Chapter 1
Introduction

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Abstract This introduction presents a varied and multidimensional view of challenges of governance in Southeast Asia and ASEAN through the variety of disciplines and nationalities involved in the book. In light of 50 years of regional collaboration and integration as the member states of ASEAN seek to chart out a future path for the region, this book is dedicated to showcasing the different facets and challenges to governance that occur due to internal and external pressures for the various member states. The editors are particularly interested in the multilevel governance challenges on issues of democracy, equity and sustainability, the adaptation of policies and norms to fit an ASEAN way, and the changing roles of civil society and citizens in this process of seeking a common identity and voice. The book is divided into four sections. The first section introduces the fundamental political and institutional dynamics that are in play within the region and the interplay between regional forces and national norms. The second section tackles the economic and legal discourses that various member states face in relation to external and internal pressures related to international and regional trade and industry. The third section focuses on issues of sustainability and equity resulting from the vast socio-spatial differences in the varied cities and regions of the member states. In the final section, the dilemmas resulting from economic growth in exploitative industries and the impact that has on the local and regional community through the lenses of inclusivity and justice are discussed. Written by a diverse collection of policy makers, researchers, educators and activists, this book provides an authoritative firsthand analysis of key challenges to governance in Southeast Asia and ASEAN.

Keywords Governance · Southeast Asia · Sustainability · Spatial science · ASEAN · Multilevel governance · Democracy · Equity · Sustainable development · Public policy · Norms · Discourse · Inclusive development · Institutions · Institutionalization

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Southeast Asia is a rapidly developing region witnessing transformative changes to its society, economy, political systems, and its way of life. This impacts upon the millions within the region and generates challenges of governance. The Association of Southeast Asian Nations (ASEAN) marked its fifth decade in 2017 and bears witness to a period of prosperity and growth tempered by rising inequality and geopolitical challenges. The region consists of a very diverse set of countries: middle-income countries—MICs (Indonesia, Malaysia, Philippines, Thailand, and Vietnam), least developed countries—LDCs (Cambodia, Laos and Myanmar) and high-income countries (Singapore and Brunei). Their economic systems vary from capitalist market systems to socialist systems in various degrees of transition. The political systems vary greatly from democratic to socialist, with various degrees of political and administrative decentralization across the countries, and various degrees of input from stakeholders and citizens in the system of governance. Together they represent a great diversity of peoples, language, culture and beliefs across this vast region. The dream of a common regional identity and regional integration idealized in the ASEAN charter as ‘One Vision One Identity One Community’ (ASEAN, 2008) seems daunting. Thus, a key challenge of governance in the region is the great societal and governance variation across the region, and the extent to which ASEAN can play a significant role in promoting learning across the region, encouraging regional integration, and playing an emerging role in international relations on the world stage.

1.1 Challenges of Governance in SEA

This book aims to showcase the multitude of challenges of governance from a variety of perspectives (political, institutional, and societal) which arise within the region and how they may be managed with a multilevel and multi-scalar approach to governance, while respecting the delicate nuances of interregional and intra-regional differences. We argue that a fundamental step in resolving challenges of governance lies not in the blind adoption of predominantly Western ideals of democracy and equity but rather the adaptation of these ideals to Southeast Asian institutions, historical trajectory, and norms and values. This approach requires the evolutionary development, and fitting of institutions and mechanisms over time while being open to new actors from civil society as bringers of change.

The complex condition of changing needs and interests of the communities in this region have seen a growing demand for policies and solutions beyond the traditional and hierarchical bounds of government (Thynne, 2000). The challenge here is to ‘ensure that the state, the rule of law, and governance systems actually protect and fulfil the civil, political and social rights of individuals and communities alike’ (Ibid, p. 228). Good governance is defined as a ‘public administration process that maximizes public interest’ (Yu, 2018, p. 4) and is indicated via legitimacy, transparency, accountability, rule of law, responsiveness and effectiveness. Good governance is only achieved when citizens are participating in political administration and goes hand in hand with democracy (Yu, 2018).
Many states have various layers of government involved in decision-making processes at the national, state or provincial level and local levels. Certain regions have come together to cooperate regionally on a supranational or intergovernmental basis, for example the European Union (EU) or ASEAN. In addition, certain local governments may cooperate in formal or informal ways to create metropolitan governmental structures. In the US, these multilayered perspectives have formally been studied as part of intergovernmental federal relations.

In Europe, scholars began to move beyond a conception that focused only on interaction between layers of government, but on the broad concept of multilevel governance, which includes the interaction between governments at different levels but also stakeholders, civil society organizations and citizens. European centric concepts of regional integration are widely utilized in international relations or on matters of European integration (Piattoni, 2009). Could the same concept be understood in a vastly different context, i.e. Southeast Asia and specifically ASEAN?

Underlying this embrace of multilevel governance is the belief that it lends both effectiveness of implementation in dealing with complex matters and legitimacy to the decision process and outcomes. While the original theorization of multilevel governance (MLG) emerged within the EU (Marks & Hooghe, 2003, 2004), a decade ago scholars began to consider a migration of the concept to better understand decision-making and governance within ASEAN and its member states. As scholars look back at the development of MLG over time in Europe, they have also reflected on how the concept may be useful to understand other regional perspectives (Stephenson, 2013). For example, De Prado (2007) began to conceive of MLG more broadly and drew comparisons with developments in Asia, but Sbragia (2010) considered research rather preliminary to make any deep comparisons to the European example possible.

