and a firm foundation for achieving the ASEAN Community by providing legal status and institutional framework for ASEAN. It also codifies ASEAN norms, rules, and values, sets clear targets for ASEAN, and presents accountability and compliance (Oratmangun, 2009). With the entry into force of the ASEAN Charter, ASEAN will henceforth operate under a new legal framework and establish a new organization to boost its community-building process.

Second is the success of ASEAN in establishing the three ASEAN pillars in 2015, namely the ASEAN Political and Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Social and Cultural Community (ASCC). The success of ASEAN in establishing the three ASEAN pillars is a very strategic step in the efforts of these regional organizations to realize the integration of the nations of ASEAN as a whole and robust (Tomotaka, 2001). ASEAN's success in establishing these three pillars further clarifies and reinforces the direction, goals, and mechanisms that ASEAN wants to achieve and realize in the future, especially efforts to strengthen the integration of ASEAN countries (Wicaksono, 2007).

Cooperation in the field of economy and trade, for example, until now, ASEAN as a single entity has managed to improve its status to become the sixth-largest economy in the world with a value of 2.555 trillion US dollars and also as the largest market in the world. In addition, ASEAN has also successfully increased its status as the fourth largest trading bloc in the world after NAFTA, EU, and MERCOSUR, with a value of 2.7 trillion US dollars (World Economics, 2023). Over the past decade, intra-ASEAN trade increased from \$500 billion in 2010 to \$712 billion in 2021, making up about 21% of the region's total trade. With more than \$3 trillion of total trade, ASEAN has become the fourth-largest trader in the world, behind only the European Union, China, and the United States (Shofa, 2023b). Similarly, ASEAN's service trade also grew by 70%, from \$441 billion in 2010 to \$637 billion in 2020 (Hoi, 2022).

Hindered Progress towards Deeper Integration

Understanding the fundamentals of ASEAN leadership as a concept is essential to identifying Indonesia's leadership role in the current dynamics of the organization. Furthermore, this understanding highlights Indonesia's ability to navigate complex regional issues, mediate conflicts, and drive forward key initiatives such as the ASEAN Economic Community (AEC), thereby reinforcing its position as a pivotal player in shaping the future of Southeast Asia.

Rattanasevee (2014) has described how ASEAN leadership is represented by the presidency or chairmanship, which is alternated annually in alphabetical order and has the power to affect the organization's decision-making process. Furthermore, the only way to measure leadership logically is not through that formal process but rather through informal forms of leadership that have the power to compel other actors. This approach emphasizes the significance of soft power, interpersonal relationships, and the ability to navigate complex social dynamics to achieve consensus and drive collective action. Informal leadership often manifests in building trust, fostering collaboration, and creating a shared vision that resonates with others, thereby achieving meaningful and sustainable outcomes that formal authority alone may not accomplish.

Nevertheless, ASEAN is also currently facing a lack of leadership at the head-of-state level, which poses significant challenges to its ability to effectively address regional issues and advance its collective agenda. This leadership vacuum hampers the organization's capacity to respond to geopolitical tensions, economic uncertainties, and transnational challenges. As a result, ASEAN's cohesion and effectiveness are at risk, making it crucial for member states to bolster their commitment to shared goals and for emerging leaders to step up and guide the region toward greater integration and stability (Ku, 2002). This is not to mention several challenges, such as the hardening of differences in views and attitudes as well as policies of each member country towards crucial issues. In sum, ASEAN member countries are still divided and have differences in their political views and attitudes as well as policies in their effort to resolve the South China Sea conflict.

These differences are rooted in the differences in the system, structure, economic, and political interests of each ASEAN member country itself. These differences have colored the dynamics of development within the ASEAN itself, particularly in terms of efforts to maintain cohesiveness and strong cooperation in resolving issues related to political and security conflicts in the region, which involve ASEAN member countries directly or indirectly. In the future, if such matters are left unchecked and not handled properly, it has the potential to weaken the cohesiveness among ASEAN member countries, which in turn, can result in the low solidity or 'breakup' of ASEAN as a regional organization of Southeast Asia.

One of the problems that will become a serious challenge for Indonesia and ASEAN in the future is that there are still (or potential to occur) disputes and conflicts between ASEAN member countries, mainly related to territorial disputes. The fact is that almost

all ASEAN member countries still have disputes or conflicts or have the potential to conflict with each other. The examples are the disputes between Indonesia-Malaysia regarding the Ambalat area, Singapore - Malaysia regarding Batu Puteh Island, Malaysia - the Philippines regarding Sabah, the Philippines, Vietnam, and Brunei regarding areas in the South China Sea, Thailand - Cambodia regarding the Preah Vihear Temple, Thailand - Malaysia regarding the Territory Gulf of Thailand, and conflicts between Thailand, Laos, Myanmar, Cambodia, and China over the management of the Mekong River.

It must be admitted that in several cases, ASEAN has been able to minimize interstate conflict or disputes because of an adherence to the principles of consensus, non-interference, and the peaceful resolution of disputes. However, ASEAN is only limited to being able to keep these conflicts under a pillow (stopping conflicts) but has not been able to resolve existing conflicts (conflict resolution) completely. Thus, these conflicts or disputes are actually like 'fire in the husk', still having the potential to 'explode' again at one time, for example, the territorial dispute between Malaysia and Indonesia regarding Ambalat and the territorial dispute between Malaysia and the Philippines regarding Sabah. As is known, the two conflicts have not been successfully resolved entirely, so they still have the potential to 'explode' and escalate into armed conflict. Alternatively, at least the conflict has the potential to trigger an increase in enmity (feeling of being actively opposed or hostile to someone or something) between the countries involved in the conflict. This increase in enmity can further increase the operation of the security dilemma, which triggers an arms race. If this phenomenon occurs, it will certainly erode cohesiveness, solidity, and solidarity among the ASEAN member countries.

Conflicts or disputes between ASEAN member countries, as mentioned, will be a tough challenge for the ASEAN chair, considering several things. First, the conflict involves a sensitive matter, namely the issue of a country's territorial sovereignty, which takes work to resolve. Solving these problems requires a long time, effort, and thought as well as enormous resources and requires figures/leaders who have strong leadership (have high diplomacy and management and conflict resolution skills, pay attention to existing conflicts, have credibility, and are respected and have resources of intense political, economic support both domestically and internationally) by conflicting countries. Meanwhile, it is difficult to deny that almost all ASEAN member countries, including Indonesia, currently do not have leaders who meet the mentioned criteria. Second, Indonesia is directly involved in border disputes with other ASEAN member countries, especially with Malaysia. Under such circumstances, it is difficult for Indonesia, as chair of ASEAN, to objectively resolve conflicts between other ASEAN member countries because it is in a position of conflict with other member countries. Considering that the source of the conflict is directly related to the fundamental national interests of each country, it is inevitable that every country, including Indonesia, will prioritize its national interests when facing such a problem. Third, ASEAN's formal mechanism is not sufficiently accommodative and capable of resolving territorial conflicts between its member countries. This is proven by the protractedness or even the

failure of ASEAN to resolve conflicts or territorial disputes between fellow members, for example, the conflict between Indonesia - Malaysia regarding Sipadan Ligitan (which was later resolved through an international mechanism, an international tribunal), the conflict between Indonesia and Malaysia regarding Ambalat, and the conflict between Malaysia and the Philippines regarding Sabah, which has not yet been resolved.

Domestic Political Dynamics of ASEAN Member Countries

Another serious challenge that ASEAN will face in efforts to strengthen and increase cohesiveness, solidity, and solidarity is the existence of domestic political instability in several ASEAN member countries. As is known, almost all ASEAN member countries are experiencing domestic political stability problems, from the election process considered dishonest and unfair, changes in leaders that are not normal, conflicts between political forces in their respective countries, and political coups.

Actions of human rights violations and crimes against humanity of the Rohingya and the suppression of democracy by the military junta in Myanmar in recent years are perfect examples of the challenges in question. There have been human rights violations and crimes against humanity of the Rohingya people in Myanmar. Discrimination and oppression against the Rohingyas were systematic and planned after Burma gained independence in 1948. This oppression and discrimination continued in the era of the Military Junta Regime between 1962-2010. The Junta further excluded the Rohingyas by issuing a 1982 Citizenship Law that explicitly rejected the Rohingyas from Myanmar citizenship. Since then, the Junta has repeatedly conducted military operations to eliminate the Rohingyas from the Rakhine region by carrying out arbitrary detention, torture, and even mass murder. Human rights violations and crimes against humanity of the Rohingya have resulted in hundreds or thousands of victims dying and thousands more being forced to flee to ASEAN countries (Wicaksono, 2021).

In Indonesia, the issue also sparks various protests and criticisms against Myanmar. Activists and human rights institutions urge the Indonesian government, as a founder of ASEAN, to take immediate action to address the problem by nudging the Myanmar government towards a more equitable response. In response to the problem, President Indonesia at that time, Susilo Bambang Yudhoyono (SBY), put forward his so-called 'constructive' and 'dialogical' approach instead of confrontation (Purba, 2021).

SBY stressed that the Indonesian government had not remained silent on the case and would try to help resolve it through several steps. First, Indonesia would discuss this problem multilaterally and regionally through the United Nations (UN) and ASEAN to achieve a feasible solution. Second, Indonesia proposed that Myanmar invite UN agencies, foreign diplomats, and members of the Islamic Cooperation Organization to see the actual conditions to achieve a balanced view of the situation there. Here, SBY had made Indonesia's position clear. The issue of human rights violations against the Rohingyas was to be seen as a domestic affair of Myanmar. However, Indonesia also highlighted that the root of the problem lay in the undemocratic political system, which

emphasized its importance. He stressed the goal to continue to encourage Myanmar to start developing a democratic system by holding elections that were inclusive, credible, involving all parties, transparent, and by the norms and rules of a democratic election (Kinley & Nolan, 2008).

Although debatable, Indonesia's attitude and policy towards human rights violations of the Rohingyas has yet to show its effectiveness in influencing Myanmar to act more equitably and wisely (Kegley, 2007). The flow of Rohingya refugees has caused quite serious social and economic problems for several ASEAN member states. So, the influx of asylum seekers to Myanmar's neighboring countries quickly ignited reactions from the ASEAN member states. However, due to the different interests of each, the attitudes, views, and policies of ASEAN member countries towards the violations of human rights of the Rohingya people in Myanmar are also different. For example, Thailand, Singapore, Laos, Cambodia, and Brunei Darussalam tend to be reluctant to address the refugee issue. Meanwhile, Malaysia and Indonesia are more responsive and accommodative towards the flow of Rohingya refugees. Indonesia has rescued hundreds of refugees (men, women, and children) from the ships which carried them.

Recently, the political situation in Myanmar has worsened again with the occurrence of a political coup by the Military Junta led by Senior General Min Aung Hlaing. As is known, after the Myanmar military overthrew the civilian government in a coup and took power on 1 February 2021, national protests and a campaign of mass civil disobedience against the military junta continued. The military retaliated with a crackdown on the protesters. The rise of the military junta to power in Myanmar has exacerbated human rights violations in the country. The victims are not only the Rohingya, as is done by the previous regime, but also democracy activists in the country. Dozens or even hundreds of people are killed or injured, and thousands of people are arrested and jailed because they are considered against this military junta regime (Chap, 2023).

Efforts by the leaders of ASEAN countries to stop human rights violations in Myanmar by implementing the five points of consensus (5PC) have also failed (Person, 2022). Instead of Myanmar complying with the agreement, which contains dialogue among all parties, the appointment of a special envoy, humanitarian assistance by ASEAN, and the special envoy's visit to Myanmar to meet with all parties, the country escalated its acts of violence against the Rohingya ethnic group (Pearson, 2022). The failure of ASEAN leaders to convince and force the Myanmar military junta government to comply with the five concession points shows the absence of strong leadership in ASEAN countries. This also means that ASEAN still needs to be stronger and able to help resolve political and security issues in each ASEAN member country. According to the Minister of Foreign Affairs of Indonesia, Retno Marsudi, Myanmar's military government is responsible for the lack of progress on a peace plan agreed upon with ASEAN. Mrs Retno Marsudi states, "The criticisms should not be aimed at ASEAN. They should be aimed at the junta." (Strangio, 2022).

Methodology

This research is expected to contribute to the results of a new (data and knowledge) analysis of ASEAN's challenges and opportunities in increasing and maintaining cohesiveness and solidarity among ASEAN member countries amid geoeconomic, geopolitical, and geostrategic changes/shifts in the world today. The results of this research are not only important and helpful for the interests of the academic world (science development). Still, they will also be helpful in the ASEAN policymaking process, especially by Indonesia as the chairman of ASEAN in 2023. By knowing in detail and scientifically the challenges and opportunities faced, Indonesia, as chairman of ASEAN, can play a better role in maintaining and increasing future cohesiveness and solidarity among ASEAN member countries.

Due to the high sensitivity of matters relating to political and security issues, solving the problem is insufficient through the formal legal procedures and mechanisms of the ASEAN framework alone. Given the principle of consensus in policymaking in ASEAN, such differences among ASEAN member countries have caused difficulties in realizing the principle of ASEAN centrality in the effort to solve the problem. In such a context, the leadership aspect can play an essential role in solving the problems facing ASEAN in the field of politics and security. There are many cases where strong leadership can solve various problems faced by ASEAN, including political and security issues. The problem is, for the last decade now, ASEAN, admit it or not, has been facing a serious leadership crisis. There is no strong leader in ASEAN who is supported by domestic people and regional and international communities, so he/she can mobilize all political resources to realize the ASEAN cooperation programs.

Unfortunately, little attention has been given to this leadership's role in forming and developing ASEAN now and in the future, both by observers and practitioners in the field of foreign policy and diplomacy. Some studies are generally more focused on why, what the purpose is, how the cooperation is formed and implemented, what the constraints and opportunities are, and what the outcomes of the cooperation in various fields that have been undertaken by ASEAN are. There have been several studies concerning the role of leadership in ASEAN, although generally, it is more focused on the role of individual leadership of a country in ASEAN, for example, the role of Indonesia in ASEAN.

Two interrelated questions want to be answered in this research. First, what are the critical areas for enhancing and maintaining cohesiveness, solidity, and solidarity among ASEAN member countries in the future? Second, what leadership models can be used to maintain ASEAN centrality?

This research employs a qualitative comparative case study design, focusing on Indonesia's leadership towards ASEAN compared to other ASEAN member states. This approach enables the exploration of the interplay between various factors and their influence on the phenomenon under study (Kaarbo & Beasley, 1999). By examining cases

in real-life settings, the researcher can gain a nuanced understanding of the intricate relationships between different variables, such as leadership and domestic turbulence, as well as regional dynamics. This approach is also flexible and adaptable to various research questions and settings. The researcher can tailor their approach to suit the specific objectives of his/her research, selecting cases that offer rich insights into the phenomenon under investigation. Thematic analysis will identify recurring patterns and themes from the qualitative data. The findings will be interpreted in conjunction with qualitative results to provide a comprehensive understanding of leadership challenges in ASEAN.

Indonesia is chosen as the primary case compared to other ASEAN member states. With its democratic system and diverse socio-cultural context, it offers a rich terrain for studying leadership dynamics. Understanding how Indonesia's leadership differs from or aligns with other ASEAN countries can shed light on broader trends in governance, democratization, and political development within the region. Moreover, Indonesia is the largest country in Southeast Asia, both in terms of population and economy. Comparing Indonesia's leadership style, strategies, and influence with other ASEAN member states can provide insights into power dynamics and regional governance structures. Indonesia's position within ASEAN also shapes its role in global affairs. As a member of G20 and other international forums, Indonesia's leadership within ASEAN can amplify its voice on global issues such as climate change, sustainable development, and geopolitical dynamics. Analyzing Indonesia's leadership compared to other ASEAN countries helps contextualize its global engagement, diplomatic priorities, and contributions to shaping global governance structures.

