

ASEAN ECONOMIC COMMUNITY







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Welcome Letter

Dear Delegates of the ASEAN Economic Community (AEC),

Welcome to the AEC of the Hwa Chong Model ASEAN Summit (HCMAS) 2024! We are Isaac, Zijia, Anbo and Jack, the directors of this community. On behalf of the HCMAS Team, we would like to warmly welcome you to the AEC. The dais would like to emphasise that this infosheet would introduce all delegates to the two topics at hand, and all delegates are strongly encouraged to continue their research to understand their countries' stance at hand, to understand the topic to a deeper level; to therefore be able to participate actively in community sessions leading forward.

This year, two pivotal topics will be discussed during the duration of this community— the questions of Supply Chain Resilience and Poverty Alleviation, both set in the ASEAN context. These two topics are crucial factors for the betterment of ASEAN in general and the further development of the Economic Community.

The first topic of the AEC concerns supply chains, an essential component of economic growth in many countries. With these systems in place, there will ultimately be multiple ways in which the sustainability of said chains would be questioned, including factors such as increasing tensions resulting in the breakdown of numerous supply chains worldwide, especially in ASEAN.

The second topic of the AEC concerns one main problem in the world— poverty. It is commonplace to know that poverty is an alarming issue found in many countries around the globe, encapsulating factors such as economic instability and lack of necessities. With these factors in mind, delegates will need to play a critical role in mitigating poverty to shape a better future for ASEAN, the people of the world, and the betterment of our lives.

The ball is in your court, delegates. The AEC has been gathered to solve these pertinent issues, which certainly sparks tension amongst all delegates, who all have an undeniable part to play. Will a triumphant declaration be made regarding these critical issues found amongst ASEAN? Or will delegates find themselves on another revelation of debate on the multiple factors, with consensus seemingly dwindling in sight? The future of the AEC lies in your hands.

The dais wishes all delegates success for the upcoming summit and hopes participants will have an enriching and fruitful experience in AEC. Should delegates have any queries regarding the topics or the community in general, please do feel free to contact the dais at <u>aec.hcmas2024@gmail.com</u>. Thank you, and we look forward to your arrival at HCMAS 2024.

All the best!

Regards,

Isaac Toh, Guo Zijia, Hu Anbo, Jack Brier Directors of the HCMAS 2024 ASEAN Economic Community

Dais Introduction

Isaac Toh Kang Lei (Director)

Often found rushing his 20 undone Physics assignments, Isaac, a Year 3 Chinese Language Elective Programme (the only secretariat taking this combination) student, enjoys life's simplest pleasures: stressfully racing on Mario Kart 8 and casually singing in full-blown falsetto (sorry, choir friends). Apart from MUNs, Crises, and UNSCs, Isaac can also be commonly seen spraining and twisting his ankles trying to learn how to dance "Kemusan", but yielding no success. Ultimately, while not trying and failing rapidly to get a full combo on some of the easiest songs in multiple rhythm games, he likes to do what he loves most— cycling any distance until his heart's content. Resonating with his dais, Isaac sends this message to all delegates: Economics encompasses eclecticism!

Guo Zijia (Assistant Director)

While Zijia, a Year 3 Humanities Programme student, isn't plane spotting at Changi or on FlightRadar24, he can be seen binge-watching Formula 1. With the tiny fragments of free time he has left, Zijia also enjoys some casual doodling – competitive doodling doesn't suit him well, alongside his all-too-many side hustles. As Ferrari fans (including Zijia) may say, "Next year is our year.", Zijia also wishes to tell delegates, "Next conference is your conference", and it is your time to shine. He looks forward to meeting everyone and wishes them a fun and crazy time at the AEC. Economics encompasses eclecticism!

Hu Anbo (Assistant Director)

Anbo is a Year 3 Bicultural Studies Programme student who's relatively new to MUNs but is no stranger to debating. When he's not hurriedly completing schoolwork or attending air rifle practice, he usually reads Wikipedia articles on history and politics. In his free time, he enjoys watching shows like Breaking Bad and playing Genshin Impact and Hearts of Iron IV. He looks forward to seeing delegates engage in fruitful discussions and hopes to meet new friends. Lastly, Anbo reminds delegates this: Economics encompasses eclecticism!

Jack Lee Brier (Community Member)

Jack, a Year 2 student, finds solace in playing American football (the real football), his favourite sport, outside or grinding Madden 24 when it rains. An avid softball player, he can often be spotted obliterating pitches out of existence with his bat. At the same time, he loves

to blast music through his earbuds on the way home from school. Jack's favourite sports team is the Minnesota Vikings, which brings him pain and anguish on game day every week. Lastly, Jack would like to conclude with a message to all delegates: Economics encompasses eclecticism!

Community Introduction

Since the ASEAN Free Trade Area (AFTA), which was an agreement to remove tariffs between Southeast Asian nations that was established in 1992, attempts to increase the region's economic potential were stepped up since accelerating the region's economic growth through the creation of a single market made feasible by economic integration was one of ASEAN's main objectives.¹ ² After this, many methods have been utilised to foster the development and growth of this community@, with multiple blueprints being proposed and implemented to further the expansion of the AEC— one of which being the AEC Blueprint 2025. The AEC is a regional economic initiative established by ASEAN, to create a single market and production base within ASEAN's member states and promote the free movement of goods, services, skilled labour, investment and capital within the region.