Scholars have asserted that ASEAN should be seen more in terms of its role in norm diffusion and developing consensus in a broader process of the promotion of integration (Schreurs, 2010; Stephenson, 2013). Others have viewed ASEAN integration as institutionally cautious, despite many meetings and pronouncements. While ASEAN remains the institutional core of cooperation, it is noted that in ‘many issues of trade, finance and security’ the actors involved are not just ASEAN members, but the various ‘ASEAN Plus’ groupings such as ‘ASEAN + 3’ with China, Japan and South Korea (Hamilton-Hart, 2012). Additional scholars have used the concept of MLG originally developed to understand the EU, to understand governance in particular countries, for example the recent focus on governance in Indonesia which appears in a special issue of the journal Policy Studies (Purwanto & Pramusinto, 2018). Here the focus is on waves of decentralization beginning in 1999 in Indonesia, strengthening the role of district, municipal governments, following the 1997 Asian Financial Crisis.

ASEAN, and its various groupings such as ASEAN +3, also mobilize institutional structures to share knowledge in rapidly developing extraordinary circumstances. For example, the ASEAN health ministers met with various dialogue partners, including the plus three countries to ‘further enhance the regional collective response including sharing of lessons learnt based on their respective experiences in slowing down or halting the outbreak of COVID-19’ (ASEAN, 2020).
ASEAN notes that this builds on earlier cooperation in the area of public health emergency preparedness and response, such as the SARS (Severe Acute Respiratory Syndrome) outbreak in 2003 and the H1N1 influenza pandemic in 2009 (Ibid.).

While regionalism and development have been intertwined for decades, recently the focus by scholars has been on a broadened conceptualization of regional governance. By focusing on the promotion and fostering of transnational relationships amongst a wide variety of actors, one can better anticipate the challenges between regional market-making and sustainable development. Various scholars are stressing the importance of regional development governance (RDG), and how state and non-state actors from a region may produce improved policies to accommodate development (Bruszt & Palestini, 2016). These authors note that a key goal for RDG is to use regional public power to create and upgrade institutions to increase the competitiveness of various economic actors who can benefit from the opening of regional markets. They emphasize that the ‘distribution of opportunities in more open markets depends on the provision of regional public goods such as infrastructure connectivity, energy integration, and capacity building through development policies that could broaden the range of beneficiaries of more open markets’ (Ibid, p. 378, citing Rodrik, Subramanian, & Trebbi, 2004; Bruszt & McDermott, 2009; Jordana & Levi-Faur, 2005; Estevadeordal, Frantz, & Nguyen, 2004). This approach stresses the importance of moving from simply dyadic state-to-state relationships within a region, or business to business, to multiplex interactions involving not only states and stakeholders, but NGOs, civil society organizations (CSOs) and subnational governments. While Bruszt and Palestini clearly emphasize economic aspects of these developing regional models of development, the chapters in this book incorporate these economic perspectives also into broader challenges of governance in other policy domains with an emphasis on the multiplex interactions of a variety of actors in development.

The authors in this volume position their chapters as a post-colonial, critical reflection of the challenges of governance resulting from the pursuit of a common regional identity and voice; with regards to key themes of human rights, democracy, sovereignty, accountability, equity and sustainability resulting from economic growth and development, and regional integration. Key contributions include the process tracing of human rights charters and institutions (particularly for women and children) in the region (Thailand, Indonesia), and insights into democracy in action in Papua in light of decentralization (Indonesia), trade policies and negotiations in the automotive industry (Malaysia, Indonesia, Thailand), legal institutional change due to global economic forces (Vietnam), and how foreign powers are viewed and constructed by individual nations (Indonesia). In addition, the chapters delve into the locality and geographical differences in saving behaviour in relation to financial institutions (Indonesia), how mobility inequality affects access to education (Indonesia), examine the role of community in high impact industries such as
forestry and mining and tourism (Indonesia), and repositions the role of food and food security in reshaping the ongoing polity narrative (Vietnam).

Within these contributions, challenges to governance are raised such as:

1. the mismatch between political hierarchy, and environmental and social impact. For example, how transportation network usage does not always correspond to the governance structures and how the location of financial institutions differs from where they are needed the most,

2. the delicate dance between financial interests vs. the needs of the community, for example in balancing food security and industry, negotiations between exploitative industries and the indigenous population and,

3. the formation of a sovereign nation’s ideals and policies in lieu of foreign and regional pressures. Evident in the adoption of IP law for global trade, negotiations with regional neighbours in automobile parts production and trade barriers.

Together, these questions provide a choreographed cacophony of the different identities and voices within Southeast Asia and ASEAN. The authors and editors argue that the common voice is indeed a multiplicity of voices and the differences are lessons and best practices to inspire, translate and adapt by relevant stakeholders for each individual region and member state. We have consciously sought to feature the voice of local academics, activists, researchers and policy makers in dialogue with international academics and researchers with expertise in this region. There is a fair distribution of cases and analysis over the key member states in ASEAN to provide validity to the views presented.