The researcher gathers the data through a triangulation method, which involves using multiple data sources or methods to corroborate findings and enhance the credibility and validity of the research. By combining different data sources, the researcher can gain a more comprehensive understanding of the phenomenon under study and mitigate the limitations of any single method. This is done by conducting interviews with the researchers and practitioners to explore their experiences, perspectives, and opinions. This research also involves a document analysis of the official documents, media reports, and literature review.

While this design offers valuable insights into complex phenomena, it also has several limitations that researchers should consider. The findings are context-specific and may not be easily transferable to other settings or populations. Other than that, it typically involves small, purposively selected samples, which may raise questions about the representativeness of the findings. Despite the limitations, the researcher believes that this research offers a valuable approach to exploring complex phenomena in-depth, especially in the context of regionalization.

The researcher uses an analytical approach such as grounded theory and cross-case comparison to compare findings within and between cases to uncover insights into the factors shaping the phenomenon under investigation. The next stage is interpreting the

findings of qualitative and comparative analysis in relation to the research objectives. This is done by investigating the leadership trend of ASEAN member states. Overall, the research design serves as a roadmap for researchers, guiding the systematic and rigorous investigation of the research question in qualitative research.

This research argues that leadership (individual and/or state) plays a vital role in the process of establishment and also the development of ASEAN as a regional organization to the stage that has been achieved now. The presence of strong leaders in ASEAN, leaders that can mobilize domestic and international political resources to support their position and power, finally play an essential role in maintaining and strengthening cohesiveness among ASEAN member countries, which in turn will not only strengthen the existence of the regional organization but will also help drive its progress. Conversely, strong and legitimate leadership will strengthen the cohesiveness of ASEAN member countries and ultimately make regional organizations cohesive and robust in the future.

Analysis

Historical Perspective of ASEAN Leadership

In a simple definition, leadership in this context can be understood as a capacity to translate vision into reality. Leadership is a process of social influence that maximizes the efforts of others toward achieving a goal (Yukl, 2012). Leadership is the process of influencing or exemplifying by leaders to followers to achieve organizational goals.

After a long process, ASEAN was officially established on August 8, 1967, through what came to be known as the Bangkok Declaration. The establishment of ASEAN as a regional organization is based on Southeast Asian nations' awareness of the need for solidarity and cooperation between them. Through a shared attitude and action, it is hoped that peace, progress, and prosperity will be created in the Southeast Asian region.

The success of five countries, Indonesia, Malaysia, Philippines, Thailand, and Singapore, in establishing ASEAN is an important achievement in regional politics. So far, five figures are considered to have contributed significantly to the establishment of ASEAN, namely: Indonesian Foreign Minister - H. Adam Malik, Minister of Foreign Affairs of the Philippines - Narciso Ramos, Deputy Prime Minister of Malaysia - Tun Abdul Razak, Thai Foreign Minister - Thanat Khoman, and Singapore Foreign Minister - S. Rajaratnam.

An analysis of to what extent leadership plays a role in the formation and development of ASEAN should be seen, who holds the reins of power, and who plays the main role in the political system at the national level of each of the ASEAN founding countries. This argument is based on the fact that the five figures who have been regarded as the main figures in the success of the formation of ASEAN as mentioned. They are generally members of the cabinet or ministerial level, whose role is mainly to

act as the executor of the tasks of the national leaders of each country. Theoretically, whatever they do in the long process of establishing ASEAN is a form of implementation of duties, orders, directives, or policies given by their respective supreme leaders. The five figures mentioned can only be able to carry out their duties or do something with the instructions and approval of their leaders, including in the context of ASEAN formation.

Thus, to see the relationship between leadership and the formation of ASEAN, it is necessary to see who is in the top position of the power structure (the top leader) in the five founding countries of ASEAN at that time. As is well known, at the time of the ASEAN establishment, Indonesia was led by President Suharto, Malaysia was led by Prime Minister Tunku Abdul Rahman, the Philippines was headed by President Ferdinand Marcos, Thailand was led by General Minister Thanom Kittikachorn (with support of King of Thailand Bhumibol Adulyadej), and Prime Minister Singapore Lee Kuan Yew.

Regardless of whether the five leaders of the ASEAN founding countries obtained and then exercised their respective powers through a democratic process or not, it is difficult to deny that the five leaders are strong leaders both in the context of domestic leadership and international and regional leadership. The five leaders of the ASEAN founding countries are leaders who, at that time, received firm support from their respective countries and large and powerful countries outside the Southeast Asia region, especially from Western countries. In addition, the five leaders of the founding countries of ASEAN are also known as leaders with great leadership characteristics: charismatic, firm, and courageous in acting and taking policies and can turn an idea or vision into a reality.

Take, for example, the era of President Suharto's leadership in Indonesia, President Ferdinand Marcos in the Philippines, and Prime Minister Lee Kuan Yew in Singapore. Although the three leaders were later considered by some of their respective domestic communities and also some of the international community as authoritarian and undemocratic leaders, along with various other negative labels (such as corruption, collusion, and nepotism), it is difficult to deny that the three of them are strong leaders and have excellent lead character. At that time, all three leaders had strong political support at home and abroad. President Suharto, for example, was fully supported by Golkar with its three components (ABRI, Bureaucracy, and Golongan Karya); Malaysian leaders were supported by UMNO Dominant Party; Marcos was supported by the Nacionalista Party Party (1965-1978), which later turned into the Kilusang Bagong Lipunan Party (1978-1986) had a dominant voice in parliament since 1965-1986, and most importantly Marcos was also supported by the Military. Lee Kuan Yew was supported by The People's Action Party (PAP), which has always been a Dominant Party in Singapore politics, while Thailand has remained under the control of King Raja Bhumibol Adulyadej who has strong roots in Thai society and still has a powerful influence in the Thai political system even though formal leaders, often alternately. As a result, all leaders of these five ASEAN member countries have a strong capacity and

capability to lead their respective countries, act decisively, have a clear vision, and implement the programs or policies they make.

At the international level, they also get strong support, especially from Western powers such as the United States, Western European countries, Australia, Canada, and Japan. These countries' support for ASEAN member countries is a part of their strategies to embrace ASEAN countries to counteract the expansion of Communist influence in the region at that time (Cold War era). In other words, the three figures are not only able to control and mobilize sources of domestic and foreign political power in such a way as to strengthen and maintain their power to continue to be in power for a long time but also to support each of their policies, including their respective foreign policies, such as the establishment of ASEAN policies. Thus, it is difficult to imagine that the process of forming ASEAN at that time would run smoothly and successfully without the critical role played by the leaders of the founding countries.

It must be understood that the establishment of the ASEAN is a tangible form of the efforts of regional countries, especially Indonesia, Malaysia, the Philippines, Singapore, and Thailand, to maintain and create stability in the region, which at that time was experiencing serious threats inter-state conflict as well as foreign power intervention as a result of the rivalry of super-power countries in the Cold War. The fact is that almost all of the ASEAN founding countries conflicted with each other at that time. Indonesia conflicted with Malaysia due to the confrontation policies carried out by President Soekarno toward Malaysia, whereas Malaysia also conflicted with the Philippines regarding the Sabah dispute and with Thailand regarding southern Thailand.

Thus, the initial idea to form ASEAN cannot be separated from the efforts of the leaders of the ASEAN founding countries to stop the conflict they were facing at that time. This argument becomes very strong and relevant, at least in the case of Indonesia's involvement and enthusiasm in the formation of ASEAN. In this context, the formation of ASEAN is inseparable from Soeharto's role, which tends to prioritize good neighboring foreign policy. In the era of Suharto's leadership (New Order), Indonesia sought to create an image as a non-aggressive country, as was done in the era of President Soekarno (Old Order). As is known, the Soekarno era in Indonesia launched a confrontation policy with Malaysia. However, after successfully taking control of Soekarno in 1967, President Suharto made a significant policy reform by stopping confrontation with Malaysia (Maksum & Bustami, 2014).

Suharto decided to stop the confrontation with Malaysia because he considered the policy irrelevant and not in the direction and interests of Indonesian foreign policy, which began to shift from close to the East block to closer to the Western bloc (Maksum & Bustami, 2014). Indonesia's decision to stop confrontation with Malaysia, which in this case was made by President Suharto, was an initial action that became the basis of Indonesia's involvement in forming ASEAN. Furthermore, Suharto wanted national economic development by supporting regional cooperation and wanting a stable and

peaceful region without more conflicts and wars. This underlies Indonesia's initiative to form the Southeast Asian region organization, ASEAN. Even then, President Suharto explicitly placed ASEAN as a top priority in Indonesian foreign policy. ASEAN countries are the deepest concentric circle in implementing Indonesian foreign policy.

So, for Indonesia at that time, the establishment of ASEAN was not only an institution or tool for the cessation of conflict between countries in the region but was also expected to be a place or institution to maintain and strengthen regional stability and security and also to develop cooperation in various sectors and fields for the peace and prosperity of all nations in the region. Although there may be a slight difference in nuances and priority levels, however the same ideas and reasons also seem to be in the minds of leaders of other ASEAN founder countries, namely Philippine President Ferdinand Marcos, Malaysian Prime Minister Tunku Abdul Rahman, Prime Minister Large General Thanom Kittikachorn and Thai King Bhumibol Adulyadej, and Singapore Prime Minister Lee Kuan Yew. This can be seen from the enthusiasm of the leaders of the four countries to participate in the successful formation of the ASEAN from the beginning to the issuance of the Bangkok Declaration in 1967.

However, a further question needs to be asked: Is there a relationship or connection between the rapid progress achieved by ASEAN in the last five decades and the presence of strong leadership in ASEAN member countries? It is difficult to argue that the success of advancing ASEAN, as mentioned, is without the support of strong leadership from each ASEAN member country, especially the main ones, such as Indonesia, Malaysia, the Philippines, Thailand, and Singapore.

The fact is that almost all of the progress is achieved in the era of the strong leaders in the five countries, namely President Suharto, Prime Minister Tunku Abdul Rahman, President Ferdinand Marcos, King of Thailand Bhumibol Adulyadej, and Singapore Prime Minister Lee Kuan Yew. With the presence of domestic political support for such strong leaders, it is understandable that these leaders can implement their foreign policies and ideas more effectively, including in the context of ASEAN development. In other words, their leadership can be easily implemented in policy without significant challenges and obstacles in the country, including those relating to foreign policy regarding ASEAN.

It is true that throughout ASEAN history, some of the leaders of ASEAN member countries have been replaced by other leaders. Marcos led up until 1986, Lee Kuan Yew until 1990, Suharto until 1998, Tun Abdul Rahman, replaced by Tun Abdul Razak and replaced by Hussien Onn, and then Mahathir Mohamad. Some leaders, like President Suharto, Marcos, Lee Kuan Yew, and the King of Thailand, continue to lead for a long time. Nevertheless, some senior leaders in these ASEAN countries also exist, such as the Prime Minister of Malaysia, Abdul Rahman, whom Tun Abdul Razak replaced, then succeeded by Hussien Onn, and then replaced by Mahathir Mohamad.

However, it is important to note that the change of leader does not apply to all leaders and does not take place simultaneously. In addition, the leaders' changes do not

necessarily erase the role and influence of the previous leaders, including in their foreign policy toward ASEAN. In other words, the change of leader does not mean closing the possibility that the country's foreign policy will change completely from what has been determined by its predecessor. In many cases, there are even some new leaders who consistently continue the leadership of their predecessors.

This happens in Malaysia and Singapore. Although Tun Abdul Rahman had already taken power in 1970, his leadership continued with his successor Tun Abdul Razak, Datuk Hussien Onn, and later Mahathir Mohamad. Even in many ways, especially in the context of their attention and policy towards ASEAN, the three successors to Tun Abdul Rahman had far better leadership, especially in the era of Mahathir Mohamad. This explains why Malaysia, for example, can still play a significant role in the next period in determining the direction of development of ASEAN even though the leader of its founding figure has come down from power.

Almost the same phenomenon happened in Singapore. When Lee Kuan Yew stepped down from power in 1990, his successor, Goh Chok Tong and later Lee Hsien Loon, consistently carried out the leadership style of his predecessor. Even in some cases, Lee Kuan Yew's successor, Goh Chok Tong, succeeded in developing more creative policies than his predecessor. This is why Singapore can continue to play an important role in promoting and developing ASEAN. Nevertheless, it must also be recognized that the leadership qualities of Lee Kuan Yew's two successors are less strong than their predecessors.

In this context, it can be understood that many ideas and agreements that have now become icons of ASEAN, such as agreements and cooperation in the economic, social, cultural, political, and security fields, are put in place in the era of post-founding father leadership. This context includes the idea of forming three ASEAN pillars, namely the ASEAN Security Community, the ASEAN Economic Community, and the ASEAN Socio-Cultural Community, which are currently the central pillars of ASEAN.

Indonesia has indeed shown good leadership and had a strong vision and political will to help develop ASEAN, namely Susilo Bambang Yudhoyono (SBY), who rose to become President of Indonesia for two periods (2004-2009 and 2009-2014). During SBY's presidency, Indonesia's foreign policy reflects the values of harmony and collaboration. Indonesia bases its foreign policy priorities on 'Geographic Proximity', with the Asia Pacific area in the final circle, including ASEAN, East Asia in the second, and Indonesia as the inner circle (Anwar, 2013). The 'free and active policy' and 'Million Friends, Zero Enemies' tenets of SBY, which discourage any assertive stance towards the international community, serve as the foundation for relations with these states.

Unfortunately, SBY's rise as a leader with relatively good leadership at the regional level is not matched by the emergence of leadership in the same class or exceeded in other ASEAN countries. In Malaysia, PM Mohd Najib bin Tun Haji Abdul Razak appears, who does not show strong leadership, and even later proves to be problematic, as

evidenced by his involvement in the 1MDB scandal, which leads to his conviction on charges of corruption and money laundering (Beech, 2020).

Thailand's leaders change with generally very short tenure, less than four years, except General Prem Tinsulanonda (1980-1988) and Thaksin Shinawatra (2001-2006 and 2006-2006) (McCargo & Pathmanand, 2004). These frequent leadership changes have often resulted in inconsistent policies and disrupted progress on long-term national initiatives, further complicating Thailand's role within ASEAN and its ability to provide steady regional leadership.

Many Southeast Asian countries face a huge test for their peace and security in the form of the South China Sea dispute, which might be one of the most complicated issues ASEAN has faced. Regretfully, ASEAN alone has little sway over how things will turn out in the South China Sea (Weatherbee, 2009). The challenge is more severe because the orientation, vision, and interests of several ASEAN countries' leaders often differ in placing ASEAN in their foreign policy. Some leaders see their national interests as more important than ASEAN, for example, in the case of Cambodia on the issue of the South China Sea. This has become increasingly difficult due to the tendency of ASEAN countries to stick to the principles of ASEAN, the ASEAN way. As is known, Cambodia is one of the countries with different attitudes and positions from other member countries on the issue of the South China Sea. The problem is that different Cambodian attitudes have hampered the strengthening of ASEAN centrality, given the consensus principle in decision-making in ASEAN.

Furthermore, ASEAN member countries have different attitudes and policies regarding the South China Sea issue (Simões, 2022). The differences in attitudes and policies are mainly due to differences in perception, which ultimately gave rise to different interests among the leaders of ASEAN member countries regarding the issue of the South China Sea conflict. Several countries, such as Laos, Cambodia, and Myanmar, for example, tend to be passive and even pro-China in responding to this issue.

These three countries, especially Cambodia, 'reject' the involvement of ASEAN as a regional organization in resolving the conflict. During the ASEAN foreign ministers meeting in 2016, Prak Sokhon, the foreign minister of Cambodia, declined to make a statement on the dispute in the South China Sea. He even suggested that the resolution of the conflict in the South China Sea be handed over directly to each country involved in the conflict (Mogato, Martina, & Blanchard, 2016). Meanwhile, Thongloun Sisoulith, the prime minister of Laos, stated in Ulaanbaatar on 14 July 2016 that Laos concurs with China's position over the South China Sea arbitration dispute (Xinhua, 2016). Under Indonesia's leadership in 2023, ASEAN attempts to quicken the negotiation process again, but with Laos in the leadership line this year, it might stagnate again. Resuming talks over conflicting territorial claims in the South China Sea would be hindered by Laos' debt to China. This country's attitude is closely related to its economic interests,

which have depended on China. Coincidence, these three countries are non-claimant states and are not directly involved in the South China Sea conflict.