The AEC Blueprint 2025 was implemented due to the success of the AEC 2015 Blueprint, which allowed for advancing trade liberalisation, liberalising and facilitating investment, streamlining and harmonising capital market regulatory frameworks and platforms and other exemplary aspects.³ In light of this, the goal of the AEC Blueprint 2025 was thus set to allow for the following goals to be achieved for ASEAN: (1) a highly integrated and cohesive economy, (2) a competitive, innovative and dynamic nature, (3) enhanced connectivity and sectoral cooperation, (4) a resilient, inclusive, people-oriented and people-centred ASEAN, and (5) a global ASEAN.⁴

In recent years, the AEC has also made a multitude of contributions to ASEAN's economy, boosting ASEAN in general. For example, it has enhanced connectivity and sectoral development in many areas, fostering regional economic integration under AEC's necessary demands, resulting in more excellent connectivity between the ASEAN Member States and

¹ ASEAN Secretariat. "Southeast Asia: A Free Trade Area" Association of Southeast Nations, 2002. <u>https://asean.org/wp-content/uploads/images/archive/pdf/AFTA.pdf</u>.

² ASEAN Secretariat. "Economic Community." Association of Southeast Asian Nations. Accessed February 13, 2024. <u>https://asean.org/our-communities/economic-community/</u>.

³ ASEAN Secretariat. "Asean Economic Community Blueprint 2025." Association of Southeast Asian Nations, 2015. <u>https://www.miti.gov.my/miti/resources/AEC_Blueprint_2025.pdf?mid=952</u>.

⁴ Ministry of Trade and Industry Singapore. "Asean Economic Community 2025." MTI, 2024. <u>https://www.mti.gov.sg/ASEAN/ASEAN-Economic-Community-2025#:~:text=Essentially%2C%20AEC</u> <u>%202025%20aims%20to,Enhanced%20connectivity%20and%20sectoral%20cooperation</u>.

within ASEAN countries.⁵ The AEC has also played a substantial role in tariff reduction being virtually tariff-free as of 2020⁶, with tariffs on 98.6% of products eliminated.⁷

Furthermore, the AEC also helps by utilising Free Trade Agreements (FTAs), Closer Economic Partnerships (CEPs), and increased involvement in international supply chains, allowing for ASEAN to become more globally integrated and increasing the allure of its domestic market for foreign investment.⁸ The AEC is also one of the three main Community Support Pillars in the 2021-2025 Initiative for ASEAN Integration (IAI) Workplan, alongside the APSC and the ASCC. These pillars align AEC's work with the AEC Blueprint 2025, enhancing the work of said IAI to be improved around sectors like food and agriculture, trade facilitation, education and more.⁹

In summary, the AEC plays a pivotal role in nurturing ASEAN's economic growth and trade advancements for ASEAN to emerge with greater economic integration and cooperation both within and in the region.

⁵ Ibid.

⁶ Menon, Jayant. "(Re)Realising the ASEAN Economic Community." East Asia Forum, December 7, 2023. <u>https://eastasiaforum.org/2017/08/24/rerealising-the-asean-economic-community/</u>.

 ⁷ ASEAN Secretariat. "Trade in Goods." Association of Southeast Asian Nations. Accessed February 13, 2024. <u>https://asean.org/our-communities/economic-community/trade-in-goods/</u>.
 ⁸ Ibid.

⁹ ASEAN Secretariat. 2020. Review of Initiative for Asean Integration (IAI) Work Plan. Asean.org. 2020. <u>https://asean.org/wp-content/uploads/IAI-workplan-IV.pdf</u>.

Topic Introduction

Supply Chains are integral to maintaining economic stability and building a functioning society. A supply chain is a network of individuals and companies who are involved in creating a product and delivering it to the consumer. Links on the chain begin with the producers of the raw materials and end when the supplier delivers the finished product to the end user. Said chains are found worldwide, many of which are found in ASEAN. Companies such as Amazon, Walmart and FedEx all utilise supply chains, maximising every step of the process, from obtaining raw materials to turning them into finished goods for consumers.¹⁰ Supply chain resilience refers to the ability of supply chains to persist and adapt in the face of change. For example, supply chain resilience was shown across the world during 2020 in the face of COVID-19, with many supply chains adapting to counter the effects of it globally.

ASEAN countries have become significant players in global supply chains, with Vietnam, Malaysia, and Thailand emerging as essential hubs for manufacturing. Furthermore, ASEAN provides an effective platform for investors to utilise and maximise its supply chains, proving that ASEAN also contributes to global supply chain development.¹¹ As of 2023, Southeast Asia is rivalling China's position at the heart of global supply chains.¹²

ASEAN nations are collaborating to use digital technology to incorporate small and medium-sized businesses into the worldwide supply chain to promote more equitable and sustainable trade.¹³ Countries which do so have been shown to have increased revenue and volume sales.

¹⁰ "21 Top Supply Chain Companies | Built In." n.d. Builtin.com. <u>https://builtin.com/logistics/supply-chain-companies</u>

¹¹ "Integrated Supply Chain | Reasons for Investing | ASEAN Investment." n.d. Investasean.asean.org. https://investasean.asean.org/index.php/page/view/reasons-for-investing/view/671/newsid/784/integrated-supply-chain.html

¹² Chew, Amy. 2023. "Southeast Asia the 'New China' for Supply Chains: Business Group." Www.aljazeera.com. March 7, 2023. <u>https://www.aljazeera.com/economy/2023/3/7/southeast-asia-the-new-china-for-supply-chains-bu</u> <u>siness-aroup</u>.

¹³ "As Supply Chain Patterns Evolve, Asean Is More Relevant than Ever, Global Enterprise - the BUSINESS TIMES." 2022. Www.businesstimes.com.sg. June 1, 2022. https://www.businesstimes.com.sg/international/global/supply-chain-patterns-evolve-asean-more-relevant-ever.