The chapters are a result of an ongoing discussion and debate within the Groningen Research Centre for Southeast Asia and ASEAN (SEA ASEAN) between our experienced and visiting researchers. SEA ASEAN is a multi-faculty, interdisciplinary research group aiming to bridge high-quality scholarly research, with policy relevance and a concern for societal outcomes, in the study of the nations and societies of Southeast Asia and ASEAN as a regional actor. The doctoral candidates are supervised by an interdisciplinary team and are policy makers or academics from Southeast Asia pursuing their doctoral studies in the Netherlands with scholarships and grants primarily from their own government.

1.2 Book Structure

The book is organized into four sections. The first section introduces the fundamental political institutional dynamics that are in play within the region and the interplay between regional forces and national norms. Here, the chapters discuss the move forward in regional institutions for human rights and democracy, particularly for women and children, and how conventional approaches to these institutions have
to consider Southeast Asian norms and local culture. The second section tackles the economic and legal discourses that various member states face in relation to external and internal pressures related to international and regional trade and industry. The authors focus on trade relations between member states within the automotive industry, how political discourse forms foreign trade policies and strategies, and how international regulations require sensitive and careful translation in the form of IP law. The third section focuses on issues of sustainability and equity resulting from the vast socio-spatial differences in the varied cities and regions of member states. Here, examples where governance is required to rectify differences in terms of food security, transportation governance and effects of location of financial institutes are discussed. In the final section, the authors discuss dilemmas resulting from economic growth in exploitative industries (forestry and tourism) and the impact that has on the local and regional community through the lenses of inclusivity and justice. The book presents a varied and multidimensional view of challenges of governance in Southeast Asia and ASEAN through the variety of disciplines and nationalities involved. The discussions are broached by economic and financial, international relations, legal, political science, and urban studies and planning scholars.

We will next introduce each section of the book.

### 1.2.1 Rights and Democracy: Political and Institutional Dynamics

This section of the book focuses on the political and institutional dynamics of citizen participation in the political system, the protection of the rights of citizens, the role of the citizen in democratic decision-making, and the role of civil society organizations. Many of the authors contributing to this section begin by taking account of historical developments in the relation between citizens and the state, and trace long and fraught dynamic processes sprinkled with bouts of accelerations of change. The issue of regional coordination emerges and is placed in the Southeast Asia historical and institutional context (see Netipatalachoochote, Ciacchi and Holzhacker, Wahyuningrum). The chapters also highlight a lack of good governance culture (see Efriandi, Couwenberg and Holzhacker, Pasaribu, Vanclay and Holzhacker, Netipatalachoochote et al., Nguyen van Quoc, Trell-Zuidema and Holzhacker, Wahyuningrum). It is noted that often consensus is key for regional decision-making, but agreement usually excludes enforcement mechanisms and sanctioning for noncompliance. There remain active debates about the sense of the community vs. the rights of individuals, and the role of norms and values in what is good for the community vs. individuals (Wahyuningrum). A key challenge of governance in this section relates to the challenge of the accommodation of local practices, norms and culture (see Nguyen van Quoc et al.) vs. evolving free and fair democratic decision-making (see Efriandi et al.) with respect for human rights.
1.2.2 Sovereignty and Trade Alliances: Economic and Legal Discourse

This section turns to a consideration of economic matters and trade, and the debate and tension which may emerge between state sovereignty vs. regional integration and trade alliances. We begin here with a discussion of the symbiotic relationship between commercial and state interests (see Permana, Hoen and Holzhacker), and the complications which emerge within countries through the conflict of interests which emerge within state bureaucracies and with these various competing bureaucracies and stakeholders. This can result in inefficiencies and incoherency in state positions, which makes regional integration negotiations and decision-making difficult in this area. The level of economic integration differs greatly across various sectors within ASEAN and there may be a fine balance to be struck between existing domestic supply chain demands vs. that of competition on the international market. In this section, we next turn to weighing local cultural practices vs. international economic integration (see Nguyen Phan).

There are great political and economic pressures from external sources to conform to international agreements and treaties, but developing countries may consider whether these costs outweigh the benefits? (see Nguyen Phan). Finally, this section focuses on how foreign policy is constructed and made. We consider here the influence of leaders and political elites in establishing foreign policy (see Farnebeun).

1.2.3 Sustainability and Equity: Socio-Spatial Differences

This section explores the effect socio-spatial differences have on the achievement of sustainable development and social equality. Here the authors showcase how geographical differences have a greater impact on social divides than what is considered within current policy frameworks and that intra-regional differences persist in Indonesia. We start with a chapter that examines vast differences in financial inclusion as seen through an empirical examination of which firms and individuals can access and make use of formal financial services in Indonesia (see Rumbogo, McCann, Hermes and Venhorst). The fundamental issues of the challenges here are rarely discussed in literature from more developed regions of the world. The fact that simple access to physical banks and information on how to participate in formal banking is lacking demonstrates the potential that still exists to increase financial inclusion with a few salient investments. This also demonstrates how the impact of certain challenges of governance is amplified for the poorer segment of society who are not usually considered in the broader purview of national policies. This inequality is widespread in the ASEAN region and is presented as income (see Rumbogo et al.) and as mobility inequality (see Hidayati, Yamu, Tan and Holzhacker). The latter chapter demonstrates how current structures (i.e. physical infrastructures)
exacerbate these inequalities by tracing the restriction or encouragement of access to educational facilities in informal settlements in central Jakarta (see Hidayati et al.). Both chapters contribute to a discussion based on empirical data to diagnose and determine the scope of inequalities and how there are knock-on effects to said inequalities such as intergenerational poverty and lack of social mobility (see Rumbogo et al.) to diminished access to educational facilities which again impedes social mobility (see Hidayati et al.). A key challenge to governance is to not overlook the geographical distribution and difference across this vast region.