On the other hand, as the claimant states, countries such as Malaysia, the Philippines, and Vietnam tend to be more active and even confrontational in resolving the conflict by urging China to comply with international law. Gilberto Teodoro, the defense minister of the Philippines, recently refuted a Chinese assertion that the two nations have struck a settlement about escalating maritime disputes (Strangio, 2024). In addition, Vietnamese Foreign Ministry spokesperson Pham Thu Hang has said that recent operations in the South China Sea by a Chinese research ship and the Philippine Coast Guard violated sovereign rights (Nguyen & Guarascio, 2023).

Apart from that, in terms of political security interests, these countries tend to be closer to the United States and its allies to ward off security threats from China in the South China Sea. Meanwhile, Indonesia, as a Non-claimant, has initially tended to be more neutral and recently began to show an 'anti-China' attitude as well after China's claims to the area around the North Natuna Sea and several incidents between Chinese Patrol Boats and Indonesian Warships.

Take the case of the process of formulating the concept and enforcing the Code of Conduct for the South China Sea conflict made by ASEAN. To resolve this issue, for example, most ASEAN member countries want a typical attitude and view in agreeing on the implementation of the Code of Conduct (CoC). However, the process is very long and difficult to implement because several countries, Cambodia, Laos, and Myanmar, seem reluctant to agree on the CoC concept. So, until now, the CoC process has only reached the first reading agreement by the 10 ASEAN member countries; it has yet to be fully agreed to be implemented (Darmawan, 2021). The difference in attitudes and policies in the CoC case shows that ASEAN still needs to implement one of its principles, namely consensus-based policymaking. Moreover, this, at the same time, proves that there has been a weakening of cohesiveness, solidity, and solidarity among ASEAN member countries.

The case of the formation of the Indo-Pacific and the formation of AUKUS is another clear example that hurts cohesiveness, solidity, and solidarity between ASEAN member countries. As is known, ASEAN member countries have different attitudes and enthusiasm towards the presence of the Indo-Pacific and the formation of AUKUS (Parameswaran, 2023). Indonesia, Malaysia, Thailand, Singapore, the Philippines, and Vietnam appear more responsive and active in establishing the Indo-Pacific Cooperation. These ASEAN member countries are also relatively able to accept the formation of the AUKUS defense facts by America, Britain, and Australia. On the other hand, Laos, Cambodia, and Myanmar are quite relatable in responding to and participating in Indo-Pacific Cooperation and rejecting the presence of AUKUS (Parameswaran, 2023).

The phenomenon mentioned emphasizes the importance of paying attention to two main things in understanding the character of security relations between ASEAN

member countries. First, given the inter-governmental nature of cooperation, they tend to be hostage to the national foreign policies of their respective members. This implies that their purpose, decisions, and actions reflect their members' consensus (Acharya, 2003). This consensus takes concrete form in the normative framework underpinning security cooperation, the agenda, and the resources and capabilities their members have invested (Hoadley & Ruland, 2016). Second, there is a close relationship between the arrangement of security cooperation in ASEAN and the relations of its member countries with the significant power countries. The relationship between the ASEAN member countries will influence the shape of the development and dynamics as well as the achievements of the security cooperation in ASEAN. For example, even though all ASEAN member countries are party to security regimes, at the same time, they also have an interest in maintaining good relations with certain major power countries for security and defense purposes, regardless of whether these major power countries are part or not from the existing security regime (Tarling, 2001). This kind of attitude has the potential to occur, especially if the major power countries in question have hegemonic powers to offer guarantees of extensive security cooperation to ASEAN member countries or vice versa (Buzan, 1991). ASEAN member countries themselves see the importance of cooperation in security with other countries. Major power may be used for various domestic, regional, and international political and security reasons. In such a case, the significance of the existing security cooperation arrangement may be significantly reduced (Hoadley & Ruland, 2006).

Paving the Way towards A Good Leadership

It is true and must be recognized that in the post-leadership era of the founders of ASEAN, the following leaders have also succeeded in recording various achievements for the development of ASEAN. However, the critical view of seeing what has been achieved by the ASEAN countries' leaders after the ASEAN founding is still not significant enough. Even the achievement cannot be said to be a success without seeing the extent to which all agreements, treaties, and various forms of schemes and mechanisms of cooperation can be implemented in the real-life community of the ASEAN member states. Now, most of the various norms, regimes, or agreements have yet to be effectively implemented by each ASEAN country. This shows that leadership in ASEAN member countries after strong ASEAN figures, as mentioned earlier, is still weak. ASEAN countries have not been able to produce leaders who have strong leadership qualities at the domestic and Southeast Asian levels.

In the future, it is expected that ASEAN will face more severe and complex challenges. Associated with leadership, the ASEAN countries will face at least three serious challenges in the future. The first is the establishment of a stable and mature democracy in most ASEAN countries. The ASEAN context presents both opportunities and challenges for democratic transitions. The ASEAN Charter espouses principles of democracy, good governance, and the rule of law, providing a normative framework for member states to uphold democratic values. Additionally, regional mechanisms such as

the ASEAN Intergovernmental Commission on Human Rights (AICHR) aim to promote human rights and democracy within the region. However, the principle of non-interference in the internal affairs of member states has often constrained ASEAN's ability to address democratic backsliding and human rights abuses effectively (Emmerson, 20019).

Moreover, most ASEAN countries are still in the process of transitioning or transforming to a democratic system. The intensity of the transition process still leaves the domestic political, social, and economic volatility and instability of each ASEAN member. The democratization process in ASEAN countries, on the one hand, has provided greater space for people to participate in their respective political processes, including determining their leader (Paul, 2010). However, on the other hand, the process of transition to democracy often creates 'political instability' and also produces weak and incapable leaders. The democratic system they are implementing today has opened up a wider space for 'division' or distribution of power and support for certain leaders so that the new leaders of the election results often have weak political support in their own country. This ultimately affects the effectiveness of the leadership of the leader, including in carrying out his foreign policy.

The second challenge faced by ASEAN is the difficulty of having strong leaders with political support and legitimacy both within the country and at the ASEAN regional level, as happened in the 1970s and 1980s. Nevertheless, some Southeast Asian countries, particularly Singapore, emerged as regional leaders during this period. Singapore's rapid economic development, efficient governance, and diplomatic acumen earned it respect and influence within ASEAN and beyond. Singapore's founding Prime Minister, Lee Kuan Yew, plays a pivotal role in shaping ASEAN's agenda and promoting regional cooperation. This leadership contributed to Singapore's domestic political support and legitimacy within ASEAN.

Meanwhile, in the past two decades, only a few strong leaders have appeared in ASEAN member countries, like in the previous era. Almost all ASEAN member countries fail to produce strong and influential leaders within their respective countries and in Southeast Asia. Many leaders who emerged from the Suharto era and their friends are 'immature leaders' who lack experience and do not have a good track record in the field of political leadership. This situation is exacerbated by the enactment of dynastic politics and transactional politics in many ASEAN member countries. As a result, leaders who appear and are elected are not people who have leadership as needed and expected.

For example, this has happened in the Philippines, Indonesia, Thailand, Malaysia, and Singapore in almost the last two decades. Since the reform era took place in Indonesia, its domestic politics have been divided in such a way. Political power spread to several strongholds, no longer able to be monopolized by a certain political force like political parties during the New Order era under the leadership of President Suharto. In the era of President SBY, for example, the political power in Parliament is divided in such a way. Even though SBY won the presidential election in 2009, the party that

promoted SBY could only control 26.79% of seats in the legislative body (Soesastro, 2009). Similar things also happened in the era of President Jokowi. However, he was successfully elected as Indonesia's president in the 2014 election, and his supporting party, PDIP, could only control 19.5% of seats in the legislative body (Simandjuntak, 2019).

From these descriptions, it can be concluded that leadership among the leaders of ASEAN countries has played a major role in forming and developing ASEAN as a regional organization that has successfully reached the present stage. The success of the formation and development of ASEAN is largely determined by the presence of strong and very influential leaders both within their respective countries and at the international level at that time, such as President Suharto, Malaysian Prime Minister Tengku Abdurrahman, Philippine President Ferdinand Marcos, and Singapore Prime Minister Lee Kuan Yew. They are not only the source of ideas and ideas but also become the most decisive factor in justifying, executing, and implementing these ideas in the effort of the realization and development of ASEAN. It is hard to imagine that ASEAN would have been formed and succeeded in achieving success to the present stage without the efforts and support of these leaders.

However, it is worth noting that one significant criticism of strong leadership is the potential for a lack of diversity in decision-making (Alagappa, 1995). Strong leaders may dominate decision-making processes, stifling dissenting opinions or alternative viewpoints. This can result in a narrow range of perspectives being considered, leading to suboptimal decisions. Without input from diverse voices, blind spots may emerge, and innovative solutions may be overlooked. Moreover, strong leadership can sometimes morph into authoritarianism, where leaders exert excessive control and suppress dissent. In the context of figures like Suharto in Indonesia and Ferdinand Marcos in the Philippines, strong leadership is indeed associated with non-democratic regimes (Tyson & Nawawi, 2022). Both Suharto and Marcos have exercised authoritarian control over their respective countries for decades, using their power to suppress political opposition, control the media, and amass personal wealth.

Today, there are indications that ASEAN is beginning to lack stock leaders with strong and influential leadership characteristics both at the domestic and regional levels. As a result, developments and achievements achieved by ASEAN in more or less the last two decades can be said to be not optimal, if not can be said to slow down. This does not mean that the current leadership has not succeeded in contributing anything to ASEAN. However, if look deeper, their contribution is more of a formality, such as in the form of agreements, MoUs, agreements, and other cooperation schemes and mechanisms. Unfortunately, the achievement is still not beneficial if measured from the extent to which ASEAN member countries can and have implemented all agreements and cooperation or schemes and mechanisms of cooperation they have made.

Conclusion

The presence of strong and influential leaders, both at the domestic level of each ASEAN member country and in the international and Southeast Asian region, will significantly determine the integrity and development of ASEAN in the future. Only with the presence of a strong leadership like that will ASEAN be able to maintain its integrity and, at the same time, be able to accelerate the realization of a just, prosperous, and peaceful ASEAN society in the future.

Even though the challenges ahead are very tough, as previously explained, ASEAN still has opportunities and chances to continue to improve and maintain cohesiveness, solidity, and solidarity among its member countries. By thinking and being more optimistic, in fact, ASEAN still has quite a few big opportunities to achieve this goal. From a geopolitical and geostrategic perspective, ASEAN also has a crucial and strategic position for the competing major power countries, China and the United States. The geographical location of ASEAN is to be the center or heart of the competition arena between the two countries in the field of politics and security. This is demonstrated by the existence of conflicts in the South China Sea involving China, the United States, and several ASEAN member countries, where each country places its military power in the region in anticipation of military action by a country against another country or the outbreak of war (Sukma, 2012).

This very strategic geopolitical, geoeconomic, and geostrategic position makes ASEAN and its member countries, on the one hand, vulnerable to divisions due to the massive and intense rivalry of these major powers, as happened in the case of the South China Sea. But on the other hand, this provides an opportunity for ASEAN and its member countries. This position can also be an opportunity for ASEAN and its member countries to maintain cohesiveness, solidity, and solidarity between them.

Capital owned by ASEAN economically and politically and with powerful security can be capitalized to strengthen the bargaining position of ASEAN and its member countries towards these outside countries, especially towards the major power countries, namely China and the United States. For example, this capital can be used by ASEAN and its member countries to persuade major power countries such as China and the United States to respect the sovereignty of ASEAN countries, stop provocative actions, and interfere in the internal affairs of ASEAN countries, which can divide ASEAN (Sukma, 2014). Thus, ASEAN has a greater opportunity to maintain the stability and internal security of each country and maintain its internal solidity, cohesiveness, and solidarity. Most importantly, it consistently realizes ASEAN's goals and ideals and implements mechanisms to achieve them through these suggestions.

First, the existence of these facts can encourage awareness among ASEAN member countries that they are interdependent and need each other for the economic, political, and security interests of their respective countries. This awareness can be used as a basis so that they continue to strengthen and maintain cohesiveness, solidity, and solidarity.

Only with cohesiveness, solidity, and solidarity can they achieve their respective national goals and also the common goal of establishing ASEAN.

Second, this fact can attract the interest of other countries outside ASEAN to establish closer cooperation with ASEAN. This is because ASEAN is seen as a big market for the country's trade and a fertile place to invest. This great economic and trade attraction can become ASEAN's capital when negotiating with these foreign countries. This can explain why China, the US, Japan, India, and Australia are strongly interested in ASEAN and its member countries. On the other hand, ASEAN also needs the presence of those countries because of their enormous potential in various fields, including economic and trade, politics, and security. In this context, Indonesia can play its role as an agenda setter and decision maker to strategic ideas. Moreover, Indonesia can act as a conflict resolver (negotiator/mediator) in the context of ASEAN internal conflicts and conflicts between ASEAN countries and between ASEAN member countries and foreign countries. Indonesia can also become a 'role model' and 'main bridge' to strengthen relations and cooperation between neighboring countries outside ASEAN in various fields.

For this reason, Indonesia and ASEAN must continue to maintain the stability and internal security of each country. In this context, it is very necessary to have a strong leader who has strong domestic and international political support and trust. The leader must also have a clear vision and serious attention to ASEAN's future development efforts. In addition, the leader in question must also have the ability to make and implement/implement agreements, policies, or programs that have been made by ASEAN.

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The Reform and Evolution of ASEAN Human Rights Regime: A Communicative Action Perspective

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Abstract

ASEAN has experienced significant progress since the initiation of the ASEAN Community Vision and the incorporation of human rights into its foundations. This development has ignited continuous scholarly discussions over the degree to which the ASEAN human rights framework shape regional identity and impacts member states' behavior towards human rights. These debates often revolve around two key theoretical approaches: the logic of consequences and the logic of appropriateness. These logics pose challenges in fully understanding the complexity of state behavior, as they are often observed operating simultaneously and interchangeably within state actions. The article investigates the ASEAN human rights regime through the communicative action perspective and its logic of arguing. It employs a qualitative instrumental case study approach, focusing on the ASEAN Intergovernmental Commission on Human Rights (AICHR) and the ASEAN Humanitarian Assistance (AHA) Centre to illuminate the region's evolving human rights strategies. It is characterized by both deliberate reforms and informal adaptations, reflecting a complex interplay of traditional principles, and emerging human rights norms. The findings indicate that ASEAN states are open to being convinced and persuaded by ideas related to human rights instead of dismissing them outright. ASEAN's approach to human rights, while progressing gradually, suggests a shift towards more substantive engagement with global human rights norms, facilitated by the discursive processes embedded within the AICHR and AHA Centre.

Keywords: ASEAN Human Rights Regime, AICHR, AHA Centre, Communicative Action, Logic of Arguing

Introduction

The initiation of the ASEAN community and the mainstreaming of human rights in Southeast Asia have been considered as one of the most important developments of the region since its establishment in 1967. The member states have agreed to accommodate the idea of human rights and human protection stated in the ASEAN community doctrine. The basic idea of the ASEAN community is to ensure the security of the state and the security of the people through a wide range of agendas and programs such as conflict prevention and resolution, peacebuilding, the acceleration of economic growth, and the reduction of poverty, climate change adaptation and mitigation, disaster management, a commitment to good governance, democracy, human rights, and fundamental freedoms (ASEAN, 2015).