Furthermore, ASEAN places a strong emphasis on supply chains. This is because in ASEAN, multiple countries' economies rely on them for profit, especially in the technology sector. Enabling and safeguarding cross-border data flows are essential to enhance digital supply chains, which refer to the delivery of digital media from the distributor to the consumer through electronic means.

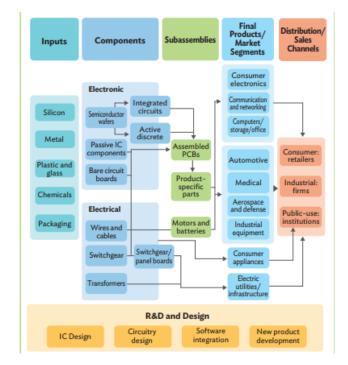


Figure 1.1. A depiction of a supply chain flow in electronic commerce.¹⁴

While supply chain resilience continues to rise amongst ASEAN countries as a result of the rapid development of their industries, this does not ascertain that supply chains will remain resilient in the coming years, particularly in lieu of global conflicts in recent years.

¹⁴ Asian Development Bank. 2023. Review of ASEAN and GLOBAL VALUE CHAINS: LOCKING in RESILIENCE and SUSTAINABILITY. Adb.org. Assessed December 30, 2022. <u>https://www.adb.org/sites/default/files/publication/871976/asean-global-value-chains-resilience-sust</u> <u>ainability.pdf</u>

COVID-19's Impact on Supply Chains

The global pandemic of COVID-19 has taken a toll on global supply chains, threatening global connectivity. Due to the pandemic, many issues have arisen, including increased demand, trade restrictions, factory closures, rising freight costs, and more, resulting in global shortages and inflation in global prices and causing disruptions in supply chains. Furthermore, manufacturers are coping with a lack of labour in the manufacturing of goods and items, causing scarcities in the supply chain, which spirals further issues, such as an absence of personnel to move goods in warehouses and the reduction in workers producing goods or parts, impact the supply chains globally, not only in ASEAN regions.¹⁵ Issues can be seen in the broader Asia-Pacific region, such as infrastructure problems, shortages of raw materials and components, increased freight costs, and supply chain bottlenecks, which have impeded the delivery of goods to businesses and consumers, tampering with product flow.¹⁶ This has been the case since 2020 when industries in the region have also seen manufacturing issues due to supply chain disruptions centring in China that year.¹⁷

Examples of supply chain disruptions due to the blazing pandemic are evident, not only in ASEAN but across the world. As of 2023, ASEAN alone had been losing \$17.01 billion a year due to persistent supply chain disruptions brought on by many variables, such as China's COVID-19 policy—where the government imposed lengthy lockdowns and other measures to safeguard the nation against the widespread pandemic—alongside worldwide geopolitical tensions.¹⁸ In 2021, ASEAN regions also suffered from global manufacturing supplier delivery time delays, affecting the time taken for goods to reach consumers and disrupt said chains; this problem was further compounded by the ongoing Russo-Ukrainian War two years later.¹⁹

¹⁵ Newton, Emily. 2023. "Labor Shortages and Supply Issues Still Stress Global Supply Chains." Supply Chain Connect. May 24, 2023. <u>https://www.supplychainconnect.com/news-trends/article/21266478/labor-shortages-and-supply-issues-still-stress-global-supply-chains#:~:text=Of%20course%2C%20the%20lagging%20labor</u>

¹⁶ "Supply Chain Disruption in Asia Pacific - KPMG Global." 2022. KPMG. May 28, 2022. <u>https://kpmg.com/xx/en/home/insights/2021/10/supply-chain-disruption-in-asia-pacific.html</u>

¹⁷ "How COVID-19 Will Transform Global Supply Chains and How ASEAN Must Respond." n.d. CARI ASEAN Research and Advocacy. Accessed February 21, 2024. <u>https://cariasean.org/news/how-covid-19-will-transform-global-supply-chains-and-how-asean-mus</u> <u>t-respond/</u>

¹⁸ "ASEAN Nations Bear Annual Losses of \$17b due to Supply Chain Disruptions." 2023. Manufacturing Asia. February 14, 2023. <u>https://manufacturing.asia/economy/in-focus/asean-nations-bear-annual-losses-17b-due-supply-ch</u>ain-disruptions

¹⁹ "Supply Chain Disruptions Are Abating, Though Constraints Remain, ASEAN Business - the BUSINESS TIMES." 2022. Www.businesstimes.com.sg. October 6, 2022.

Concerning the above situations, steps have been taken to mitigate disruptions in supply chains in ASEAN and the broader region. ASEAN has acknowledged that COVID-19 has served as an unmissable wake-up call for supply chains to start resilience measures, and affirmative steps have also been taken. For example, Vietnam has ventured to investigate the possibility of establishing a temporary plan to maintain supply chain connectivity while the pandemic is ongoing.²⁰ Suggestions have been made for ASEAN to cooperate with external countries like Japan to allow for supply chains to be more resilient in times of global turmoil, such as investigating alternate raw material sources and luring capital for a sustainable supply chain in multiple sectors of supply chains which have been disrupted due to the ongoing pandemic.²¹

While there are feasible solutions on the table, they have their share of drawbacks. Southeast Asia has long struggled with a lack of supply chain visibility, which drives up product logistics costs. Complex supply chains are inherently vulnerable to external shocks and disruptions, and many Asian and ASEAN countries fail to enhance their capacity to anticipate and adjust to said events, according to the 2020 World Risk Index.²² Supply chains in ASEAN are prone to further threats in recent years as they face vulnerabilities in coordination and information-sharing. The relevant root causes of these problems include insufficient sustainable funding and careless management, et cetera.²³ Current solutions to this issue will not be sustainable in the long-term and short-term with said threats, which are yet to cease.