1.2.4 Inclusivity and Justice: Community and Growth Dilemmas

In this last section, we discuss the delicate balance between local and communal needs and that of the need to increase economic development. The topics discussed range from the need for social license to operate in the forestry industry (see Pasaribu et al.) to approaches to include local community in the tourism industry in Bali, Indonesia (see Kusumawati, Herman and Holzhacker) to how the fish death environmental and food incident in Vietnam unleashed civil society discourse (see Nguyen Van Quoc et al.). There seems to be an implicit scale trading off economic gains for local and communal wellbeing. This is an overly simplistic approach that has led to numerous challenges in which actors at times exploit dominant economic rationale to suppress or exploit community interests. This contributes to multiple challenges of governance as the current policy structure does not always consider the values and beliefs of local communities. Together with irregular coordination and the loopholes in the system, such oversight can lead to potential manipulation or exploitation of the local community and/or indigenous peoples (see Pasaribu, et al.; Nguyen Van Quoc, et al.). This results in a range of responses to policy for inclusivity where the local community is positively consulted, engaged and involved (see Kusumawati et al.) and where the community is negatively ignored in the face of economic gains or losses (see Nguyen Van Quoc et al.). Here, the authors showcase how important local values, beliefs and sentiments are in engaging inclusive and just policies to overcome challenges of governance.

We will now discuss each chapter individually by section, providing a brief introduction, the methodology used, the theoretical perspective, and the challenge of governance presented in the chapter. In this way, we wish to demonstrate the range of methodologies and theoretical perspectives from various disciplines, which are employed in this volume to address the overarching theme of challenges of governance.
1.3 Rights and Democracy: Political and Institutional Dynamics

1.3.1 Netipatalachoochote, Ciacchi and Holzhacker: ‘Regional Institutional Development of Human Rights’

This chapter provides a critical analysis of the development of a human rights institution in Southeast Asia focusing on the ASEAN Intergovernmental Commission on Human Rights (AICHR). The authors present the progressive development of this institution over time as a critical contributor to further strengthening and building a regional human rights institution. This chapter contributes to a growing view that AICHR’s achievements over time may significantly contribute to how human rights are viewed and protected regionally in the future, including discussions on the possible creation of a regional court of human rights.

The chapter first focuses on how ASEAN responded to demands to create a regional human rights institution as an agent to deal with human rights issues. The chapter traces the historical development of AICHR, provides empirical evidence from Joint Communiqués, and analyses statements by a Working Group and ASEAN elites’ speeches. Second, it asks how AICHR has expanded their role over time to significantly contribute to the improvement of human rights in Southeast Asia. Here, the chapter focuses on various ways AICHR has been active in improving human rights, including mobilizing on human rights issues, organizing campaigns, dialogues and events—and it has tried cautiously and incrementally to expand its mandates and engagement across the region. An example of this is provided by analysing how AICHR expanded beyond its human rights promotion power to include protection, through its role in the enactment of a legal instrument; the ASEAN Convention against Trafficking in Persons, Especially Women and Children (ACTIP).

The chapter uses principal-agent theory to map the relationship between a state or region and the institution which it has built to help it overcome their regional concerns. It presents Member states as principals and the regional human rights institutions as agents. A central tension in the creation of this relationship between the Member states and the institutions of ASEAN, is the historical development of the ‘ASEAN way’ placing priority on state sovereignty and non-interference in the affairs of other ASEAN states. In terms of methods, the chapter combines legal perspectives with insights from institutional theory in political science and international relations. It traces the development of AICHR over time, and analyses the role and achievements of AICHR within the overall institutional structure providing for the promotion and protection of human rights in the region, including international and national mechanisms, and the engagement of civil society.

In terms of the challenge of governance offered in the chapter, the focus of the discussion and argument is that while Southeast Asia has systematically built and developed AICHR to promote human rights in the region, the institution needs to develop further to have legal powers of protection. The challenge is to create greater
cross-national regional coordination and complementarity to protect human rights. The authors note that at times ASEAN member states themselves have not been able to manage human rights situations which occurred in each respective state. Creating a stronger human rights institution as an agent of ASEAN is critical because some state members lack technical expertise, credibility, legitimacy or other resources to deal with human rights issues on their own.

1.3.2 Wahyuningrum: The Institutionalisation of Human Rights in ASEAN

This chapter focuses on the institutionalization of human rights in ASEAN, and notes the ‘human rights duality’ in the region, reconciling international norms with regional particularities (norms/values). For some commentators, the ASEAN Way is seen as incompatible with the enforcement of human rights law because regional monitoring entails interference in domestic affairs of the member states (Aguirre & Pietropaoli, 2012).

But here the focus is on the gradual but systematic process of developing the AICHR and AHRD in achieving the institutionalization of human rights. Wahyuningrum traces how human rights have been institutionalized in ASEAN in the period of 2007–2013, and inquires to what extent such processes have challenged governance in Southeast Asia? She concludes that the ASEAN member states have attempted to localize the international human rights norms by considering their own experience, political calculation, perception and engagement with the international norms of human rights as well as the national interests. The experience of being dominated by foreign powers also contributes to the shape of ASEAN norms on human rights.