Scholars engage in extensive discussions about the influence of ASEAN's human rights regime on the identity, interests, and behaviors of member countries, particularly in relation to the longstanding principles of the ASEAN way. The founding and evolution of ASEAN itself have drawn both critics and supporters who adopt two distinct analytical approaches (Acharya, 2009; Davies, 2013; Jones, 2010; Katsumata, 2004; Munro, 2011; Petcharamesree, 2013). Various theoretical perspectives, predominantly rationalism (including realism and neo-realism) and social constructivism, are used to interpret ASEAN and its foundational principles (Leifer, 1989; Davies, 2013; Acharya, 2009; Katsumata, 2003). The establishment and development of ASEAN attracts skeptics and proponents who apply two competing approaches (Stubbs, 2019; Beeson, 2020; Jetschke & Theiner, 2020). The debate on ASEAN's engagement with international norms, especially the Responsibility to Protect (R2P), has generated extensive research and discussions. Proponents argue that ASEAN is gradually preparing to integrate the R2P norm into its regional human rights framework, suggesting a cautious but progressive approach to localizing international norms (Bellamy & Davies, 2009; Bellamy & Beeson, 2010; Kraft, 2012). On the other hand, some remain skeptical about ASEAN's commitment to incorporating these international norms into its regional practices, questioning whether there will be a substantive integration or merely superficial acknowledgment (Capie, 2012; Sukma, 2012). Some adopt a middle-ground perspective on this debate, viewing contestation as a dynamic process that offers opportunities and alternatives for integration (Rosyidin, 2020; Maulana & Newman, 2022). This viewpoint acknowledges the ongoing complexities and disputes that characterize the adoption of international standards within ASEAN's policy frameworks.

The different approaches can be understood as the debate between the logic of consequences and the logic of appropriateness. These logics present challenges in fully capturing the complexity of state behavior, as both are frequently observed acting simultaneously and interchangeably within state actions. These two logics of actions may be insufficient to explain the dynamic behavior of ASEAN countries regarding the development of their regional human rights arrangements. To comprehend the intricacy of a state's activity in international politics, it is crucial to perceive both kinds of action as complementary rather than entirely separate.

This research explains the reform and evolution of ASEAN's human rights regime by analyzing two ASEAN rights instruments: the ASEAN Intergovernmental Commission on Human Rights (AICHR) and the ASEAN Humanitarian Assistance (AHA) Centre. It discusses the role of the two ASEAN human rights instruments within the contexts of the ASEAN way and the Southeast Asian regional project of the ASEAN Community. It aims to provide a comprehensive understanding of the progression, despite in an incremental manner, of the human rights framework and the corresponding behaviors of ASEAN states towards these norms by analyzing the AICHR and AHA Centre through the lens of communicative action and its associated logic of argumentation. It demonstrates that deliberate reforms to human rights in ASEAN and the gradual evolution of the human rights framework, often through informal adjustments, happen in a complementary manner over time.

This first section of the research explains the conceptual approach of communicative action and its logic of arguing, juxtaposed with the traditional debate between the logic of consequences and appropriateness. It suggests that using the logic of arguing provides a more comprehensive understanding of the dynamic reform and evolution of ASEAN's human rights regime. It proposes that adopting the logic of arguing offers a deeper insight into the dynamic changes and evolution of ASEAN's human rights regime, suggesting a shift in analytical focus to better understand regional developments. The next section examines the development of ASEAN's human rights regime within the broader project of the ASEAN Community Vision. This part details the advancements and challenges faced by the AICHR and the AHA Centre as the primary ASEAN human rights instruments. It underscores that the commitment of ASEAN countries to human rights is evolving through specific reforms and informal modifications of the human rights framework, and thus argues that ASEAN countries engage in discussions about human rights ideas and issues rather than outright rejecting them. This engagement is portrayed as part of a social learning process where ASEAN states gradually adapt their approaches to human rights protection despite the persistent influences of traditional principles like state sovereignty and non-interference. The research concludes in the final section, summarizing the discussions and reinforcing the significance of communicative action in understanding and influencing the trajectory of human rights practices within the ASEAN context.

Communicative Action and the Logic of Arguing

This section outlines the conceptual framework of communicative action and its logic of arguing, situating it within the ongoing debate between rationalists and constructivists. It highlights communicative action as a potential intermediary approach, bridging the gap between the rationalist focus on instrumental behavior and the constructivist emphasis on norm-guided behavior. This framework is applied to analyze the behavior of ASEAN states regarding the development and implementation of human rights initiatives in the region. This approach provides a nuanced understanding of the dynamic processes involved in advancing human rights within the ASEAN framework, emphasizing the role of discourse and argumentation in shaping state actions and policies.

In general state theories, the rationalist-constructivist debate is primarily situated within explanatory theories of state. These theories focus on questions about who controls the state and what forces shape its behavior. This contrasts with normative theories of state, which focus on what constitutes the most appropriate form of state and international political community (Hobson, 2000). The debate between rationalists and social constructivists centers on the extent to which norms, including ideas and principles, can influence the behavior, interests, and identities of states. In the agent-structure debate, rationalists are typically seen as agent-oriented, focusing on how agents form strategic actions in response to norms. In contrast, social constructivists emphasize the role of structures, advocating that state behavior is guided by norms. This distinction highlights two different approaches to understanding state behavior: one views states as primarily calculating actors that respond strategically to external pressures and incentives, while the other sees states as entities whose actions are shaped by deeper social structures and shared norms. This framework is crucial for analyzing how different theoretical perspectives address the complexities of state behavior and international relations.

According to the logic of consequences, rationalists view state behavior as strategic and instrumental, whereas rationality primarily determines state actions and interests. However, while norms can constrain state behavior, they do not typically shape the state's interests or identity (Schimmelfennig, 2000; Müller, 2004). This view acknowledges the influence of norms but limits their role to that of external constraints rather than internal drivers. The concept of 'bounded rationality' further nuances this perspective. Bounded rationality refers to the limitations states face in processing all available information to make optimal policy decisions (Keohane, 1984). It is highlighted that these difficulties are not only due to the complexity of the external environment but also stem from the states' own cognitive. This cognitive constraint implies that states may not always act purely on rational calculations. As a result, when states face challenges in calculating the costs and benefits of actions due to bounded rationality, they are more likely to rely on common ideas, norms, principles, or the frameworks of particular international institutions. This reliance suggests that under certain conditions, the behavior of states may align more closely with norm-driven rather than purely strategic considerations, indicating a blend of rationalist and constructivist influences in international relations.

States experiencing bounded rationality may adopt rhetorical behavior, indicating a departure from purely instrumental action. Such states might align their behavior with norms as a means to navigate complex situations and assess the costs and benefits of potential actions through a process of learning and justification (Schimmelfennig, 2000). This rhetorical approach allows states to address the dilemma between pursuing self-interest and the challenges posed by limited capacity to process information or the constraints imposed by international norms and regimes. In the context of ASEAN, the development of its human rights regime since 1997 can be viewed as driven by pragmatic considerations, shaped significantly by the traditional ASEAN principles of non-interference and sovereignty. These foundational principles influence the development of ASEAN's human rights regime. As a result, the regional human rights mechanisms in ASEAN have developed incrementally and faced challenges in implementation (Davies, 2013; Hara, 2018). This gradual and sometimes

problematic progress reflects the complex interplay between ASEAN's commitment to human rights and its adherence to the core principles of state sovereignty and non-interference, highlighting the nuanced ways in which international norms and bounded rationality shape state behavior in regional contexts.

Meanwhile, social constructivists, who rely on the logic of appropriateness, view state behavior as being governed almost automatically by norms. They see international politics as a social domain where norms are autonomous and constitutive, existing independently of states (Hobson, 2000). Within this framework, the behavior of a state is deeply influenced by the normative structures in which it is embedded. This perspective suggests that states' behaviors are not only constrained by these international structures but are also shaped by their identities, with the state's behavior in turn reconstituting its identity. Social constructivists emphasize the dual effects of norms, both regulative and constitutive. They believe that norms regulate state behavior while simultaneously constituting states' interests and identities. As Finnemore (1996) has highlighted, norms 'create new interests and values for actors', underscoring the transformative power of these social structures. At this point, it is suggested that the recent development of ASEAN's human rights frameworks and instruments, as part of the narrative of the ASEAN community, should be regarded as a continuous process of intentional reform and gradual evolution of the human rights system in the region. Thus, it confirms that ASEAN and its member countries intentionally uphold human rights principles in the region. Some argue that the recalibration of the traditional principle of non-interference by ASEAN member states represents a significant shift, suggesting a nuanced approach to addressing regional issues (Bellamy & Drummond, 2011). This change is particularly visible in the operations of the AICHR. Despite its initial limitations, AICHR has been developing progressively and is now considered increasingly capable of playing a pivotal role in effectively implementing ASEAN's human rights instruments (Ryu & Ortuoste, 2014; Kraft, 2012).

The theoretical debate between rationalists and constructivists highlights different logics of action, strategic and norm-guided behavior respectively. These approaches often position state behavior at opposite poles, but such a binary framing may not adequately capture the complexities of state actions that often occur simultaneously and interchangeably. This suggests a need for a more integrated approach. Recognizing strategic and norm-guided behaviors as complementary rather than mutually exclusive can provide a more comprehensive understanding of state behavior in international politics. This perspective is crucial for interpreting ASEAN's policies and actions, especially in managing the balance between sovereignty, non-interference, and the growing demands for human rights and humanitarian considerations within the region.

Risse-Kappen's (2000) interpretation of social constructivism broadens the theoretical landscape by integrating both the logic of appropriateness and the logic of truth-seeking or arguing. This dual focus emphasizes that state behavior is not solely about fitting actions to norms (appropriateness) but also involves a dynamic process of engaging with and questioning these norms through dialogue and discourse. The logic of arguing, as Risse-Kappen suggests, is about interaction and engagement rather than strict adherence. In this

model, states engage in truth-seeking behaviors where they scrutinize and challenge the validity of the principles and norms that guide their actions (Risse-Kappen, 2000). Communicative action, therefore, is conceived as an interactive process among actors within a shared 'lifeworld' or common cultural context. Common lifeworld could be defined as a collective interpretation of the world and of themselves (the actors), as provided by language, a common history, or culture. A common lifeworld consists of a shared culture, a common system of norms and rules perceived as legitimate, and the social identity of actors (Risse-Kappen, 2000). Here, states and other actors strive for consensus and mutual understanding through reasoned argumentation, dialogue, and sometimes contestation (Müller, 2004; Risse-Kappen, 2000). This type of interaction emphasizes the role of discourse in shaping and reshaping norms and behaviors, highlighting the fluid and negotiated nature of international relations. This approach moves beyond traditional views of state behavior as merely strategic or normatively guided, suggesting instead that international politics involves continuous and active engagement with norms, where states not only follow but also interpret and redefine their actions in relation to shared values and understandings.

In the framework of communicative action as theorized by Jürgen Habermas (in Outhwaite, 1994), the relationship among states is conceptualized as being fundamentally as egalitarian. This perspective posits that during communicative interactions, where the primary goal is mutual understanding, the usual power dynamics that characterize international relations are regarded as irrelevant. In other words, all actors (states) have equal rights and access to submit arguments, challenge, and contest other arguments regardless of their power distribution. Habermas terms this as the 'ideal speech situation' (Outhwaite, 1994). In an ideal speech situation, all actors/states in this context possess equal rights and opportunities to present and contest arguments that are independent of their power or status. This normative framework suggests that the engagement process in communicative action is based on the quality and validity of arguments rather than on material power.

The ideal speech situation does not deny the existence of power relations in broader socio-political contexts but rather emphasizes that, within the scope of communicative action, these power dynamics should not influence the discourse. Success in achieving mutual understanding through dialogue and contestation relies not on the distribution of material capabilities but on ensuring that all participants have equal access to participate in the discourse. This framework elevates the role of reasoned debate and the capacity to influence through argumentation as the key drivers in the process of reaching consensus and understanding among states.

At this point, the application of communicative action and its logic of arguing offers a compelling middle ground in the ongoing discussion between strategic and norm-governed behavior in international relations. This approach reframes these behaviors as part of an interactive process where states continuously engage, challenge, and refine their actions and principles through dialogue and negotiation (Risse-Kappen, 2000). By employing this framework, strategic actions are not just maneuvers for material advantage but are also opportunities for discourse and alignment with norms. In the context of ASEAN, using the logic of arguing to analyze the organization's human rights arrangements illuminates the

complex dynamics between ASEAN's traditional principles, such as non-interference and state sovereignty, and its evolving community vision, which increasingly incorporates elements of human rights protection. This research views the development of ASEAN's human rights policies not as a static outcome but as a fluid, ongoing process that involves active negotiation and contestation among member states. By focusing on communicative action, this approach highlights how ASEAN member states negotiate the implementation of human rights within a framework that traditionally emphasizes state sovereignty. It posits that through open dialogue and reasoned argumentation, ASEAN can potentially reconcile its foundational principles with its aspirations towards a more integrated and rights-oriented community.

Research Method

This research uses a qualitative instrumental case study approach, which focuses on the description and analysis of a case not confined to understanding the case itself but also to gaining new insight from the evidence (Denzin & Lincoln, 2011; Bryman, 1989). Qualitative case study research is taken because it enables the development of a thorough understanding of the motivations, reasonings, and actions of particular groups through exploring and interpreting case(s) (Bryman, 1989; Schofield, 2002). An instrumental case study examines specific phenomena or cases within a particular context to explain broader issues or contexts. This approach uses detailed analysis of a single case or a few cases to gain insights into larger patterns or inform theoretical understandings (Gerring, 2007; Baxter, 2010). As mentioned, this research attempts to explain the dynamic behavior of ASEAN and its member states toward the regional human rights system by explaining the evolvement of AICHR and the AHA Centre. The use of a case study approach in investigating the roles and progress made by AICHR and AHA Centre provides a detailed explanation of how the dynamics, not to say inconsistent, behavior of ASEAN countries toward human rights principles in the context of the region could be comprehended. To this point, analysis of the development of the two important ASEAN human rights bodies (AICHR and AHA Centre), as the case studies, could represent the extent to which the human rights principles have been accepted or rejected in the region. The data sources in this research are document-based, including official statements and documents from ASEAN and its member states related to human rights issues. In addition, relevant literature has been used to construct the context and the significant of the research. The data is interpreted by using the conceptual framework of communicative action and its logic of arguing. An interpretation of the cases is aimed at learning the broader lessons regarding the dynamics of norm implementation and states' behavior toward international norms.

Human Rights in ASEAN

The establishment of ASEAN is a regional effort to prevent external interferences and a mechanism for war prevention and conflict management among the member countries

(Acharya, 2009, 2013; Katsumata, 2003). It is an effort by countries in the region to build their nations and to ensure their economic development through cooperation and a solid commitment to sovereignty and territorial integrity. The ASEAN principles, which emphasize non-interference, non-use of force, and consensus-based mechanisms, are important to achieve the primary goal of regional cooperation. From its inception in 1967 until the mid-1990s, ASEAN focused heavily on security and stability rather than on promoting human rights, fundamental freedoms, or democracy. This orientation is reflected in foundational ASEAN documents such as the Bangkok Declaration and the Treaty of Amity and Cooperation (TAC), where explicit references to human rights and fundamentals are conspicuously absent. The emphasis is on creating a secure and stable regional environment that could foster economic cooperation and growth, with less attention to the integration of human rights into the regional agenda (Ryu & Ortuoste, 2014; Tobing, 2019). This approach indicates the times and the political landscapes of the ASEAN member states during the organization's early years. The prioritization of state sovereignty and regional stability over human rights was consistent with the broader non-interference policy that ASEAN upheld, which allowed member states to maintain control over their internal affairs without external criticism or intervention. It was not until the global human rights discourse gained significant traction in the 1990s that ASEAN gradually incorporated human rights considerations into its broader regional objectives.

Following the global event, the 26th ASEAN Ministerial Meeting in 1993 emerged as a pivotal moment for human rights within ASEAN. During this meeting, the foundations were laid for the development of regional human rights mechanisms. This initiative reflects a growing recognition of the importance of such mechanisms within the ASEAN framework, marking a departure from the earlier focus solely on security and economic development. Subsequently, entities like AICHR and the AHA Centre were established. These institutions are integral to ASEAN's strategy to uphold and protect human rights across the region. They embody ASEAN's evolving approach to human rights, from a non-committal stance to a more proactive and structured engagement with human rights issues, aligning regional policies with global human rights norms and commitments.