Hence, it is pivotal that ASEAN continues to improve and probe solutions regarding supply chain management, sustainability and resilience since ASEAN countries are already key

<u>https://www.businesstimes.com.sg/international/asean/supply-chain-disruptions-are-abating-thoug</u> <u>h-constraints-remain</u>

²⁰ Review of HANOI PLAN of ACTION on STRENGTHENING ASEAN ECONOMIC COOPERATION and SUPPLY CHAIN CONNECTIVITY in RESPONSE to the COVID-19 PANDEMIC. 2020. Asean.org. 2020. https://asean.org/wp-content/uploads/2020/06/Hanoi-POA.pdf

²¹ Kumarasamy, Durairaj. n.d. "Assessing Supply Chain Resilience between ASEAN and India." Accessed February 21, 2024. https://aseanindiacentre.org.in/sites/default/files/2021-09/AIC%20Commentary%20No%2015%20Mar ch%202021.pdf

²² "Resilient Supply Chains for Post-COVID Asia." n.d. Www.eria.org. https://www.eria.org/news-and-views/resilient-supply-chains-for-post-covid-asia/

²³ Center, Asia Regional Integration. n.d. "Global Supply Chains Need Fixing: Help Is on the Way." Asia Regional Integration Center.

https://aric.adb.org/blog/global-supply-chains-need-fixing-help-is-on-the-way

locations for expanding manufacturing and supply chain capabilities. A positive outlook for inbound investments is anticipated to be evident shortly for ASEAN, with countries such as Japan looking for further cooperation on improving such supply chains.²⁴ However, to allow for further cooperation between countries to be more effectively fostered, key issues must be addressed, mitigated and resolved before supply chains can be up and running in a more sustainable future.

²⁴ "Japan and ASEAN to Study Data Sharing on Supply Chain Risks." n.d. Nikkei Asia. Accessed February 21, 2024. <u>https://asia.nikkei.com/Politics/International-relations/Japan-and-ASEAN-to-study-data-sharing-on</u>-supply-chain-risks

Key Terms and Definitions

| Term | Definition |
|-----------------------------|--|
| Supply Chains | Refer to businesses and individuals working together to produce and deliver a good or service, involving several parties and outlining every step of the production process. ²⁵ |
| Value Chains | Refer to the entire lifecycle of a process or product, encompassing the procurement of raw materials, manufacturing, use, and disposal/recycling procedures. ²⁶ Supply chains are primarily concerned with obtaining raw materials and getting products to the buyer, while value chains help to seek methods to increase the product's worth as it proceeds through the supply chain. ^{27 28} |
| Supply and Demand | Refer to a goods market's capacity to provide the good or service and the said market's desire to purchase the good or service, respectively. ²⁹ |
| Supply and Demand Curves | Refer to the visual depiction of the relationship between the price of an item or service and the volume supplied over a specific time and the graph that illustrates the connection between the cost of an item or service and the quantity requested in a given amount of time, respectively. ^{30 31} In supply chain terms, these curves are seen commonly in goods marketplaces—where buyers and sellers meet and bargain |

²⁵ Ibid.

²⁶ Walker, Timea. 2021. "What Is a Value Chain? Definitions and Characteristics." Www.cisl.cam.ac.uk. July 5, 2021.

https://www.cisl.cam.ac.uk/education/graduate-study/pgcerts/value-chain-defs#:~:text=%22Value%2 Ochains%20are%20an%20integral

²⁷ "Supply Chain vs. Value Chain: Why the Difference Matters | GEP Blogs." n.d. Www.gep.com. <u>https://www.gep.com/blog/technology/supply-chain-vs-value-chain#:~:text=The%20supply%20chain</u> <u>%20focuses%20on</u>

²⁸ NetSuite.com. n.d. "Value Chain vs Supply Chain." Oracle NetSuite.

https://www.netsuite.com/portal/resource/articles/erp/value-chain-supply-chain.shtml#:~:text=The% 20main%20difference%20between%20a

 ²⁹ SumUp. n.d. "Supply and Demand - What Is Supply and Demand? | SumUp Invoices." SumUp - a Better Way to Get Paid. <u>https://www.sumup.com/en-gb/invoices/dictionary/supply-and-demand/</u>
 ³⁰ Kenton, Will. n.d. "Tracing the Supply Curve." Investopedia.

https://www.investopedia.com/terms/s/supply-curve.asp#:~:text=The%20supply%20curve%20is%20a ³¹ "Demand Curves: What Are They, Types, and Example." n.d. Investopedia.

https://www.investopedia.com/terms/d/demand-curve.asp#:~:text=Key%20Takeaways

| | over goods and services ³² — and transactions comfortably accommodate the supply and demand curve. ³³ |
|---------------------------------|--|
| Supply Chain Diversification | Refers to the development of supply chains to increase its abilities to build flexibility and redundancy through methods such as rethinking and growing production and distribution networks. ³⁴ Such diversification is important as it allows supply chain goods manufacturers to rely on multiple suppliers instead of one consolidated source, allowing for the avoidance of significant production and manufacturing delays and the building of supply chain resilience. |
| Supply Chain Digitalisation | Refers to the process by which supply chains utilise newer cutting-edge technologies and processes, such as combining the ecosystem, automating, and utilising impartial, safe data to improve supply chains. ³⁵ This process helps businesses to decrease manual errors, enhance supply chain efficiency, expedite procedures, and provide better insights. |
| Supply Chain Visibility | Refers to the ability of a business to track all parts, materials, components, and products moving along its supply chain. ³⁶ |
| Supply Chain Strength | Refers to the ability of supply chains to process and transport produce quickly, efficiently, and cost-effectively from the source to the point of |

³² "Market: What It Means in Economics, Types, and Common Features." n.d. Investopedia.

https://www.investopedia.com/terms/m/market.asp#:~:text=A%20market%20is%20where%20buyers ³³ "Market: What It Means in Economics, Types, and Common Features." n.d. Investopedia. Accessed February 24, 2024.

https://www.investopedia.com/terms/m/market.asp#:~:text=A%20market%20is%20where%20buyers. ³⁴ DHL. 2021. "The High Impact of Supply Chain Diversification." DHL. 2021.

https://www.dhl.com/global-en/delivered/globalization/supply-chain-diversification.html#:~:text=Supply%20chain%20diversification%20means%20developing.