To understand the process of institutionalization of human rights and to identify the underlying challenges of governance, Wahyuningrum assesses three major events in ASEAN in the period 2007–2012—the drafting of Article 14 of the ASEAN Charter, the TOR of the AICHR and the AHRD. She is able to carefully follow the process over multiple working drafts of these critical agreements, because the author is observer and participant during many of the key events. Her theoretical approach is based on the localization framework (Acharya, 2004) to highlight the importance and different roles of regional actors in fusing international norms to become regional ones, such as ‘norm entrepreneurs’ (the ones who promote the new norms), ‘norm antipreneurs’ (those who defend the status quo), and ‘creative resisters’ (those who are against a new norm but are willing to change with persuasion) (Bloomfield, 2015, pp. 21–22). In this framework, regional actors are not passive in the process of localizing international norms, but rather actively participate by applying a number of strategies such as ‘framing, ‘grafting’, or ‘stigmatizing’ the norms. Framing usually aims to make the global norms appear local by using language that names, interprets and dramatizes them (Finnemore & Sikkink, 1998, p. 268).
In terms of the challenges to governance, Wahyuningrum remarks that unlike in the West, Asian society often considers a community’s interest as having a greater importance than the individual one. Institutionally, AICHR cannot respond well to grievances put forward by individuals and human rights groups. The AICHR’s effectiveness depends to a large degree on the consensus of all member states, which delay possible strategic decision-making in addressing human rights issues in the region in a timely manner.

1.3.3 Efriandi, Couwenberg and Holzhacker: The Noken System and The Challenge of Democratic Governance at the Periphery: An Analysis of Free and Fair Elections in Papua, Indonesia

This chapter examines the problems of political decentralization in Indonesia by analysing the practice of the Noken system during the local direct election in selected regions in Papua. Previous studies have made little attempt to address the question of how decentralization is implemented in various regions across Indonesia. This chapter offers a different perspective by analysing problems of local direct elections as part of political decentralization and their implications for the democratization process in Papua. Despite greater authority due to the decentralization scheme, the development and democratization progress is lagging compared to other regions. The issues are highly relevant to Indonesia as a country with high cultural and ethnic diversity. Issues of concern to indigenous people and ethnic minorities have often been seen as ‘problematic’ to the idea of a unitary country with 1127 ethnic groups and 328 local languages.

Efriandi et al. ask are free and fair elections possible under the Noken system in Papua? The chapter applies indicators from the literature of free and fair elections, and concludes that the absence of law to regulate the practice of Noken during the election becomes the main factor why the free and fair ideal dimensions are not achieved in the Noken system. The incompatibility between the principle of democracy and the customary practice creates the potential for fraud and is vulnerable to misuse by certain candidates to influence the voting results.

In terms of methodology, the chapter derives eight indicators of free and fair elections to analyse the problems in every stage of election: before the election, during the election and after the election. These indicators emerge from theories of political decentralization, to the principal–agent relationship between local officers and citizens, to local government accountability with proper checks and balances. In terms of challenges to governance, the chapter broadly focuses on the tension that may exist at times between local cultural traditions and democratic ideals. The absence of law and regulation to standardize voting practice may hinder national conceptions of democratic governance, in the era of decentralization.
1.4 Sovereignty and Trade Alliances: Economic and Legal Discourse

1.4.1 Permana, Hoen and Holzhacker: Framing Trade Policy Preferences and Dialogues in ASEAN Economic Integration

This chapter focuses on trade policy from the perspective of both state and non-state actors for ASEAN Economic integration. It highlights the policy preferences and policy dialogues amongst stakeholders that shaped ASEAN economic integration within the automotive industry in Indonesia. The chapters contribute to the discussion on the extent to which EU-based theories on regional integration may be suitable to ASEAN, as a regional body based on principles of intergovernmentalism instead of supranational institutions. In Indonesia, major economic initiatives may face resistance during implementation by various stakeholders. It is the responsibility of the government to ensure that during the policy process, actors from various sides, perspectives and interests are involved to have an effective representation to channel interests.

This research may be seen as a baseline to assist in the development of a more inclusive model of decision-making in Indonesia for ASEAN economic initiatives. Here the focus is on the automobile parts industry. Why did the state (Indonesia) propose the automotive industry as one of the priority sectors of integration in ASEAN? What are the interests that construct the policy preference? Indonesia’s automotive industry has involved itself in a global production network, but Indonesia’s involvement goes only as far as assembly activities to serve domestic markets, which is a relatively low value position in the cross-border production network. Despite the automotive industry not being a major export for Indonesia, it serves as one of the more important driving forces for Indonesia’s preference to integrate regionally. A driving force of an individual country’s decision for integration is to secure national economic growth. For the state, a commitment to securing wealth is a crucial track to acquiring legitimacy from its constituents. The relations between commercial and state interests can be seen as symbiotic in the case of the automotive industry.