ASEAN has taken deliberate steps to strengthen its human rights infrastructure, as highlighted by the formation of the AICHR in 2009. The adoption of the ASEAN Human Rights Declaration in 2012 further solidified this commitment, although it had faced criticism for prioritizing national laws over universal human rights standards. Discussions around enhancing AICHR's authority, including allowing it to handle individual complaints and conduct investigations, indicate a serious ongoing commitment to refining the human rights framework within ASEAN. Moreover, the establishment of the AHA Centre in 2011 to save populations from natural disasters and, later, its role has been extended to respond to manufactured humanitarian crises demonstrates a focused effort of ASEAN to implement its commitment to be a people-centered and people-oriented regional organization. To this point, the progression of human rights frameworks within ASEAN should be viewed as a multifaceted process involving deliberate and specific reforms undertaken by member countries, alongside gradual and informal adjustments to human rights principles.

AICHR: Progress and Limitations

The initiation of the so-called ASEAN Community at ASEAN Concord II (also known as Bali Concord II) in October is pivotal in enhancing the region's approach to human rights and other 'non-traditional issues' (Ryu & Ortuoste, 2014; Pisanò, 2014). Since ASEAN Concord II, some ASEAN frameworks and instruments have been established to translate the 'people-centered' doctrine of the community vision, including the AICHR, ASEAN Human Rights Declaration (AHRD), ASEAN Charter, and AHA Centre. ASEAN Charter (Article 2) stated that ASEAN and its member states should act 'to respect fundamental freedoms, promotion and protection of human rights, and the promotion of social justice' and 'to uphold the UN Charter and international law, including international humanitarian law, subscribed to by ASEAN member states' (ASEAN, 2008). Article 14 specifically calls for the establishment of a human rights body operating under a Terms of Reference (ToR). In July 2009, at the 42nd ASEAN Ministerial Meeting in Thailand, the members agreed on the ToR of the AICHR. The ToR provides AICHR with 14 mandates and functions, enabling it to play a vital role in the region's human rights initiatives (ASEAN, 2009).

Many argue that AICHR has prioritized the promotion of human rights over their protection. As Yen (2011) has noted, AICHR's development has been closely intertwined with that of ASEAN itself, which significantly limits the commission's authority and capacity due to the association's institutional framework. It implies that the authority and capacity of the commission are significantly constrained by the institutional framework of the association. Critics also contend that ASEAN's progress on human rights is largely rhetorical. Some also argue that the progress of ASEAN in terms of human rights is rhetoric. ASEAN often exhibits a selective response approach, choosing how to interpret and apply existing regional norms based on the type of crisis at hand. This means that while the organization and its member states may adopt a more flexible interpretation of norms in response to collective issues like regional economic crises, they tend to maintain a conservative stance on matters involving state security, human rights, and democracy (Ashley, 2023).

In addition, Davies (2013) points out that an action-identity gap persists in ASEAN countries regarding human rights and democracy. He argues that despite the creation of regional human rights frameworks and commitments to democracy, these do not translate into substantial change at the national level. While ASEAN member states formally recognize human rights within the regional framework, many continue to violate the rights of their citizens, especially concerning political and expression freedom. Most member states remain under authoritarian or semi-authoritarian regimes that heavily restrict these freedoms (Davies, 2013). Karim (2017) has noted that the promotion of human rights and democracy in Southeast Asia faces significant challenges, mainly due to Indonesia's ambitions. As the principal advocate for these principles, Indonesia's dual role as a regional leader and a bridge-builder on the global stage creates conflicting interests. These conflicts impede the effectiveness of democratization efforts and the broader promotion of human rights across the region.

This disparity is illustrated by the continued human rights violations, such as the humanitarian crises of Rohingya and the extrajudicial killings in the Philippines' war on drugs (Maulana & Newman, 2022). These examples highlight the weak enforcement of human rights protection across ASEAN, particularly the absence of sanctions-based mechanisms to ensure member states' compliance with the human rights frameworks to ensure compliance of the member states. Without such mechanisms, human rights frameworks remain ineffective at addressing violations and holding governments accountable (Davies, 2012).

The role and authority of AICHR remains problematic. Not all human rights issues are automatically brought before the commission, especially those linked to political and security matters. These sensitive issues must be decided by the central governments of member states rather than by their representatives in AICHR. Furthermore, AICHR lacks the authority to enforce human rights at the national level of member states. As stated in its ToR, AICHR is required to respect the 'independence, sovereignty, equality, territorial integrity, and national identity of all ASEAN member states'. It must also uphold the 'respect for different cultures, languages, and religions of the people of ASEAN...' (ASEAN, 2009). These provisions limit AICHR's ability to directly intervene in domestic human rights issues, as its primary role is advisory and promotional rather than enforcement oriented. Consequently, the commission faces significant challenges in advancing a unified human rights agenda while balancing the principle of non-interference and the diverse political contexts of member states.

According to Donnelly (1986), international human rights regimes can be classified into four categories: declaratory, promotional, implementation, and enforcement. AICHR fits somewhere between the promotional and implementation types. It has adopted international human rights standards as guidelines and carries out extensive promotional activities, including information exchange, technical assistance, and discussions and dialogues on human rights. While AICHR is not designed to be a protective mechanism, its role in promoting human rights across ASEAN remains significant (Phan, 2019). For instance, it has organized initiatives like the ASEAN Youth Debate on Human Rights in 2013 and held a dialogue with the Indonesian government to commemorate the 30th anniversary of the Vienna Declaration in the same year. It also facilitated discussions on the Rohingya crisis in Myanmar and a missing activist in Laos. Such activities highlight the commission's efforts to raise awareness, foster dialogue, and encourage member states to uphold human rights standards despite the limitations in its enforcement capabilities (Wahyuningrum, 2014).

Furthermore, AICHR has become the primary driving force for the adoption of some international human rights standards in Southeast Asia, such as corporate social responsibility, the rights of women, children, and persons with disabilities, and the campaign against trafficking in persons (ASEAN, 2018). Additionally, as noted in the AICHR annual report 2019, which commemorated the commission's tenth anniversary, AICHR was instrumental in several significant human rights achievements, particularly, to mention a few, the development of the AHRD, adopted in 2012, and the ASEAN enabling masterplan 2025 for mainstreaming the rights of persons with disabilities, adopted in 2018 (AICHR, 2019). These key milestones underscore ASEAN's dedication to promoting and protecting human

rights throughout the region, illustrating the considerable advances made since the ASEAN Concord II in expanding a more comprehensive human rights agenda.

AICHR also provides a platform for member states to discuss various human rights matters, underscoring its commitment to its promotional mandate. The commission also serves as a venue for the Southeast Asian epistemic community, such as the ASEAN human rights working group, to provide constructive criticism on regional human rights issues. Former Malaysian representative to AICHR, Edmund Bon Tai Soon, has noted that AICHR can continue to act as a 'translator' of human rights norms by offering a platform for member states to share experiences and best practices related to human rights protection and implementation (Asia Pacific Centre, 2022). Additionally, AICHR maintains consultative relationships with Civil Society Organizations (CSOs), such as the Association of Indonesian Disabled Persons, Child Rights Coalition Asia, and Save the Children Philippines. Furthermore, AICHR serves as a forum where notable human rights violations can be reported and discussed. For instance, during AICHR meetings from 2016 to 2018, Indonesia and Malaysia consistently bring up the Rohingya issue, highlighting the human rights violations by Myanmar's government. These activities reflect AICHR's potential as a platform for promoting, coordinating, and critically discussing human rights challenges in the region (Suzuki, 2021).

Since 2014, AICHR has addressed the intersection of environmental and climate change issues with human rights protections, highlighting the commission's continuous effort to integrate human rights into the resolution of regional challenges, as noted in the 2014 AICHR report (AICHR, 2014). In 2015, AICHR organized a similar workshop on human rights, environment, and climate change, establishing a forum for ASEAN stakeholders to share experiences and best practices in fulfilling human rights obligations related to environmental and climate issues. The workshop report highlights its specific goal to develop strategies for incorporating a human rights-based approach into ASEAN's environmental policy and protection. It also seeks to boost the capacities of relevant stakeholders and create an ASEAN framework dedicated to maintaining human rights to ensure environmental conservation and reduce the impacts of climate change (AICHR, 2016). As a result, on October 7, 2021, ASEAN released its inaugural state of climate change report, offering a comprehensive overview of the region's climate change status and detailing potential opportunities for cooperation and collaboration to achieve its 2050 climate goals (ASEAN, 2021).

Following the adoption of the Five-Year Work Plan (FYWP) in 2020, AICHR has been actively engaging in discussions on its priority programs, which cover a range of topics, including the rights of children, persons with disabilities, environmental human rights, business-related human rights, human trafficking, human rights during public health emergencies, the rights of victims in anti-radicalism and violent extremism measures, and the ASEAN human rights dialogue. In 2020 and 2021, AICHR focused particularly on the public health challenges posed by the COVID-19 pandemic. The commission initiated several programs aimed at sharing best practices for handling human rights issues during public health emergencies, particularly concerning women, youth, children, persons with disabilities, migrant workers, older persons, indigenous people, and other vulnerable groups.

These initiatives also emphasized promoting responsible business practices to mitigate human rights risks and impacts, all contributing to the ASEAN Strategic and Holistic Initiative to Link ASEAN Responses to Emergencies and Disasters (ASEAN SHIELD) (AICHR, 2021).

During the 2023 annual meeting, AICHR representatives from member states shared updates on recent national human rights developments, such as introducing new laws, regulations, and initiatives (ASEAN, 2023). A major focus of the discussion was the progress of the monitoring and evaluation framework for the five-year work plan. The AICHR annual report 2023 also reviewed the implementation of its priority programs throughout 2022, which spanned various areas as mentioned. This comprehensive engagement in a variety of human rights topics underscores that the contributions and roles of the AICHR should be acknowledged across a diverse array of human rights agendas, extending beyond issues solely tied to military, political, and violations.

Criticism of the AICHR largely focuses on the structure of its framework on the regime design of the commission. Munro (2011) highlights four primary areas of critique concerning the commission's design: its incremental development strategy, the ambiguous definition of its role and mandate, its enforcement capabilities, and its mandatory membership. The intergovernmental, rather than independent, structure of AICHR significantly restricts its potential roles and contributions (Asia Pacific Centre, 2022). Davies (2014) points out that the design of AICHR is closely tied to principles of non-intervention and sovereign equality as specified in the ASEAN Charter, which leads the commission to focus more on future human rights promotion rather than the active protection of individual rights. However, some contend that these institutional constraints do not completely prevent the commission from adapting and evolving in practice. Munro (2011) notes that there are some mandates in the AICHR's ToR can be interpreted in a more 'liberal way'. For instance, Article 4.3 of the ToR, which calls for enhancing public awareness of human rights through education, research, and information dissemination, could potentially extend to activities such as interviewing and investigating complaints, not just promoting awareness (Munro, 2011).

Yuyun Wahyuningrum, the Indonesian representative to AICHR, has noted significant development in the commission over the past decade. She highlights AICHR's commitment to fulfilling Article 4.10 of its ToR, which mandates the commission to gather information from ASEAN member states on human rights promotion and protection. This particular article is seen as crucial for AICHR to function effectively as a regional human rights body despite being one of its more challenging mandates (Wahyuningrum, 2021). Article 4.10 has been considered as the key modality for AICHR to perform its role as a regional human rights body (Asia Pacific Centre, 2022). Wahyuningrum (2021) highlights that AICHR goes beyond its designated responsibilities by developing a complaint mechanism to address numerous human rights-related inquiries received, a role that is not specifically outlined in its ToR. This adaptation demonstrates that the implementation of the ToR can be flexible in practice and relies on the innovative interpretation of the mandate by proactive representatives within AICHR (Munro, 2011; Wahyuningrum, 2021).

During the 40th and 41st ASEAN Summit Meeting in Cambodia in November 2022, despite the relatively mild statements issued by ASEAN governments, AICHR representatives took a firmer stance by condemning the executions of activists by Myanmar's Junta military. Despite a consensus that could not be achieved, half of the ASEAN representatives in AICHR, including Malaysia, Indonesia, the Philippines, Singapore, and Thailand, strongly condemned the Junta military (Al-Jazeera, 2022). The progressive AICHR representatives have the potential to become important social forces in mainstreaming the promotion and protection of human rights in the region. These progressive representatives within AICHR demonstrate the potential to become significant social forces in promoting and protecting human rights across the region. This situation parallels civil society's role in influencing the dynamics of ASEAN regionalism, specifically, the establishment of the ASEAN Human Rights Mechanisms, where social forces are crucial in integrating human rights considerations into the ASEAN's regional (Davies, 2013; Sundrijo, 2021).

AHA Centre: Progress and Limitations

Signed by ASEAN Foreign Ministers on 17 November 2011, the AHA Center is designed to collaborate with the National Disaster Management Organizations of the ASEAN member states. Its primary responsibility is to facilitate disaster relief efforts within the region. The center aims to reduce loss of life and damage to property from natural disasters by identifying hazards and risks before their impacts and to increase early warning times (AHA Centre, 2018). The early warning system provided by the center focuses predominantly on natural disasters rather than the occurrence of conflict and other sources of atrocity. Technically, this system concentrates on monitoring environmental hazards and tracking geological movements, working in close coordination with the national disaster management institutions across all ASEAN countries. With regard to its nature, many argue that the AHA Centre is still far from equipped to address human-induced humanitarian crises in the region.

The center is highly reliant on ASEAN member states, even though its development has been inherently conceptualized in the ASEAN's institutional doctrine of 'One ASEAN, One Response' (ASEAN, 2016; Cook, 2021). Since its establishment in 2011, there has been an expanded understanding of the term 'disaster' within the region (Suzuki, 2021). According to the Agreement on the Establishment of the AHA Centre, a disaster is defined as 'a serious disruption of the functioning of a community or society causing widespread human, material, economic or environmental losses' (ASEAN, 2011). This definition does not restrict disruption solely to natural disasters, thereby allowing for the potential expansion of the center's role to include human-made disasters (Suzuki, 2021). Initially, the focus of the AHA Centre is on natural disasters, but as its capacity and experience grow, it is also anticipated to address human-induced disasters as outlined in the ASEAN Agreement on Disaster and Emergency Response (AADMER) (Ear, Cook, & Canyon, 2017). Furthermore, due to the AHA Centre's less politically sensitive nature, given that its original mandate is to assist in natural disaster crises, it is considered more acceptable for involvement in managing the domestic affairs of ASEAN countries, especially in humanitarian crises. This is despite some countries in the region accepting ASEAN 'intervention-like' responses through the AHA Centre to mitigate

international criticism over human rights violations (Suzuki, 2021). As Ear, Cook, and Canyon (2017) have noted, the recent role of the AHA Centre in the conflict in Marawi has shown ASEAN's growing political confidence in making the center a key component of the regional response architecture for both natural and man-made disasters.

Within ASEAN, expanding organizations' mandate often involves complex procedures and can be challenging. However, the practical actions taken by member states have facilitated some progress and development of the AHA Centre, even within the limits of its established mandate (Wahyuningrum, 2021; Suzuki, 2021). It is important to acknowledge that the AHA Centre's role has broadened to address issues stemming from human-made humanitarian crises, not limited to natural disasters. Recently, the AHA Centre's responsibilities have included responding to human-induced disasters or conflicts, such as those in Marawi in the Southern Philippines and Rakhine State in Myanmar, albeit its focus remains on providing humanitarian aid instead of addressing the underlying causes of human rights violations (Cook, 2021; Suzuki, 2021; Asia Pacific Centre, 2022).

During the 2017 conflict in Marawi, the clashes between local militants aligned with Islamic State (IS) joined forces, and the Philippines military forces led to the death of over 1,000 combatants and civilians and forcibly displaced at least 350,000 people. This created substantial humanitarian demands for health support for food, water, and shelter (RSIS, 2020). In response to these urgent needs, on July 10, 2017, the Philippines government requested assistance from the AHA Centre (AHA Centre, 2017a). The center quickly acted, dispatching aid that included hygiene kits, family tents, water filtration units, and kitchen sets, altogether valued at over USD 324,397, to support the civilians affected by the conflict (AHA Centre, 2017a).