³⁵ "Supply Chain Technologies and Digital Transformation." n.d. Www.gartner.com. Accessed February 24, 2024.

https://www.gartner.com/en/supply-chain/topics/supply-chain-digital-transformation#:~:text=Supply %20chain%20leaders%20must%20prioritize,sustainable%20and%20autonomous%20supply%20chain.

³⁶ "6 Benefits of Supply Chain Visibility." n.d. QIMAone. Accessed February 24, 2024. <u>https://www.qimaone.com/resource-hub/benefits-supply-chain-visibility</u>

| consumption, allowing for the optimisation of supply chain flow in such |
|---|
| systems across ASEAN and further regions. ³⁷ |

³⁷ "Supply Chain Strengths." n.d. Oboloo. Accessed February 24, 2024. <u>https://oboloo.com/glossary/supply-chain-strengths/</u>

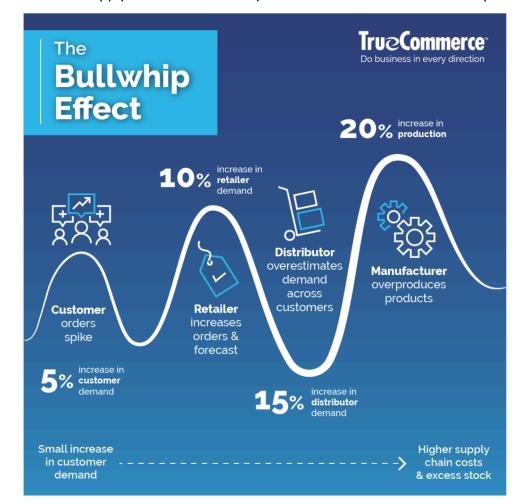
Key Issues

Supply Chain Digitisation and the Sunk-Cost Fallacy

As technology advances, transitioning to automated and more interconnected systems with more data and insight can greatly improve efficiency and help companies make better, well-informed decisions. One of the issues with rapid digitalisation is the sunk-cost fallacy³⁸, which is people believing that investments (i.e., sunk costs) justify further expenditures. People demonstrate "a greater tendency to continue an endeavour once an investment in money, effort, or time has been made". This is the sunk cost fallacy, and such behaviour may be described as "throwing good money after bad", while refusing to succumb to what may be described as "cutting one's losses". For example, Cambodia attempted to rehabilitate its railway system in 2009. This plan faced numerous challenges, including delays, corruption, and mismanagement. Despite these issues, the project continued for an extended period before Cambodia decided to make significant changes to the project. The sunk-cost fallacy contributed to the prolonged commitment to the project despite evident problems with the plan. While these issues are regarding individuals and corporations, major issues with supply chain digitalisation could result in an economic impact on supply chains and a corresponding negative impact on the resilience of these supply chains. If these issues are not addressed, it could negatively impact the economies of these ASEAN countries which are heavily reliant on these supply chains.

³⁸ N.d. Sunk Cost Fallacy Definition | Cambridge English Dictionary. Accessed February 24, 2024. <u>https://dictionary.cambridge.org/us/dictionary/english/sunk-cost-fallacy</u>

Supply Chain Supply and Demand Fluctuation



Another issue with supply chain resilience is a phenomenon known as the "bullwhip effect".³⁹

Figure 1.2. A visual aid of the effects and repercussions of the bullwhip effect. ⁴⁰

The bullwhip effect describes how small fluctuations in demand can cause progressively larger fluctuations in demand at the wholesale, distributor, manufacturer and raw material supplier levels. The effect is named after the physics involved in cracking a whip. When the person holding the whip snaps their wrist, the relatively small movement causes the whip's wave patterns to amplify in a chain reaction increasingly. Similarly, a change in any link along the supply chain can profoundly affect the rest of the supply chain.

³⁹ Daniel, Diann. 2023. "What Is the Bullwhip Effect? - Definition from Whatis.Com." ERP. TechTarget. January 30, 2023. <u>https://www.techtarget.com/searcherp/definition/bullwhip-effect</u>

⁴⁰ Developer. 2023. "The Bullwhip Effect and the Supply Chain." TrueCommerce UK. July 2, 2023. <u>https://www.truecommerce.com/uk-en/blog/understanding-the-supply-chain-bullwhip-effect/</u>

For example, during the early months of the COVID-19 pandemic, toilet paper were out of stock in major supermarket chains in Singapore was out of stock of toilet paper.⁴¹ Since grocery stores and other retailers usually keep only several weeks' worth of toilet paper in their warehouses, the sudden increase in demand — largely fueled by panic-buying and hoarding — quickly depleted stocks. With the unpredictable buyer demand, it was difficult to keep goods reliably on the shelves. The bullwhip effect also occurs as a result of lowered demand at the customer level (which causes shortages when inaccurate) and can be caused at other places along the chain.