The chapter employs the methodology of process tracing, to follow the economic integration process and critically reflects on the often-neglected competing interests, and policy agenda setting, through interviews with key informants (state: ministries, private sector: executives/top management of sector). The theoretical frame is based on liberal intergovernmentalism and Strategic Preference Theory, focused on two key variables, the degree of economic interdependence in the overall regional economic structure and sectoral-trade interdependence. In terms of the challenges to governance, the chapter concludes that the level of integration in sectors differ greatly, and when issues arise between countries, there are an increasing number of non-tariff barriers (NTB) used to hinder competition and manage the domestic consensus towards integration. For ASEAN itself, Permana et al. notes that the integration of the automotive industry is one of the 12 priority integration sectors in
ASEAN, as it continues to push for more efforts to ensure the benefits of regional integration are fairly distributed across the member states and broader segments of society.

1.4.2 Nguyen Phan: Protecting Intellectual Property Rights in Vietnam: Opportunities and Challenges

This chapter focuses on how the intellectual property (IP) law system creates both benefits and burdens to a developing country like Vietnam, which creates challenges to governance in Vietnam domestically and within the international system. The creation of IP law to conform to international demands is part of long-term strategy of international economic integration, focused on the motivation to join the World Trade Organization (WTO). The chapter first focuses on how a strong IP law may both benefit and create burdens for a developing country such as Vietnam. IP is believed to promote fair competition, encourage creativeness, enhance technology transfer, absorb foreign investments and contribute to the procedure of harmonizing with the international system of IP law, but in a decade of practice in Vietnam there are restraints due to unclear regulations and practices, and cultural resistance within the society.

For the challenges to governance, the chapter notes the high cost of capacity building for the IP offices in Vietnam and other developing countries, with budgetary and capacity issues for effective monitoring, enforcement, litigation and capacity building to maintain a strong system of IP protection. The chapter also notes the ineffective implementation of the IP related regulations. In terms of societal acceptance, the chapter asserts that in Asian culture, the idea of ‘private property’ in IP is considered as a new and foreign concept that is hard to accept. Hence, to explain the massive rate of IP right infringement in Asia, some researchers suggested a link to the ideas of so-called ‘Asian-values’. The wide-spreading influence of Confucianism in East-Asia, including Vietnam, encourages people to reproduce existing works to meet the needs of users, rather than call for verbatim duplications. This concept may restrain the effort of IP reform by facilitating copyright infringements.

1.4.3 Farneubun: Indonesia–China Strategic Partnership: Role of Vision, Bureaucratic Actors, and Domestic Political Change

This chapter focuses on the impact of domestic political change on Indonesian foreign policymaking at the time of President Susilo Bambang Yudhoyono (2004–2014). It includes an analysis of the roles which bureaucratic actors play in addition to presidential leadership in the context of domestic political change. The chapter fills a knowledge gap, by taking a bureaucratic politics approach for analysing foreign
policies of non-Western states on issues that are not related to national security. The approach considers the neglected bureaucratic actors to understand Indonesian foreign policy, in addition to the President and the minister of foreign affairs. This contributes to a broader debate amongst Indonesian academics, and in the society at large, on how the country’s foreign policy is made and for what purposes.

Which principal factors influenced President Yudhoyono to sign the strategic partnership with China and later upgrade it to a comprehensive strategic partnership? The underlying driver of Indonesia’s relation with China was Yudhoyono’s vision of making Indonesia prosperous that compelled him to promote a strategic partnership with China, the concrete shape of this relation is largely determined by the support from key bureaucratic actors whose policy preferences derive from their bureaucratic positions. The important role of the government actors is the result of domestic political change which has also generated a shift in the perception of China’s role in international affairs.

In terms of method, the chapters analyse data from primary sources, notably government speeches, reports, policy statements, and secondary sources like journals, books, and newspaper articles from the period. Theoretically, the chapter combines a bureaucratic politics model with foreign policy analysis to apply in the Indonesia case. The contribution to the challenges to governance is a greater understanding of the various factors which influence important foreign policy decision-making within a country, specifically towards China, a country with a growing engagement across Southeast Asia.

1.5 Sustainability and Equity: Socio-Spatial Differences

1.5.1 Rumbogo, McCann, Hermes and Venhorst: Financial Inclusion and Inclusive Development in Indonesia

This chapter examines if financial inclusion affects regional economic development in Indonesia through a quantitative analysis of empirical evidence on the relationship between financial inclusion and economic development at the regional level. It starts with a cross-country comparison across the SEA region for patterns of financial inclusion as a marker of inclusive development and focuses on Indonesia with a panel regression model to examine the extent to which financial inclusion is associated with economic development at the regional level of 33 provinces in a five year period. The authors counter existing literature that financial inclusion is critical for achieving positive macroeconomic outcomes such as higher economic growth. With their analysis, they suggest that a growing financial sector is beneficial for the economy. However, it is not strongly and consistently related to an increase of per capita welfare nor does it demonstrate a significant association between financial inclusion and economic level of development at the regional level.
This presents several challenges to governance. There is the general goal that needs to shift the current development approach of economics first as a priority towards a more inclusive growth that could be achieved through financial inclusion. As such, developing successful financial inclusion policies across different regions within countries is a major challenge due to the severe regional differences in educational and information levels. Concretely, policies that aim at further increasing the bank branch density in Indonesia, especially in areas outside Java and Sumatra, would be a welcome addition to address these challenges. The authors also point to the potential of technology as an avenue of information access for the neglected poorer segments of society given the widespread use of mobile phones in the country.