The response to the Marawi conflict received robust support from ASEAN countries, notably Malaysia, which facilitated the delivery of relief items using its military aircraft. The AHA Center acknowledged that the humanitarian response would not have been possible without substantial support from the Malaysian government, which allowed access to its territory for storing relief items and provided aircraft to transport internally displaced persons within Marawi and the surrounding localities (AHA Centre, 2017b). Despite criticism directed at the center due to the limitations of its mandate and institutional design, the collaborative response to this human-induced crisis highlights the region's progress in embodying the 'One ASEAN, One Response' doctrine for disaster management (Parameswaran, 2017; Liow, 2018).

In 2017, alongside its response in Marawi, the AHA Centre also received an emergency request to assist in the conflict in Rakhine State, Myanmar. This request was linked to the intensification of conflict resulting from the 'clearance operations' by the Myanmar Junta in August 2017. The conflict led to severe human suffering: thousands of people were killed, and numerous homes and villages were destroyed. Widespread atrocities, such as the burning of homes, sexual violence against women and girls, and the forced displacement of many individuals, including children, were reported. These individuals fled to Bangladesh and neighboring countries, causing not only significant harm to the refugees themselves but also adversely affecting the local populations in the host countries (Lone & Naing, 2017; ASEAN

Parliamentarians for Human Rights, 2020; Islam & Wara, 2022). In the initial month of the clearance operations, it was estimated that approximately 6,700 Rohingya people were killed, including at least 730 children (BBC, 2020).

Working in partnership with the Myanmar government, particularly through the Minister of Social Welfare, Relief, and Resettlement, the AHA Centre distributes aid valued at nearly USD 566,285 to the displaced residents of 99 villages/townships in Rakhine state (AHA Centre, 2017c). Additionally, the Singapore government authorizes the AHA Centre to oversee the delivery of humanitarian aid worth approximately USD 75,000 to assist the local communities in Rakhine State (AHA Centre, 2017c). Furthermore, at the request of the Myanmar government and following directives from the ASEAN Foreign Ministers' Meeting in Chiang Mai, Thailand, the AHA Centre is assigned to carry out a Preliminary Needs Assessment (PNA). This assessment is designed to facilitate the repatriation process of the Rohingya population to Rakhine State (Suresh, 2019). This involvement indicates that the center has actively engaged in significant initiatives aimed at addressing the Rohingya crisis.

In response to the request, the AHA Centre dispatches ASEAN-ERAT personnel comprising experts from regional member countries such as Singapore, Thailand, and the Philippines, as well as the official staff from the center, to undertake a mission to Rakhine State. Their objective is to gather, process, and analyze the situation on the ground (The AHA Centre, 2018). This mission successfully identifies ways to enhance reception and transit centers and provides recommendations regarding basic services for displaced persons (The AHA Centre, 2020). In addition to identifying the essential humanitarian aid (health and psycho-social support, water and sanitation), the ASEAN-ERAT team also notes trust issues among communities in Rakhine State (Thuzar, 2019).

The findings from the ASEAN-ERAT team are crucial for ASEAN, the governments of Myanmar and Bangladesh, and other relevant stakeholders to initiate a comprehensive approach to the repatriation and reconciliation of the Rohingya. The AHA Centre highlights that its involvement in managing human-induced humanitarian disasters in Marawi and Rakhine represents a historic development for both the center and ASEAN as a whole (AHA Centre, 2019). As outlined in its 2019 Annual Report, the center's roles in addressing the man-made crises in Marawi and Rakhine provided valuable new experiences and perspectives, reinforcing the Centre's capability to manage disasters in conflict settings and to potentially expand its mandate (AHA Centre, 2019). To this point, the center's response to the crises in Marawi and Rakhine is pivotal, marking significant progress towards achieving the ASEAN Vision 2025 on expanded disaster management and furthering the implementation of the ASEAN People-Centred doctrine.

Conclusion

Contestation as a Learning Process

The study has thoroughly examined the ASEAN human rights regime, focusing on the roles of AICHR and AHA Centre and showing how these entities have been crucial in advancing human rights within the ASEAN framework. Applying communicative action and the logic of arguing, it is evident that ASEAN member states are not just passive recipients of human rights principles but actively involved in a continuous dialogue to reevaluate and strengthen their commitments. This active process underscores a shift from traditional, sovereignty-bound non-interference to a more engaged, though incremental, embrace of international human rights standards.

It is emphasized that AICHR has the capacity to broaden its functions beyond what is specified in its terms of reference, evolving towards a more 'protective' human rights body. Similarly, the AHA Centre has demonstrated its ability to address not only natural disasters but also human-induced crises. As these human rights tools are integrated within ASEAN's robust institutional framework, it suggests a shift in how ASEAN member states perceive and engage human rights principles. These examples demonstrate ASEAN's ongoing deliberate efforts to refine its human rights infrastructure to better respond to regional human rights challenges. Despite the fact that the pace and impact of these reforms can be subject to varying interpretations, they undeniably signify a clear commitment and contributions to enhancing human rights protections within the region.

The use of a communicative action lens is essential to understand the nuances of ASEAN's approach to human rights. It has facilitated a more profound insight into how states negotiate the tension between national sovereignty and global human rights norms. Through dialogue and debate, ASEAN has incrementally integrated human rights into its regional policies, indicating a maturing regional identity that increasingly recognizes the importance of human rights protection alongside economic and security cooperation. Despite notable advancements, the ASEAN human rights regime faces significant challenges, especially limitations in the enforcement powers of the AICHR and the AHA Centre. The enduring debates around the balance of sovereignty and intervention and the varying commitment levels among member states underscore the complexities of implementing a cohesive human rights strategy across diverse political and cultural landscapes.

Understanding the development of the human rights regime within the 'ASEAN context' requires considering the regional values and norms, as well as the historical backdrop of ASEAN's founding. This context, seen as a learning process, allows for a greater possibility of overlapping and exchanging state actions that balance pragmatic considerations with norms. States are continually learning and assessing benefits, taking into account socio-political realities and potential constraints that may affect their acceptance of norms like human rights. As a result, in the process of integrating human rights norms, the international principles of respecting state sovereignty and non-interference can still be apparent in the application of these human rights standards.

The evolution of the ASEAN human rights regime reflects a broader global shift towards recognizing and institutionalizing human rights within regional cooperative frameworks. Through communicative action, ASEAN is not only responding to external pressures but is also actively shaping its approach to human rights in a way that respects its unique political, cultural, and historical context. Continued commitment to this dialogic process will be crucial for ASEAN as it navigates the challenges of upholding human rights in a rapidly changing world. ASEAN must continue to enhance the capabilities and mandate of its human rights instruments to meet the evolving expectations of its populations and international observers.

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The Transformation of *Kizukai* Habitus on Asian Trainee in Japan: Striving and Competition of Labor Market in ASEAN

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Abstract

In the 1990s, Japan faced a severe economic downturn known as the "Lost Decade." To address labor shortages and strengthen economic and political ties with developing nations, the Japanese government has initiated a trainee program to provide individuals from developing countries in Asia with the opportunity to gain work experience in Japan for three years. The research aims to explore the impact of Japan's trainee program on participants who left Japan between 2000 and 2010. Specifically, it investigates how these individuals adapt to Japanese society through the concept of '*kizukai*' (empathy and concern for others) and examines their success in establishing businesses in their home countries. The research employs an ethnographic approach, utilizing direct interviews and a literature review. The ethnographic method, utilizing direct interviews with former trainees, offers qualitative insights into their social adaptation, business success, and engagement with Japanese cultural practices, enriching the understanding of their lived experiences. The literature review complements this by providing a theoretical framework, particularly Bourdieu's theories of habitus, field, and capital, to analyze the changes in trainees' behaviors and their impact on business

practices. The research finds that many trainees have successfully integrated into Japanese society by internalizing Hiroyuki Inoue's concept of *kizukai*. This integration plays a significant role in their entrepreneurial success upon returning to their home countries, where they establish prosperous businesses. The findings suggest that while the trainee program has shortcomings, it contributes to strengthening international economic relations and offers lessons for improving future trainee programs.

Keywords: *Kizukai* Habitus, Asian Trainee, Labor Market

Introduction

The monetary crisis in Japan throughout the 1990s has resulted in bankruptcies, unilateral job terminations, rising divorce rates, declining birth rates, and a culture that is becoming older. The government has permitted access to the global job market to preserve Japan. The interest of several ASEAN workers presents a perplexing situation for migrants. According to Mori (1999), Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam express a desire to engage in training activities. Hence, the Ministry of Health, Labour, and Welfare and Cabinet Office have established a trainee program intending to disseminate Japanese technology, skills, and industrial expertise to the trainees' countries of origin, with the ultimate goal of enhancing human resources and industries (Ministry of Health, Labour, and Welfare, 2019; Cabinet Office, 2019).

Globalization enhances and broadens the labor market, impacting occupations and geographical locations. The ASEAN Economic Community (AEC) is an instance of a regional agreement that has been developed by member countries of the Association of Southeast Asian Nations (ASEAN) to foster regional integration and establish a cohesive market and manufacturing foundation. The initiation of the AEC accord in 2016 marked the establishment of market and production norms for member nations. The AEC deal relies heavily on the presence of a skilled workforce. The agreement entails heightened domestic and global rivalry for a highly skilled workforce. Each nation dispatches employees overseas to acquire knowledge about novel technology and cultures to attain a competitive advantage. Japan implements a trainee program that aims to facilitate information exchange and talent cultivation. The geographical area, occupational domain, and job opportunities are also expanding. Notwithstanding their participation in ASEAN, governments occasionally engage in competition and exhibit a deficiency in mutual support (Human Development Reports, n.d.).

The Japanese government has committed to ensuring that this program effectively eradicates poverty and stimulates economic growth in the nations involved. Japan holds significant financial appeal for high school and vocational school pupils. According to Dewanto (2020), middle-class households, which are 75–125% of the community's

median per capita income, choose to work overseas to increase their earnings. Employing oneself in Japan can enhance one's social standing due to the provision of elevated income, professional exposure, specialized knowledge, and financial resources for purposes such as marriage and family support. Alumni who have contributed funds from Japan also possess narratives. Companies or institutions dispatch employees to Japan for employment prospects, improved prospects, and other motives. According to Dewanto and Hadi (2022), the employment of vocational school graduates and employees in Japan has been permitted since 1993.

Working in blue-collar jobs is unpleasant, hazardous, and physically demanding. In Japan, the significance of 3K, namely *kitanai*, *kitsui*, and *kiken*, has diminished among local workers. Physical exertion poses significant risks to both physical and emotional well-being, and mortality can occur at any given moment. On the other hand, remuneration should align with the level of job complexity and risk. Some perceive this training program as a form of human trafficking, which can lead to fraudulent activities, exploitation, and conflicts of interest between Japan and the authorities involved. The trainee program, characterized by its substantial workloads, inadequate remuneration, precarious employment opportunities, and absence of legal safeguards, may be regarded as a contemporary form of servitude (BBC News Indonesia, 2023; U.S. Department of State, 2023)

Throughout these interviews, graduates divulge their triumphs, highlighting how Japanese *kizukai* culture influences their conduct and mindsets. This cultural environment cultivates reverence and collaboration, diligence, the capacity to scrutinize and assess information, a resolute dedication to serving others, and a keen consciousness of one's obligations. Former training program participants successfully impart the principles to their colleagues and foster an attitude that prioritizes sustainability.

The working ethic in Japan, characterized by conscientiousness, attentiveness, discipline, and reliability, plays a crucial role in producing high-quality products, customer satisfaction, and preserving the company's reputation. A significant proportion of trainees intending to repatriate aspire to establish a company that integrates Japanese culture to manufacture goods of comparable quality. Moreover, it can be utilized to establish business connections and create new prospects for companies, employment chances, and other related matters.

The research investigates the cultural transfer of trainee graduates to explore the potential benefits of *kizukai* in terms of personal development, business growth, and international cooperation. Additionally, it sheds light on the challenges faced by trainee alumni and the opportunities they must enhance their lives and contribute to their home countries.

The research enhances the credibility of trainees from ASEAN countries who are seeking employment opportunities in Japan. In the absence of job opportunities in Japan and

Indonesia, candidates and alumni trainees must possess a prominent level of psychological preparedness to actively seek out their economic, social, cultural, and symbolic assets. This study examines the evolution of *kizukai*, or the Japanese culture of concern, among graduates of Indonesian programs. The researchers analyze the evolution of *kizukai*, a Japanese cultural phenomenon characterized by heightened consciousness and concern, and its impact on human conduct and financial matters. Japanese culture has significantly influenced the Japanese lifestyle and capital, impacting several aspects such as bodily hexis, ethos, ideology, and aesthetic inclinations. Blue-collar workers engage in this behavior due to the challenges they face in obtaining promotions and career progression. Hence, it motivates them to acquire additional technical and interpersonal proficiencies.

Literature Review

Several scholarly works on the trainee program in Japan delve into the subsequent trajectory upon repatriation to Indonesia. First, Widarahesty (2018) investigated a common subject matter, specifically exploring the experiences of trainees who embarked on a journey to Japan to enhance their financial resources compared to their native Indonesia. Despite the low earnings, individuals often encountered challenges in finding satisfactory jobs upon their return to Indonesia. The trainee system functioned as a labor market platform with the potential to contribute to the progression of Japan's workforce. For selecting trainees, this opportunity could function as a significant milestone in their career progression, potentially leading to future employment within the same organization.

Second, Rustam (2023) centered on an analysis and critique of the labor conditions experienced by Indonesian trainees in Japan, specifically highlighting the prevalence of physically demanding, hazardous, and menial tasks assigned to them. In Indonesia, the widespread application of the newest scientific and technological advancements needed to be improved due to the disparities in fishing methods. The interviews' findings revealed a lack of available opportunities for alumni to secure trainees within their respective fields, hindering their ability to apply and further develop the scientific knowledge and practices acquired during their time in Japan. In his dissertation, Rustam also examined the phenomenon of physical violence victims and the inequities in rights and obligations.

Third, Suldina et al. (2018) conducted a study on the training practices employed in Japan for employees. Despite their status as trainees, these individuals were assigned tasks comparable to those of their local counterparts, which entailed significant levels of responsibility. Proficiency in Japanese language communication, the ability to read and write Japanese characters, and the development of social skills that could be refined in Indonesia were considered essential skills and competencies. In addition to this, a considerable number of apprentice program graduates aspired to utilize their acquired talents in the workforce.

However, it was noteworthy that the government had yet to demonstrate significant endeavors towards optimizing the development of these skill sets.

Fourth, Fahreza (2018) mentioned that trainees in Japan acquired knowledge about the Japanese work ethic, leading to the development of new Human Resources (HR) skills and competence. Obtaining job experience in Japan while residing in Indonesia necessitated a thorough and meticulous examination to maximize its potential benefits upon repatriation to Indonesia. In addition, the wages derived from Japan might be utilized as capital to establish a business in Indonesia, thereby serving as a means of sustenance.

Fifth, Iwashita (2018) focused on the Indonesian trainees who had repatriated to their country of origin due to either being sacked or voluntarily terminating their contractual agreements. The research was conducted through interviews with thirteen male participants residing in Java, Indonesia. The technical trainee training programs in Japan mostly focused on industries related to machinery and metal. However, it is worth noting that these programs exhibited a gender bias as they attracted male participants.

Analytical Framework

The analytical framework examines two main themes: (1) the Japanese culture of *kizukai*, and (2) the habitus of *kizukai*. By exploring these themes, the review aims to thoroughly understand the cultural background and motivations behind *kizukai* and its implications on individuals' habitus.