Furthermore, to scale down towards repercussions of the bullwhip effect in ASEAN, a key example would be Singapore in 2020. Distributors had to throw away more than 250,000 eggs due to oversupply in the said produce in Singapore in June of that year, contrasting that of March and April of 2020 when eggs were commonly missing from grocery shelves, both digital and in stores.⁴² Upon further research, this issue was found to be due to the distortion in the signal of the transportation of data that egg suppliers faced a shortage even though the supply of the produce was still flowing fairly well in the entire supply chain, resulting in repercussions such as oversupply as seen above.⁴³

This ties in with another contentious issue in supply chains, fluctuant and efficient communication. This is critical since there would consequently be evident repercussions in supply chains such as oversupply or undersupply as seen above, as demand can easily fluctuate due to many factors causing deficits in the supply chain, and this is an issue yet to be resolved, even though prevalent, in many supply chains around ASEAN and in the Asia-Pacific region, seen by the case studies as shown above.

⁴¹ Tan, A. February 10, 2020. Coronavirus: Politicians, supermarkets urge calm amid panic-buying of groceries. Straits Times.

https://www.straitstimes.com/singapore/health/coronavirus-fairprice-chief-urges-calm-amid-panicbuying-of-groceries-singapores.

⁴² hermesauto. June 19, 2020. "Coronavirus: Egg Distributors Struggling to Deal with Oversupply." The Straits Times. Assessed January 25, 2024. <u>https://www.straitstimes.com/singapore/coronavirus-egg-distributors-struggling-to-deal-with-overs</u> <u>upply</u>. ⁴³ Ibid.

Communication Issues in Supply Chains

Another problem is communication issues in supply chains. Since the start of the COVID-19 Pandemic, many ASEAN countries have restricted movement in hopes of containing the virus. For example, in the Philippines, the government imposed restrictions on the area around the capital Manila. This included suspension of classes, closure of public offices, temporary suspension of domestic travel, as well as the prohibition of mass gatherings. Such restrictions imposed during the pandemic limit the movement of people and goods, isolatingthe region away from the rest of the world. ⁴⁴ Solutions to communication issues do exist, for example, Supply Chain Visibility Platforms or Blockchain Technology. However, these solutions do have flaws which ultimately will lead to their downfall. One major cause of the failure of these solutions is the challenges faced when integrating them into various systems, due to the complexity faced when doing so. Another main cause is the concern over data security and privacy against cyber threats. Ensuring compliance with data protection regulations is also a challenge.

Security Issues of Supply Chains

Supply chains face a wide variety of security issues. Firstly, man-made disruptions can greatly affect supply chain security. Global supply chains are facing the worst shortages in 50 years due to the pandemic and the war in Ukraine.⁴⁵ The bounce-back in consumer demand, fueled by federal stimulus checks, has been stronger than expected, leading to additional stresses on supply chains. In ASEAN, the military coup in Myanmar resulted in numerous supply chain and trade disruptions. This increased the prices of goods not only in Myanmar but also in countries that relied on exports from Myanmar, which resulted in shortages of food and other essentials around ASEAN.⁴⁶

⁴⁴ "Joint Study on 10+3 Cooperation for Improvement of Supply Chain Connectivity: ASEAN Sub-Report." n.d. Navbar-Brand. Accessed February 24, 2024.

https://www.eria.org/publications/joint-study-on-103-cooperation-for-improvement-of-supply-chain -connectivity-asean-sub-report/

⁴⁵ Iglinski-Rochester, Peter. 2022. "Why Are Supply Chains Facing Disruptions, and How Long Will They
Last?" World Economic Forum. July 5, 2022.
https://www.weforum.org/agenda/2022/07/supply-chain-disruptions/.

⁴⁶ Moyer, Liz. n.d. "Myanmar's Military Coup Could Hurt Supply Chains. Why the Disruption Might Be Short-Lived."

https://www.barrons.com/articles/myanmars-coup-could-hurt-supply-chains-the-disruption-mightbe-short-lived-51612528200.

Secondly, digital threats, also known as cyber threats, come with the digitalisation of supply chains. Cyberthreats refer to vulnerabilities in IT and software systems, like malware attacks, unauthorised ERP access, and unintentionally or maliciously injected backdoors in the purchased, open-source, or proprietary software used by organisations. These factors can result in negative impacts on supply chains and their resilience.⁴⁷

⁴⁷ Wright, Gavin. 2021. "What Is Supply Chain Security and How Does It Work?" SearchERP. April 2021. <u>https://www.techtarget.com/searcherp/definition/supply-chain-security</u>.

Scope of Debate

Improvements in Supply Chain Digitalisation through Supply Chain Visibility

To allow for issues in supply chain digitalisation to be mitigated, supply chain visibility needs to be ensured for companies fostering and moving towards supply chain digitalisation. This will allow for industries along the supply chain to become more resilient, cut expenses⁴⁸, and satisfy environmental, social, and corporate governance (hereinafter referred to as "ESG") goals. These goals will help said industries understand how organisations manage risks and opportunities related to the three aforementioned criteria.⁴⁹ Furthermore, supply chain visibility reaps many benefits, including enhancement of customer service and cost controls by proactive status updates, risk mitigation, disruption minimisation, and inventory management in motion.⁵⁰ These, in turn, will allow companies to have a deeper view of the extended supply chain, allowing for said companies to react faster and make better fact-based decisions about managing supply chain disruptions.

Regarding said disruptions, there have been many ways in which countries can allow supply chain transparency. Firstly, countries can allow supply chain companies headquartered in said area to map out supply chains through collaboration through ministries. By allowing the map out, said companies will be able to accurately track and manage complex digitised chains, allowing for resilience to be built. However, many countries may be reluctant to allow for increased supply chain visibility due to sensitive information.