This chapter shows why Indonesia is such an interesting case in explaining how intra-regional differences present and challenge the national priority agenda of financial inclusion. Its contribution is also in delving into aspects previously neglected in literature on the role of informal financial providers, such as money-lenders, family members, shopkeepers and group savings organizations such as so-called rotating savings and credit associations (ROSCAs). The authors assert that formal banking institutions have much to learn as to how they could offer more flexibility regarding access to and use of their services, to serve the broader needs of the community.

1.5.2 Hidayati, Yamu, Tan and Holzhacker: Understanding Mobility Inequality in Jakarta with Space Syntax

This chapter examines and describes mobility inequalities in terms of access to educational facilities and uses Space Syntax as a diagnostic method. This innovative approach offers an understanding of the city through its socio-spatial structures by analysing the urban neighbourhood kampung of Menteng in Jakarta through utilization of the diagnostic method of Space Syntax. This spatial analytical approach helps the reader to understand how current socio-spatial structures correlate to access to education and what the relationship is between the physical elements of a city and its social activity pattern of utilization with the concept of accessibility via a mathematical street network model.

Looking specifically at individual access to transport hubs and educational facilities at four levels (pre-school, primary, secondary and tertiary), the chapter asks how mobility inequality can be understood through socio-spatial structures (street network configurations and distribution of key urban functions) and how that affects sustainable development. The findings show that in Menteng, the wealthy neighbourhoods are more accessible by vehicular traffic (and via major transport hubs) while medium to low income neighbourhoods are characterized by higher pedestrian activities. The kampung with its informal paths and strong local spatial structure is more conducive to pedestrian movements at times despite physical
infrastructural barriers (rail tracks and major thoroughfares). These are however, not without significant safety and crime risks. Given that higher quality of education is mostly accessible by vehicular movement, those with a disadvantaged background tend to opt for educational facilities of a lesser quality or more easily accessible by other non-vehicular modes.

As such, this chapter contributes to existing research debates on mobility and transport justice with a microlevel spatial analysis of a Southeast Asian metropolis and provides a new analytical framework to understand how socioeconomic opportunities relate to socio-spatial structures. Unfortunately, the situation here applies to many other metropolitan cities in Southeast Asia such as Manila, Bangkok and Kuala Lumpur, where socio-spatial structures of unplanned settlements induce and increase both mobility and educational inequalities. The authors conclude by discussing how an overhaul of planning policies is needed and the need for sectoral (i.e. coordination between education and transport policy arenas) and multilevel (national to regional to local) policy coordination is required to attain the sustainable developments goals in the face of overwhelming attention for economic development.

1.6 Inclusivity and Justice: Community and Growth Dilemmas

1.6.1 Pasaribu, Vanclay and Holzhacker: The Pathway to Social License to Operate of the Forest Industry in Indonesia: Multi-Stakeholders Perspectives

This chapter uses a case study research approach to study the social license to operate (SLO) practices of two major forest management companies operating in Central Kalimantan, Indonesia. The chapter examines whether the concepts that underpin SLO (legitimacy, credibility, and trust) can be applied to the practices of the forest industry in Indonesia, the general applicability of the SLO concept, and what can be done to improve it.

The authors state that SLO is an outcome of complex interactions between many factors and actors rather than being the direct result of company actions alone. Despite international regulations, actors often confuse legitimacy with economic legitimacy in terms of compensation and that it is difficult to untangle genuine legitimacy without monetary transfers to the community. The authors illustrate the tenacious balance needed between efficacy and that of local cultural norms and wisdoms. There is also an important difference between the easily confused SLO and any applicable legal licenses—one does not guarantee the other. The first is given by the community after a possibly long and careful process while the other follows finite regulations and governs the permission to carry out specific activities over a specific period of time in a given area. This confusion appears to affect the companies and
local government, and the authors advise the need for early dialogue to clear up further confusing land entitlement/land tenure discussions and to ensure adequate community engagement.

The chapter contributes by exploring the applicability of SLO, an underexplored concept to balance governance of industries with communal needs, to the forest industry in Indonesia. This is an avenue for host communities and local governments to achieve sustainable community development. However, the challenges to governance exposed here include the lack of oversight or control by government at any level to prevent unscrupulous operators, how companies and communities mistakenly perceive economic legitimacy as key to earning SLO. The underlying issue is a lack of a culture of good governance or an awareness of conflicts of interest that can lead to certain individuals to have unrestricted influence and risking corruptions across all levels and the inability of local people to seek redress. An important discussion raised in addition to the prioritization of economic benefits over environmental and social benefits and rights is that of how in current policy structures and narratives, the rights of the indigenous population remain unrecognized.

1.6.2  Kusumawati, Herman and Holzhacker: Foreign Direct Investment, Inclusive Growth, and Institutions: A Case Study of the Tourism Sector in Badung District

This chapter asks what is the impact of foreign direct investment (FDI) on inclusive growth in the tourist sector in a particular district in Bali, Indonesia and how various institutions and stakeholders have assisted this process. As one of the positive examples in this book, the chapter focuses on the tourism sector of the Badung District in Bali, the authors analyse the four channels of employment creation: productivity improvement, establishment of Corporate Social Responsibility (CSR), linkages to Micro Small Medium Enterprises (MSMEs) as enacted by governments, and the role of foreign companies’ engagement with the community. The authors’ institutional analysis of hotels in the Nusa Dua area demonstrates how inclusivity is guaranteed through engagement, voice and accountability. Examples are given as to how employment creation is achieved with training and internship programs for local educational institutes, internal employment announcements and prioritizing hiring of disabled local persons. The chapter also demonstrates how CSR is achieved with the engagement of local community activities through local channels (via the head of the village) and implemented in actions such as the hiring of local artisans, allowing street hawkers into hotel areas, and the purchasing of local foods.