1. Japanese Culture of *Kizukai*

Concern for oneself, others, and the environment are all included in Japan's *kizukai* culture, known as the culture of concern. This culture is based on the *wa* (harmony), *kei* (respect), *sei* (purity), and *kyaku* (impermanence) principles derived from the Japanese tea ceremony and traditional feast or banquet culture. Calligraphy, flower arranging, and martial arts are just a few extracurricular activities that strongly emphasize this principle. It is also included in the curriculum of philosophy classes that are taught in Japanese schools. Participants are instructed to bow to both their ancestors and the other people in the room to show respect for their ancestors and the other people in the room (Mitsuno & Imajo, 2017).

In Japanese martial arts budō, the five virtues derived from Confucianism are *jin* (benevolence), *gi* (justice), *rei* (courtesy), *chi* (wisdom), *shin* (sincerity), and *yū* (courage). The *kizukai* culture emphasizes concern, anxiety, discomfort, and attention to others, which are expressed with reluctance and negativity and frequently accompanied by personal distress. Even though they intend to demonstrate empathy, Japanese people may exhibit inhibition when empathizing with others, which may come across as rude or angry. As expressions of concern for others, this culture encourages empathy,

compassion, kindness, tenderness, solitude, sadness, resentment, distress, anxiety, and grief (Mitsuno & Imajo, 2017).

2. The Habitus of *Kizukai*

The concept of *kizukai* encompasses an intricate interaction of different components, such as physical appearance, moral principles, beliefs, and artistic style, which collectively influence the actions, principles, and perspectives of individuals in Japanese society (Inoue, 2021; Heffernan, 2022):

- a. Bodily hexis pertains to the tangible manifestation of cultural norms and behaviors. Within the realm of *kizukai*, corporeal hexis encompasses the visible manifestations and movements that communicate concern, compassion, and regard for others. The cultural value of *kizukai* is exemplified through many nonverbal cues, such as soft gestures, attentive listening, and polite body language. These behaviors play a significant role in cultivating peaceful relationships within the community.
- b. Ethos refers to the fundamental beliefs, values, and principles that serve as a guiding force for individuals' behaviors and attitudes within a given cultural context. Regarding *kizukai*, ethos is centered on principles such as empathy, collaboration, and societal accountability. Individuals who embrace the principles of *kizukai* place a high value on the welfare of others, exhibit empathy and kindness in their relationships, and actively participate in the betterment of their community. The common ethos serves as the fundamental basis of *kizukai* culture, exerting influence upon collective conduct and societal conventions.

In brief, the habitus of *kizukai* is distinguished by the manifestation of care and concern through bodily gestures (hexis), which are guided by values of compassion and kindness (ethos). These components influence individuals' attitudes, actions, and engagements, cultivating a culture of compassion and understanding within Japanese society (Inoue, 2021).

Methods

One of the researchers adds data from individual experiences gained while working in Japan from 2005 to 2008 and data gleaned from interviews with Indonesian trainee alumni. Most of the work involves supervising Indonesian trainees and teaching them various welding techniques, iron casting, and ship engine assembly procedures. Aside from that, he has taught Japanese to trainees, taught Indonesian to Japanese workers, translated documents verbally, received counseling from trainees, looked after trainees who had accidents at work, attempted to pick up workers or drop off finished contract workers at Osaka airport, received counseling from trainees.

Collectively, the researchers have the chance to analyze and deliberate on various subjects, including the determinants behind their choice to travel to Japan, the pre-departure

strategies that are devised, the present circumstances in Japan, the cultural shifts experienced during their stay, the assimilation of these changes into a habitual way of life, and the acquisition of new knowledge and skills that impact work practices, performance, and discipline. Furthermore, the researchers acknowledge the potential for fresh advancements. Consequently, the researchers persist in monitoring the present circumstances of other alumni.

The proposed study employs an ethnographic research methodology and undertakes a thorough examination of pertinent scholarly literature. This study centers on individuals who have repatriated to their country of origin within the period spanning from 2000 to 2010. The techniques mentioned earlier encompass a series of steps in conducting ethnographic research (Madison, 2020). These steps include identifying the contextual factors relevant to the writing, formulating inquiries to guide the research endeavor, making decisions about the selection of individuals to be observed, as well as determining the appropriate time and location for gaining access. Additionally, establishing a positive rapport with the subjects, adopting a suitable role within the field, attaining a shared understanding with the informants, documenting observations, conducting ethnographic interviews, analyzing the outcomes of these interviews, and compiling an ethnographic report are integral components of this research process (Creswell & Creswell, 2018). The present study conducts a comparative review of the literature about trainee programs in ASEAN countries to evaluate the efficacy of these programs concerning their implementation in Japan.

The researchers have successfully obtained testimonials from eight trainee alumni who have achieved notable success in establishing enterprises, occupying influential positions, fostering attitude transformations, and cultivating a positive mindset. The sources comprise:

1. Mr. OS, aged 51, worked as a trainee in Japan from 1998 to 2001. Currently, he is the proprietor of a company that deals in spare parts for heavy equipment and is open to accommodating custom orders from customers.
2. Mr. I, aged 40, worked as a trainee in Japan from 2006 to 2009. He serves as the Deputy Attorney General for Intelligence in the Attorney General's Office of the Republic of Indonesia.
3. Mr. AJ, aged 35, worked as a trainee in Japan from 2009 to 2011. He works as an e-commerce sales marketer in Malaysia.
4. Mr. LY, aged 41, worked as a trainee in Japan from 2008 to 2010. He works in Japanese language instruction and facilitates the placement of potential apprentices in Japan.
5. Mr. DS, aged 36, worked as a trainee in Japan from 2005 to 2007. Currently, he holds the position of Sales Director for automotive care goods.
6. Mr. RM, aged 49, worked as a trainee in Japan from 1997 to 2000. Currently, he is employed as an instructor of Japanese Literature at a private institution in Jakarta.
7. Mr. AT, aged 47, worked as a trainee in Japan from 1999 to 2002. He possesses and operates language schools and dispatch agents in Sulawesi and Java.

8. Mr. EW, aged 49, worked as a trainee in Japan from 1998 to 2002. Currently, he holds the position of Chairman at the Indonesian Kenshusei Entrepreneurs Association (IKAPEKSI) and is the proprietor of a company that specializes in producing sweet soy sauce.

Then, the researchers incorporate the research of Iwashita (2018) and Rustam (2023), who have extensively studied trainee alumni in both Japan and Indonesia, to provide further literature on this subject. Furthermore, the research uses data obtained from other Japanese government entities, including the Ministry of Health, Labour, and Welfare and the Cabinet Office (Ministry of Health, Labour, and Welfare, 2019; Cabinet Office, 2019).

Analysis

The Transformation of *Kizukai* Habitus in Bodily Hexis

During their employment in Japan, foreign workers have gradually assimilated the bodily hexis and ethics prevalent among the local Japanese workforce. The morning briefing, known as *chōrei* in Japanese, is a cultural practice in Japan that often induces culture shock among foreign workers, including the individual in question. This briefing entails the exchange of information regarding the current state and circumstances of employment to achieve cost, energy, and time efficiency. While briefing, the Japanese individuals document the information, strategize subsequent tasks, and seek resolutions in the event of any issues. Indonesian trainees or workers who lack familiarity with Japanese cultural practices, such as the act of notetaking or memo-writing, gradually develop proficiency in utilizing the Japanese language for reporting, communicating, and seeking advice for other days.

Chinese and Vietnamese workers prioritize adherence to Japanese manners, particularly the practice of *aisatsu*, which refers to the act of exchanging greetings. Japanese greetings encompass more than mere verbal salutations and physical gestures of bowing. They possess profound cultural significance (Innovative Organization for Human Resource Cultivation and Encouragement, 2021). For instance, when individuals express welcome in an unfriendly or unfavorable manner, Japanese society tends to perceive the foreigner as impolite and may develop a negative disposition towards their presence in Japan. Consequently, the foreigner may encounter difficulties in establishing harmonious relationships with others.

Aisatsu refer to the verbal expressions and accompanying physical actions that are ceremonially conveyed during formal occasions or while bidding farewell to both familiar and unfamiliar individuals. The term "*aisatsu*" also encompasses the concept of psychological preparedness during interpersonal encounters (Inoue, 2021). When encountering a supervisor or colleague, it is expected that they possess the ability to extend a warm greeting, which may include a smile and a vocalized salutation. This statement suggests that the individual in question is prepared to engage in work-related activities and seeks collaboration from others.

According to Iwashita (2018), by exhibiting mental preparedness, individuals can effectively communicate their readiness to engage in work despite potential conflicts that may have arisen in the past.

Iwashita (2018) found that Vietnamese individuals who participated in a trainee program in Japan and then returned to Hanoi and its surrounding areas experienced several notable benefits. These included improving their Japanese language skills, familiarizing themselves with Japanese customs, and gaining exposure to unique Japanese work methods. Furthermore, it is argued that receiving education in Japan can significantly improve an individual's job opportunities. Individuals who possess a high level of competence in the Japanese language may experience advantages in acquiring knowledge and cultivating business acumen compared to those who do not possess such ability.

Kizukai habitus, which refers to bodily hexis, can be categorized into two main groups: tangible and intangible. They have a comprehensive understanding of emerging technology, culture, and education for the tangible category. While in the intangible category, individuals demonstrate original knowledge, exemplary ethical ideals, strong standards, and linguistic proficiency that can be applied effectively in their professional activities (Inoue, 2021).

The prevailing attitudes among trainees pertain to the work practices witnessed in Japan. They encompass various aspects, including time management, reporting protocols, dynamics of teamwork, diligence, strategies for planning, adherence to etiquette, problem-solving methods, organizational abilities, respect for others, dynamics within groups, accuracy, and initiative-taking preparation. During this educational endeavor, numerous participants have undergone a notable metamorphosis, evolving into conscientious and accountable practitioners who demonstrate a profound feeling of contentment and autonomy within their professional endeavors. Moreover, these individuals exhibit a fervent and unwavering dedication to acquiring knowledge, coupled with the virtues of patience, politeness, ambition, discipline, and forbearance.

According to the perspectives of Mr. OS, Mr. I, Mr. AJ, and other individuals, they experience a sense of pride after obtaining many diplomas and their involvement in an internship program in Japan. Then, it transforms into concrete cultural capital. Simultaneously, they assimilate numerous intangible elements, such as exchanging greetings (*aisatsu*). Individuals who engage in verbal greetings often lack an understanding of the cultural context. The cultural practice of greeting in Japan entails a state of mental preparedness and motivation toward the one being greeted. They can establish a secure, tranquil, and profitable environment by extending a cordial greeting.

If individuals are greeted unfriendly or impolitely, the recipient may likely experience offense, animosity, or a strained connection. Individuals tend to participate in social interactions with others solely when they possess the requisite capabilities to do so. According to Oyama (2017), those who can attain a condition of inner harmony have the potential to alleviate feelings of exhaustion, boredom, discomfort, and unpleasant emotional states.

Many trainees have arrived at the understanding that greetings extend beyond casual conversation. They serve to express thoughts of concern, apprehension, sadness, and grief. The act of expressing greetings as an extra mechanism for promoting communication is essential in the cultivation of peace, integrity, and ethical behavior. The perceived absence of reciprocal gestures from the Japanese towards Indonesians may have engendered feelings of animosity among the latter, stemming from the compassion previously offered to the former. The absence of reciprocation can be perceived as a disrespect for the emotional welfare of the Japanese populace. The individual's actions lead to an expansion of their *kizukai*, encompassing altruistic tendencies, a collective orientation, and a commitment to values.

Based on the perspectives of Mr. OS, Mr. I, Mr. AJ, Mr. LY, Mr. DS, Mr. RM, Mr. AT, and Mr. EW, together with the other workers, it is suggested that persons in Japan may acquire an extra skill, namely the capacity to multitask while simultaneously sustaining their concentration effectively. Businesses can enhance the quality of their products and services by strategically allocating money to the education and training of their workforce. Moreover, this investment has the potential to enhance operational efficiency and facilitate cost reduction. Consequently, these companies will acquire improved capacities to engage in competition within their market sectors efficiently.

The following points delineate many benefits of participating in this training program, with the primary goal being the acquisition of extensive knowledge and expertise in the field of occupational safety. It is of utmost importance to guarantee that people possess a thorough comprehension of their obligations regarding safety-related duties and efforts. By acknowledging the potential risks that may or may not occur, the individual can perceive potential concerns and formulate methods to tackle them effectively. Furthermore, they possess the capability to build uniform protocols aimed at averting the repetition of such challenges in subsequent instances and fostering an elevated state of awareness.

The Transformation of *Kizukai* Habitus in Ethos

International workers have found the rotational work system surprising. The implementation of this system in their country is unlikely due to perceived risks and the time required to acquire new work skills. The rotation of employees inside the organization is not limited to a single individual. Instead, it also encompasses all international workers to enhance their skill sets. Before undertaking such tasks, Japanese colleagues or manufacturing supervisors are instructed on work methodologies to prevent errors. They need to document the operational process to prevent forgetfulness and record unfamiliar Japanese terminology to avoid forgetting it. Once the workers can perform the task, they will observe their performance under supervision to see if everything goes according to plan. As an example, during his time in Indonesia, Mr. OS was informed about his prospective employment as a machine operator in Japan. However, following several months of work and acclimatizing to his professional role, he was required to undertake more responsibilities.

Instances of work failures and flaws can sometimes arise unpredictably and persistently. However, organizations tend to maintain strict policies for extended periods of time until they yield good results. The implementation of a rotation system in the Japanese work culture enables a methodical and comprehensive approach to tasks, assuring their diligent execution until their successful conclusion. The analysis of the Japanese work ethic entails understanding the complexities, diligence, and responsibility associated with maintaining high levels of productivity and performance. At times, individuals undergoing training may encounter feelings of irritation when perceiving disparities in the workload and allotted duties, noting that others bear less strain and derive greater enjoyment. When a trainee is offered a task that they consider less tough, they typically find the job more demanding than they previously expected. The process of acquiring new knowledge is accompanied by many problems and involves specific responsibilities.

Moreover, rotation systems are commonly employed in Japanese firms to facilitate a comprehensive understanding of work processes and enable employees to acquire new knowledge and skills. The outcomes of adopting new work procedures must be rational and align with established norms. Concurrently, foreign workers embark on acquiring work-related responsibilities. Subpar work quality can have detrimental impacts on subsequent processes, potentially rendering the final product unusable. A notable aspect trainees retain is the importance of honesty, emphasizing awareness of colleagues' circumstances and company objectives. Trainees also gain an understanding of Japanese collaborative work practices and express a desire to assimilate acquired knowledge and skills into their cultural capital plans for application in their home countries.

However, some Chinese trainees express dissatisfaction with Japanese work culture, citing difficulties in understanding contemporary technology, challenges in maintaining steady employment, and ambiguity in training positions. Negative sentiment towards Japan among Chinese trainees may stem from historical factors, potentially resulting in psychological distress. The responsible organization for dispatching trainees may have failed to provide adequate pre-departure instruction on Japanese culture. Despite challenges, Chinese trainees continue seeking job prospects in Japan, primarily driven by financial incentives (Asano, 2024).

Indonesian, Thai, and Vietnamese workers in Japanese labor contexts receive praise for attributes such as discipline, obedience, and youthful dynamism. Despite past colonization, Indonesians maintain openness to cooperation with Japan, influenced by exposure to Japanese technological advancements. Japanese workers are known for expeditiousness, attentiveness, conscientiousness, and a commitment to client satisfaction. Indonesian individuals pursue traineeships in Japan to acquire knowledge applicable upon return, alongside financial benefits. Similar situations exist in Vietnam, Myanmar, Thailand, and Malaysia, hindered by a lack of advanced technology in their home countries (Osaki, 2020).

Following their tenure in Japan, the trainees and other Japanese workers have acquired knowledge and understanding of these strategies. After successfully finishing the trainee program, the individuals in question proceed to implement the strategies in their respective

professional environments upon their repatriation to their respective places of origin. The inefficiency in time allocation within the sphere of employment can be observed in the low transferability of knowledge obtained in Japan to one's professional and entrepreneurial efforts. The enhancement of customer satisfaction through applying *kizukai* in the workplace may be likened to acquiring the same talent through diverse approaches.