Secondly, countries can allow for risk management to be carried out towards supply chains, whether it be through ministries or government sectorial bodies. They can carry out risk management tests for different supply chain manufacturing and distribution companies along the entire chain, which can be done on a 5-year basis. To improve supply chains that do not adhere to or pass the said assessment of risks, governments can also help the said

⁴⁸ "Supply Chain Visibility in the Digital Age - KPMG Global." 2022. KPMG. June 13, 2022. <u>https://kpmg.com/xx/en/home/insights/2022/06/supply-chain-visibility-in-the-digital-age.html#:~:te</u> <u>xt=Greater%20transparency%20can%20help%20companies</u>.

⁴⁹ Wire, Adam. February 21, 2023. "How to Establish and Monitor ESG Goals." OnBoard Board Management Software | Board Portal | Board Intelligence. Assessed January 21, 2024. https://www.onboardmeetings.com/blog/esg-goals/#:~:text=What%20are%20ESG%20Goals%3F

⁵⁰ "Why Is Supply Chain Visibility so Important?" n.d. Www.chrobinson.com. Accessed February 12, 2024.

<u>https://www.chrobinson.com/en-sg/resources/blog/why-is-supply-chain-visibility-so-important/#:~:t</u> <u>ext=Key%20benefits%20of%20supply%20chain</u>.

sectoral bodies implement mitigation measures to eliminate risks to maintain transparency. If said risk management can be implemented alongside the aforementioned solution of mapping and monitoring various elements of their supply chain, businesses can quickly detect and mitigate risks, protecting goods and hence ensuring business continuity, enabling supply chain resilience.

Lastly, supply chain visibility can be achieved by allowing countries to push for supply chain companies to establish clear metrics and key performance indicators (hereinafter referred to as "KPIs") for all supply chain members, in which said metrics should be aligned with a supply chain development company's overall goals and objectives, such as through building up KPIs like reducing end-to-end supply chain costs for better economic stability in supply chains. These metrics and KPIs can also be fostered through government sectorial bodies and ministries to allow for the enablement of supply chain industries to monitor how effectively they are functioning, enhancing countries that have a high stake in supply chain digitalisation. However, this can be costly and requires investment. Certain countries may be reluctant to invest the resources necessary for a long-term solution.

Supply chain visibility is an ideal solution that alleviates the critical issues of digitalisation in said networks. However, this does not undermine some fundamental issues in said transparency method. For starters, many supply chain industries face a plethora of challenges in the course of digitalisation, such as poor communication between supply chain stakeholders, lack of real-time data on supply chain operations, and more.⁵¹ While these problems can be alleviated through the solutions mentioned above, factors such as unprecedented variability and economic uncertainty will result in these visibility goals being challenged, ultimately resulting in the inability to sustain said visibility, resulting in crucial issues arising from supply chain digitalisation again. This economic uncertainty is in part due to slow recovery by key members of the supply chains from COVID-19, including China, which has weighed heavily on Southeast Asian countries, especially in the trade sector, impacting supply chains and causing economic uncertainty.⁵² Furthermore, if countries are not able to

⁵¹ "Qimaone.art-Challenges-And-Solutions.open-Graph.title." n.d. Www.qimaone.com. AssessedJanuary 22, 2024. https://www.qimaone.com/resource-hub/article/common-supply-chain-challenges.

⁵² "The COVID-19 Pandemic: Impact on ASEAN Connectivity and Recovery Strategies Policy Insights." n.d. OECD. Assessed February 24, 2024.

https://www.oecd.org/southeast-asia/ERIA%20COVID19%20and%20ASEAN%20Connectivity.pdf.

cooperate effectively and efficiently with supply chain industries, this will ultimately result and lead to implications such as increased disruptions in global goods supply for said supply chains, with further implications such as the loss of productivity, unnecessary costs and further working costs.

Furthermore, many issues regarding the supply chain remain relevant, especially in current times. For example, no supply chain is immune from unforeseen disruptions, whether they come from weather-related events, geopolitical events, supplier bankruptcy, or dockworkers' strikes, leading to repercussions such as that of industries along the said supply chain line needing to idle or ramp up a production line to compensate for the disruptions, resulting in further delays in supply and thus leading to a reduced economic output if said disruptions continue.⁵³ Considering that there are an increasing number of unforeseen disruptions, especially those relevant to digitalised supply chains, these disruptions are still highly relevant to current times, a serious issue yet to be discussed.

One important factor to note is that there are countries which do not agree on supply chain visibility, due to the possibility of a breach of data privacy and security. Since ASEAN supply chain visibility can be fostered by ensuring assets are tracked throughout their entire movement or shipment through supply chains from producer to consumer, data sharing is extremely prevalent in said factor of supply chain visibility. However, this is an issue that supply chain stakeholders in ASEAN have yet to mitigate. In ASEAN, the main problem with data sharing lies in the fact that ASEAN governments have not yet constituted a legal provision to regularly review the efficiency and effectiveness of government exceptions towards data sharing and privacy, being that of limitations on data collection and processing in a multitude of ASEAN countries.⁵⁴ This could lead to a lack of openness and oversight in applying government exceptions for personal data, eroding public confidence in the use of data.⁵⁵

⁵³ "Problems in the Supply Chain Demanding a Supply Chain Visibility Solution! | Arviem Cargo Monitoring."

https://arviem.com/problems-in-supply-chain-demanding-supply-chain-visibility-solution/.

⁵⁴ Suvannaphakdy, Sithanonxay. 2022. "2022/67 'Better Safeguards Needed for Trusted Data Use in ASEAN Countries' by Sithanonxay Suvannaphakdy." Www.iseas.edu.sg 2022 (67). https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2022-67-better-safeguards-need ed-for-trusted-data-use-in-asean-countries-by-sithanonxay-suvannaphakdy/. ⁵⁵ Ibid.