Given the current focus on peak tourism, this chapter is an important contribution to understand how it is possible to reconcile economic growth with inclusive policies. It however also points out important challenges to governance such as how can actors facilitate inclusive growth without sacrificing economic growth while adapting to local culture and contexts. Although the chapter showcases a positive
attempt of foreign companies to purposefully and successfully engage with local community/stakeholders, the question remains if this is also scalable across the country and eventually over the region. It is with great interest that the authors link how the local philosophy of Tri Hita Karana—a philosophy asserting that happiness and wealth can be attained by maintaining harmonious and balanced relationships between humans and God (parhyangan), humans and other humans (pawongan) and humans and the environment (palemahan)—are in line with the concept of sustainable and inclusive development and how the international hotels in Nusa Dua, Bali practice these interactions.

1.6.3 Nguyen Van Quoc, Trell-Zuidema and Holzhacker: Fish for Transparency—Food as a Trigger for Transboundary Activist Discourse

Crisis is a great litmus test of systems and their resiliency to adapt and react. This chapter embodies that by recounting the cause and effects of a specific case of large-scale industrial pollution from the Formosa Ha Tinh Steel Corporation leading to massive fish death along the central coast of Vietnam, and how food as both a resource and a social construct, can play in showing challenges to governance. Using the theories of environmentalism and discursive resonance, the authors perform a discourse analysis of various data sources (i.e. various media, policy documents and interviews) to identify the narratives from the activists and the protestors, and the government in dealing with the fish death environmental incident. This incident is seen as a turning point in state-society relations where general food safety concerns are played up against larger commercial interests. The findings show the role of food in enabling both rural and urban activists to voice their (broader) concerns related to the governance of environmental resources and how those concerns of food safety and fear of losing their livelihood evolved to demanding governance accountability and transparency despite the differences in socio-political capital and geography from the various groups. It is also a lesson in the damaging effects of corporate and government arrogance that lean towards denial and oppression.

The chapter throws up important challenges to governance such as what holds more value to society at the end of the day and what can civil society do in the face of such a crisis. Vietnam is a state adjusting to new participatory and economic challenges and there is a discrepancy in how the state can and should react to mass anger and outrage. This presents the opportunity for the rise of a civil society to play a role in such discussions which was previously limited due to the political system and culture. This lesson applies to various other governments in the region.

Next, we discuss some major themes that have emerged across the various sections and chapters and conclude on the challenges to governance raised across the book.
1.7 Conclusions

The contributions in this book highlight a fundamental issue in understanding challenges to governance in the Southeast Asia region. The fact is that many of the existing theories, concepts and instruments were not developed specifically to consider local knowledge, cultures and contexts. This lack of fit returns again and again throughout various contributions. The basis of what is considered acceptable basis of good governance, i.e. democracy and individual representation (see Netipatalachoochote et al.; Wahyuningrum; Efriandi et al.), efficacy and transparency (see Permana et al.; Nguyen Phan et al.), legislative and executive balance (see Farneubun; Nguyen Van Quoc et al.) and equal and fair distribution of power and resources (see Rumbogo et al.; Kusumawati et al.; Hidayati et al.; Pasaribu et al.) is not a given in this region as a result of historical and cultural developments. This leads inevitably to challenges in the implementation and enactment of governance.

First and foremost, there is a discrepancy of scale in governance structures and the actual physical scale at which policies are eventually enacted. We see this in the contributions of Hidayati et al. and Rumbogo et al. that such discrepancies have far reaching societal impacts of exacerbating poverty and educational gaps. As such, any policy has to be sensitive to the actual scale of implementation. It is difficult enough to standardize across one nation, much less across an alliance of nations such as ASEAN. In support of this, Efriandi et al., Kusumawati et al. are examples of how local implementation can vary in terms of negative or positive outcomes.

Next, the region as a whole is still reeling from the unprecedented rates of economic growth and political change in the past decades and have adopted an ‘economy first, society and environmental second’ narrative in most of the policies across the region. Nguyen van Quoc et al., Pasaribu et al., contribute examples to how this is still an ongoing struggle. We recognize that it is as important to ensure livelihoods as to protect societal and environmental interests. However, walking into the new era of climate change and resource depletion, it is time for the region to perhaps rethink its priorities and how this can be translated across all nations and across all scales of governments.

Last but not least, the above narrative is parlayed into the tensions between sovereign ideals and policies in relation to a regional policy objective. Netipatalachoochote et al., Wahyuningrum, Nguyen Phan et al., Farneubun and Permana et al. showcase this to great effect. This is a considerable challenge to overcome if ASEAN is to be a legitimate and effective representation of the region in the face of larger political and economic power blocs on a global stage.

Southeast Asia is increasingly connected together as a region, as well as internationally across the globe. This has increasingly impacted the nation-states and the lives and wellbeing of citizens across Southeast Asia. We hope that our careful research and analyses found in this volume will shed some light on these dynamic processes.
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