***Kizukai* Habitus Emerged as a Novel Capital Motive within the Local Culture**

According to Rustam (2023), the existing body of literature depicts apprentices as a discrete group of unskilled laborers. Furthermore, it is suggested that these apprentices can serve as a means for sectors that have difficulty recruiting Japanese nationals and do not recognize their credentials as legitimate employment credentials to exploit a loophole. In 2017, the Japan Broadcasting Corporation, NHK, compiled a series of negative remarks. However, it is important to note that most young folks from Asian countries prefer to go to Japan with hopeful ambitions. Frequently, the consequences of this issue for trainees are disregarded. Hence, it is imperative to conduct a more thorough examination of the current system (Rustam, 2023).

Consistently, surveys conducted by the Ministry of Health, Labour, and Welfare (2019) reveal that talents are held in the highest regard. The regulating organization promptly distributes the survey form after the trainee's repatriation, and it is subsequently dispatched from their initial location. The observed statistical significance of the results may be ascribed to the sample's restriction to participants who possess a favorable perception of the training system. Moreover, it is relevant to inquire about the effectiveness of the skills that the participants have gained, given that less than half of them obtain employment immediately after returning to Japan. An additional obstacle that impedes learners' ability to comprehend the current situations they encounter fully is their limited understanding of the pertinent characteristics. Additionally, it has been observed that the survey receives an insufficient number of responses, which further exacerbates the limitations of the research. Possible avenues for further investigation may involve evaluating systems via an examination of the professional development trajectories of trainees after their reintegration into Japanese society.

A significant number of trainees exhibit an initial inclination to pursue employment opportunities in Japan, mostly motivated by egoistic tendencies and the pursuit of financial gain. Upon recognizing the nature of employment in Japan, their underlying drives have transformed, shifting towards an emphasis on altruism, egoism, collectivism, and principlism. The individuals in question lay a significant emphasis on the importance of exercising greater caution in their jobs, prioritizing workplace safety and environmental hygiene, and implementing effective working methodologies. Furthermore, they disseminate this information to their workforce, promoting professional development and cultivating a culture of accountability. One of the working principles implemented at the company under discussion is the 5S method, which incorporates visual aids to foster a secure and well-structured environment, enhance quality, and boost productivity. The 5S method includes:

1. *Seiri* (Sort): Eliminate unnecessary items from the workspace.
2. *Seiton* (Set in Order): Arrange items for easy access and efficient workflow.
3. *Seiso* (Shine): Clean the workspace to maintain standards and identify issues.
4. *Seiketsu* (Standardize): Establish procedures to maintain the first three steps.
5. *Shitsuke* (Sustain): Develop habits and discipline to continuously follow these procedures.

The habitus of persons is shaped by the cultural experiences and expertise gained from international workers and alumni workers from Japan, particularly to *kizukai* culture. It is possible to acquire a full understanding of *kizukai* culture by participating in significant experiences when working in Japan. Considering this, persons from other countries who comprehend this idea are comparable to Japanese people who comprehend the significance of striking a balance between motivations, including altruism, egoism, collectivism, and principlism (Inoue, 2021; Heffernan, 2022).

The *kizukai* motive sets forth an objective or desired outcome that involves the cultivation of individuals who possess heightened levels of empathy, an inclination towards pursuing professional careers, a deep dedication to humanitarian values, and a rigorous adherence to pertinent principles or regulations. The attainment of this purpose is accomplished through the integration of four separate reasons: altruism, egoism, collectivism, and principlism (Batson, 2018).

The presence of altruism motive in *kizukai* among foreign trainees in Japan acts as a stimulant for the cultivation of empathy and associated behaviors. Trainees can incorporate empathic principles into their interactions and make beneficial contributions to their work surroundings through many means, such as cultural immersion, role modeling, cross-cultural understanding, professional advancement, and personal introspection.

The idea of *kizukai*, with its diverse motivational contexts, significantly influences the behaviors and attitudes of foreign trainees in Japan. In specific ways, the trainees are influenced by these different settings, namely altruistic, egoistic, collectivistic, and principlistic. This atmosphere fosters the cultivation of empathy, ambition, collaboration, and adherence to ethical standards. Here are examples of how the *kizukai* habitus can be transformed based on these four motives:

1. *Kizukai* is driven by altruistic motives. This motive encourages foreign trainees in Japan to develop empathy and other positive behaviors. Through cultural immersion in Japanese work standards that promote empathy, trainees adopt these principles, enriching their cultural perspective and improving communication skills. Observing empathetic Japanese coworkers provides tangible examples for trainees to emulate, enhancing team cohesion and communication. This experience also boosts their professional reputation, relationships, and collaboration skills.
2. *Kizukai* driven by egoistic motives. This motive drives individuals to be ambitious, self-improving, and achieve personal success. Foreign trainees in Japan are motivated to

develop ambitious attitudes and self-reliance, acquire necessary skills, and take a proactive approach to career advancement. Egoistic motivations also push them to achieve performance excellence and enhance their professional reputation.

3. *Kizukai* driven by collectivistic motives. This motive encourages trainees to prioritize collective goals, fostering a collaborative culture and adherence to group norms. The process of social integration helps trainees to become a part of a cohesive work community, respect hierarchy, and share responsibilities in cooperative tasks. This motive results in increased team productivity and effectiveness.
4. *Kizukai* driven by principlistic motives. This motive influences trainees to adhere to strict ethical standards in the workplace. Exposure to Japanese workplace ethics helps them to develop a strong commitment to moral principles, enhance professional integrity, and encourage compliance with rules. The emphasis on ethical behavior improves their reputation and trust among peers and supervisors and motivates high performance and an honest work environment.

Overall, the different motivational contexts of *kizukai*, including altruistic, egoistic, collectivistic, and principlistic motivations, all have distinct influences on the behaviors and professional growth of foreign trainees in Japan. Trainees can improve their interpersonal skills, professional capabilities, and general success in the workplace by comprehending and incorporating these principles.

In essence, the concept of principled *kizukai* fosters a cultural environment characterized by adherence to regulations, reverence for norms, professional ethics, and a dedication to achieving high standards among international trainees in Japan. Alumni trainees emphasize the significance of effective communication for the achievement of a firm in Japan. It is essential for personnel to proficiently communicate their ideas to their superiors and clients to accomplish long-term firm objectives (Osaki, 2020). Efficient communication within a work team exposes the capabilities of human resources, fosters robust connections, and enhances the firm's overall performance. Within the realm of Japanese culture, non-verbal communication holds significant significance, encompassing a range of attributes, including first impressions, physical cues, clothing preferences, gestures, interpersonal connections, and direct eye contact.

Professional experiences in Japan have contributed to the development of leadership abilities and other areas of personal growth. Leaders must possess self-motivation, self-directed learning, a well-defined vision and mission, collaborative abilities, outstanding job performance, and analytical thinking. Gaining insight into the abilities and strengths of a team or work partner can enhance the effectiveness of collaboration, facilitate the attainment of goals, and boost motivation. To progress professionally, one must prioritize tasks and have a comprehensive awareness of many work environments.

The workers prioritize several facets of human development, such as cultivating leadership abilities. Leadership necessitates the capacity to motivate oneself and partake in

self-directed education, support a distinctly defined vision and mission, actively collaborate with team members, execute exceptional work, and engage in critical thinking. Improved cooperation, goal planning, and motivation can be achieved by comprehending the skills of each team member. Developing an understanding of different work cultures and mastering the skill of prioritizing tasks are essential for career progression in Japan (Japan Organization of Occupational Health and Safety, 2022).

The international trainee can self-encourage and self-motivate, actively engage in personal growth, uphold a distinct vision and mission, cooperate effectively with a team, excel in performance, and engage in critical thinking. By comprehending the underlying talents and competencies of a team or collaborative partner, it is feasible to pinpoint and enhance specific domains, hence enabling the fulfillment of goals and enhancing team motivation. Thoroughly examining and organizing jobs in a hierarchical manner are crucial for comprehending their methods and cultures.

Trainees who possess the ability to engage in negotiations with clients or stakeholders at various levels of an organization establish mutually advantageous business partnerships and proficiently articulate and advocate for their ideas and viewpoints. Dependable influencers and decision-makers are essential for a firm. Personnel participate in a morning workshop aimed at enhancing outcomes and minimizing incidents. It is essential to provide a serene, courteous, principled, and passionate work environment to enhance communication between supervisors and employees (Osaki, 2020).

A cohort of former trainees devises an economic investment strategy to empower employees by fostering knowledge exchange, accountability, and ingenuity. The organization places significant emphasis on empathy as a fundamental component of its curriculum. It promotes the adoption of this cultural norm among new employees, fostering a healthy work environment. The primary objective is to establish a workplace that is secure, pleasant, and encouraging for the employees. When working in Japan, individuals are required to acquire and adjust to Japanese culture, with particular emphasis on *kizukai*.

Individuals will possess the capacity to maintain a harmonious equilibrium between selflessness, self-interest, communalism, and ethical standards. *Kizukai*, a concept rooted in Japanese culture that emphasizes a deep sense of concern and consideration, has had a profound influence on Japanese society and behavior (Batson, 2018). This phenomenon is evident in the physical embodiment practices and attitudes, which have nurtured peace, reverence, integrity, and perseverance in Japanese culture and its labor force for thousands of years. It is imperative for Japanese trainees to acquire, adjust to, and cultivate novel behaviors to enhance economic growth and promote national progress.

The changes in Japan have had a significant impact on the physical appearance, ethical values, religious beliefs, and artistic preferences of its population. Consequently, the participants' ability to reflect on and comprehend the intricacies of interpersonal dynamics has improved. This section addresses the second significant characteristic of cultural capital. This is a result of shifts in Japanese culture, specifically in the realm of *kizukai*. Successful implementation validates these improvements. The *kizukai* culture emphasizes individual and

collective accountability towards oneself, others, and the environment. These former trainees have successfully converted their interpersonal talents into practical life skills in their respective hometowns.

An example of the successful transformation of *kizukai* may be seen in the individuals Mr. OS, Mr. I, Mr. AJ, Mr. LY, Mr. DS, Mr. RM, Mr. AT, and Mr. EW. After completing their study in Japan, they return to Indonesia and establish a community center with the main goal of promoting Japanese cultural ideals and *kizukai*. Their endeavors have not only strengthened local ties but also created a platform for cultural exchange and mutual learning. Upon returning to their countries, they have also used *kizukai* principles in their businesses. Their emphasis on empathy, respect, and meticulousness in customer service leads to a significant increase in customer satisfaction and business growth.

Trainee programs in Japan provide a multitude of advantages for both the Japanese government and companies in the country. These programs aid the government in cultivating human capital by augmenting the abilities and expertise of young employees. In addition, they facilitate cultural interchange and diplomacy, enhancing global connections and assisting in resolving labor shortages across different industries. Trainee programs not only attract educated young workers but also stimulate creativity and contribute to economic progress.

For companies, these programs offer the opportunity to gain access to highly skilled young individuals who have the potential to be hired as permanent employees in the future. Trainees can enhance company efficiency by providing support on supplementary projects or duties. Companies can also enhance and improve their internal training programs by incorporating feedback from interns. Furthermore, interns from diverse backgrounds and cultures can offer unique viewpoints and innovative concepts that enhance the company's performance. Participating in trainee programs also improves the company's reputation as a workplace that prioritizes the professional growth of young individuals.

Both in Japan and upon their return home, the participants have demonstrated proficiency in establishing social connections and offering social assistance. This technique is prominent among Indonesian graduates who have joined IKAPEKSI to establish and expand their social connections. Social capital is the third significant determinant. The individuals have established a social network and received social assistance in Japan, which has persisted even when they return to their native country. This affiliation enables alumni of a specific educational institution or Japanese investors to communicate and share information more efficiently, optimizing corporate operations.

Success demonstrates to trainees that they can alter their viewpoint. These applicants, who have put in significant effort in Japan, benefit from this fresh outlook, enabling them to persevere. An individual prioritizes success over all other considerations. Prior to achieving prosperity, the issuers engaged in manual labor. After finishing their traineeships and returning to their homes, these individuals have transitioned from manual labor to professional, management, or administrative positions.

The favorable results of embracing *kizukai* are evident in their professional trajectory. Following their training, they have emerged as pivotal figures within their organizations, advocating for a work environment rooted in *kizukai* principles. Their methodology not only elevates workplace morale but also results in groundbreaking business solutions and enhances team performance. These instances emphasize the profound impact of *kizukai*, demonstrating how its concepts can be successfully incorporated into various professional and personal situations, resulting in notable accomplishments and beneficial transformations.

Conclusions

The study investigates the evolution of Japanese culture, namely the concept of caring or *kizukai*, by conducting interviews and reviewing pertinent literature. The emphasis placed on this concept by the participants is a key aspect of the research. Japanese firms employ a variety of regulations, processes, Standard Operating Procedures (SOPs), Standard Operating Methods (SOMs), training programs, examinations, and other measures to effectively uphold and guarantee the quality and quantity of their output. The establishment of norms has been based on prior instances of mutual agreement. However, despite the challenging conditions brought about by the emergence of the COVID-19 pandemic, individuals have demonstrated resolute resolve in their efforts to overcome the economic decline, the imminent threat of bankruptcy, and the anxiety associated with undertaking new ventures. The presence of failures and errors is an inherent aspect of human behavior. Nevertheless, individuals possess the capacity to recognize remedies, engage in analytical reasoning, and exhibit a feeling of accountability, which can be a great asset for effectively addressing difficulties within various circumstances.

The phenomenon of cultural transition requires individuals to possess the capacity to adjust, undergo metamorphosis, and persist within a specific context. Individuals who seek to gain knowledge about a new culture must immediately adapt and exhibit a resolute dedication to the process of learning cultural knowledge as a valuable resource. If individuals are to swiftly acquire knowledge, they will probably encounter emotions of inadequacy or remorse over their employment in Japan. In light of these circumstances, individuals may decide to terminate their current plan or objective and instead elect to return to Indonesia for leisure purposes or to save the remaining amount of their financial resources. However, individuals who possess a comprehensive comprehension of the benefits acquired from their experiences in Japan will cultivate innovative techniques and incentives to inspire others.

The interviews performed with former alumni trainees yield some significant findings. A noteworthy observation pertains to the primary motivation of the interviewees, which centers upon the need for financial advancement. Nevertheless, it has been seen that this incentive experiences a gradual metamorphosis over a period, resulting in a shift towards a pursuit of symbolic authority. The primary factor contributing to this transition can be primarily ascribed to the accumulation of cultural and social capital acquired during their training in Japan. Moreover, individuals exhibit unique motivations and strategies to promote

economic, symbolic, biological, genetic, and educational investments to benefit themselves as well as others. Unfortunately, both the Indonesian and Japanese governments have a deficiency in actively participating in the reintegration process of trainees following their return to their home countries. This phenomenon occurs in several ASEAN nations since individuals return to Japan to produce wealth while also contributing to the growth of their countries. These two countries possess the capacity to provide graduates with numerous advantages, including opportunities for employment, mentorship, entrepreneurial education, research possibilities, and other relevant pathways.

As a summary, the research explores the development of Japanese culture, focusing on the concept of *kizukai*, through interviews and literature review. It highlights strategies used by Japanese companies to maintain product quality and quantity. Despite COVID-19 challenges, individuals have shown resilience in overcoming economic hardships and adapting to new ventures. Cultural adaptation requires flexibility and a commitment to learning. Former trainees' motivations shift from financial profit to symbolic power, emphasizing cultural and social influence. However, governments in each ASEAN country and the Japanese government fail to adequately support returning graduates, despite the potential benefits.

Subsequent investigations should prioritize the examination of the extended professional paths of past trainees and their impact on both their home nations and Japan. Moreover, additional research can explore the assimilation of the trainees' acquired skills and knowledge into the Japanese labor market, as well as their contribution and influence on the overall workforce. Another fruitful approach for the research is the comparative examination of analogous training programs in other nations to identify exemplary methods and formulate more efficient strategies for international labor exchange. Ongoing research is also necessary to investigate and address ethical concerns associated with these programs, such as exploitation and human trafficking, to safeguard the well-being of all participants.

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