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## **Pushing Ahead With Regional Integration: ASEAN's Agency in a Transitioning Global Order**

*By Nazia Hussain*

### **SYNOPSIS**

*Increasing strategic competition among major powers pose a challenge to ASEAN's relevance in multilateralism and the rules-based international order. ASEAN must harness technological change and support energy transition to further regional integration as it strives to reaffirm its agency in an increasingly unsettled world.*

### **COMMENTARY**

The post-Cold War architecture is being challenged by pressures and transitions brought about by increasing interstate rivalries. ASEAN's ability to uphold its agency in this increasingly turbulent world has come under debate.

Over the decades, ASEAN's processes and mechanisms have come about in response to the organisation's regional development needs. Since the regional grouping embarked on building the ASEAN Community in 2003, it has achieved a certain degree of collective experience that should not be underrated or dispensed with.

ASEAN's cooperation arrangements, such as the ASEAN Regional Forum (ARF), East Asia Summit (EAS), and the ASEAN Defence Ministers Meeting (ADMM) Plus, have served as mechanisms for engaging and managing big power interests with ASEAN member states at the centre of developments amid shifts and transformations in the region.

However, intensifying tensions between the United States and China have complicated traditional ASEAN diplomacy, threatening to split the grouping along the fault lines resulting from its member states' external relations. With major powers taking a narrower view of their national interests and adopting a more transactional

approach to foreign policy, ASEAN needs greater unity of purpose and a common vision to strengthen its collective value.

Amid the rise of minilateralism, growing nationalistic instincts, and the emergence of diverse preferences on regional flashpoints such as the South China Sea or towards economic development involving big projects like the Belt and Road Initiative (BRI), ASEAN must make concerted efforts to push ahead with regional integration. One way is to accelerate the region's own priorities, including digital transformation and energy transition. By asserting its preferences and resisting the politicisation of its interests, ASEAN can reaffirm its agency as the grouping navigates global power shifts.

### **Transition to a Digital Economy**

ASEAN has pressed ahead with its goal of community-building, launching negotiations on the ASEAN Digital Economy Framework Agreement (DEFA) – the first regionwide digital economy agreement in the world that safeguards the digital trade ecosystem. DEFA commitments can add substantial value to ASEAN's efforts at regional digital integration.

Given the intensifying great power competition, which leaves ASEAN with limited room for manoeuvre, crafting a framework for new digital trade rules and achieving greater alignment across diverse regulatory landscapes in Southeast Asia would allow it to leapfrog to the forefront of the fast-moving global digital economy.

Many of the fundamentals are already in place – with a large and youthful population increasingly equipped with smartphones, ASEAN has the potential to pioneer the development of new digital services, especially advanced mobile financial services, since [mobile penetration](#) is high in most ASEAN countries and more than 70 percent of the [total population](#) has an online presence.

As ASEAN works towards completing DEFA negotiations by the end of the year, critical challenges related to ethical AI, data flow, and cybersecurity need to be addressed. ASEAN must also be able to monitor compliance by member states for the agreement to be effective, which might prove challenging as ASEAN leaders will have to engage their domestic audiences and businesses to get their buy-in when public trust in ASEAN's effectiveness remains low.

Nevertheless, once successfully concluded, DEFA will demonstrate ASEAN's commitment to regional cooperation and enable the grouping to present a united front in international trade to enhance its bargaining power as global trade tensions increases. Moreover, its successful conclusion can demonstrate the tangible benefits of multilateral cooperation and hopefully encourage other dialogue partners' support and participation.

### **Quest for a Regional Power Grid**

Amid a volatile global energy landscape and the challenges of climate change, realising an ASEAN Power grid – first mooted as a regional commitment more than two decades ago – remains crucial to further its regional interconnectivity and

consolidate Southeast Asia's energy security. Energy demand in ASEAN is [expected to](#) rise 60 percent by 2040, alongside rapid urbanisation and economic growth.

The [ASEAN Plan of Action for Energy Cooperation 2016-2025](#) prioritises the expansion of multilateral power trading and the development of higher shares of renewable energy to aid in the grouping's energy transition and provide for a sustainable energy future. However, without a fully integrated regional power grid to enhance cross-border electricity trade, intra-ASEAN electricity trade has remained largely bilateral, [accounting for](#) only 3.6 percent of the region's annual use.

A regional power grid will also help to tackle the [uneven distribution](#) of renewable energy resources across Southeast Asia. Some countries have abundant such resources, while others have limited options, creating uneven energy supply and distribution in ASEAN. As such, even as some ASEAN member states have committed to increasing renewable energy targets and moving to net-zero emissions at COP28 in 2023, the region still remains heavily dependent on fossil fuels.

Despite recent progress, such as the launch of the Laos-Thailand-Malaysia-Singapore electricity import pilot in 2022 and the announcement of the Brunei-Indonesia-Malaysia-Philippines power integration project in 2023, securing sufficient financing to construct and maintain grid infrastructure – including overland and subsea cables – remains an issue of concern.

To plug the financing gap for the regional power grid, ASEAN must leverage interest from multilateral development banks such as the World Bank and Asian Development Bank, as well as engage dialogue partners like Australia, which has considerable experience in renewable technologies, to assist ASEAN's efforts in bolstering energy supply infrastructure.

## Looking Ahead

While the realisation of a fully integrated regional power grid has a long way to go, and ASEAN is unlikely to meet its 2025 renewable energy supply target, the imminent conclusion of DEFA negotiations is set to accelerate the region's digital transformation and position ASEAN as a leader in the global digital landscape. The urgency of achieving ASEAN's goals should not be underestimated, as pushing against the trend towards unilateralism can only succeed if multilateral cooperation demonstrates results.

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