Another factor which aids in the inability to sustain supply chain visibility is that of infrastructure developments in ASEAN. Considering that supply chain visibility requires audits and remediation, followed by data sharing and tracking needed by the plethora of countries in ASEAN, this ultimately snowballs into a lot of resources required for supply chain visibility to be effectively maintained in ASEAN.⁵⁶ However, adequate infrastructure will need to be required, such as stable supply chain parts, stable goods flow, and a structure to allow for data tracking to be enabled for transparency. This will require economies of scale, which ASEAN is unable to develop, because of the varying incomes of various ASEAN member states.⁵⁷ Since ASEAN contains several Less Economically Developed Countries (hereinafter referred to as LEDCs) such as Laos, Myanmar and Cambodia, there will be a need to bridge the infrastructure gap between countries, a point of contention that needs to be addressed urgently.⁵⁸

It is important to note that while there are many ways of mitigating supply chain visibility challenges, there are ultimately many issues in which these challenges persist. Hence, it is essential to think of solutions that encapsulate the issue of solving digitalisation problems through visibility, including that of solving supply chain visibility. In times when supply chains are getting increasingly complex, with tracking and tracing of goods being increasingly profound, supply chain visibility has become, no doubt, another contentious issue which needs to be discussed as soon as possible. ASEAN will need to work together to find consensus on regulation to allow for increased supply chain visibility while still respecting the sovereignty of other nations.

⁵⁶ "Five Steps to Improve Supply Chain Transparency." May 21, 2016. Cattermole Consulting Inc.AssessedFebruary11,2024.https://www.cattermoleconsulting.com/5-steps-improve-supply-chain-transparency/.

⁵⁷ Mehrotra, S., Walia, Sm. August, 2022. "REDUCING INEQUALITY IN THE DECADE OF ACTION TO ACHIEVE THE SDGS AND ACCELERATE POSTPANDEMIC RECOVERY" Assessed February 11, 2024. https://asean.org/wp-content/uploads/2022/08/FINAL-Policy-Brief-on-Reducing-Inequality.pdf.

⁵⁸ UNCTAD. n.d. UN list of least developed countries. UNCTAD Web. Assessed February 11, 2024. <u>https://unctad.org/topic/least-developed-countries/list#:~:text=Asia%20(8)%3A%20Afghanistan%2C%</u> <u>20</u>

Bangladesh, Nepal%2C%20Timor%2DLeste%20and%20Yemen

Protectionism in Supply Chains

The second contentious area for debate is how delegates would engage with protectionism in supply chains. It refers to the restriction of international trade so that nations can look after the interests of domestic interests and bolster the domestic industry.⁵⁹ Examples of protectionist policies include the imposement of tariffs and setting trade quotas.

In ASEAN, many types of supply chain protectionism are seen, especially during the COVID-19 Pandemic. For example, many ASEAN countries moved to implement trade barriers such as commodity export bans to protect the local food supply, export bans and other heightened trade barriers in light of the increasing pandemic infection rates within the region, an act of protectionism in supply chains.⁶⁰ Furthermore, palm oil exports have also suffered the repercussions of protectionism measures in ASEAN, as international vegetable oil prices increased to more than triple their pre-COVID-19 levels in end-2019.⁶¹

Scaling down on further issues in ASEAN, many countries also continue to enforce protectionist policies on their supply chains due to reservations, such as Malaysia. As of 2022, protectionism is still one of Malaysia's key trade policies, which has a major impact on countries which receive imports and/or exports from Malaysia.⁶² One primal example of this is the renowned example of Malaysia's chicken exports, where Malaysia curbed its chicken exports to countries such as Singapore to address the domestic supply shortage of said

⁵⁹ The Investopedia Team. April 11, 2022. Protectionism: Examples and Types of Trade Protections. Assessed February 6, 2024. <u>https://www.investopedia.com/terms/p/protectionism.asp#:~:text=Protectionism%20refers%20to%20</u> <u>government%20policies.for%20safety%20or%20guality%20concerns.</u>

⁶⁰ foodnavigator-asia.com. April 20, 2020. "COVID-19 in ASEAN: 'Protectionist' Measures Threaten Global Supply Chains as Lockdowns Persist." Foodnavigator-Asia.com. Assessed February 6, 2024. <u>https://www.foodnavigator-asia.com/Article/2020/04/14/COVID-19-in-ASEAN-Protectionist-measur</u> es-threaten-global-supply-chains-as-lockdowns-persist.

⁶¹ Montesclaros, J., Caballero-ANthony, M. May 25, 2022. "Ukraine War and Food Security: How Should ASEAN Respond? - RSIS." Www.rsis.edu.sg. Accessed February 6, 2024. https://www.rsis.edu.sg/rsis-publication/nts/ukraine-war-and-food-security-how-should-asean-resp ond

⁶² Shamsunahar, I. March 16, 2022. "Malaysia Should Open Its Markets to Lower the Cost of Living." Nikkei Asia. Assessed February 6, 2024.

https://asia.nikkei.com/Opinion/Malaysia-should-open-its-markets-to-lower-the-cost-of-living.

produce in its country.⁶³ Delving into this issue, there have been many factors which resulted in Malaysia ultimately making the pivotal decision to reduce its exports, such as rising costs of chicken production, disease infection and weather conditions in Malaysia, resulting in citizens' dissatisfaction towards its rising prices, leading up to an escalation of this issue towards Malaysia's Agriculture and Food Industries Ministry.⁶⁴ These matters of protectionism have been cited to be based on ongoing global conflicts amidst global turmoil, such as the Russo-Ukrainian conflict spurring since the 2020s, which led to Malaysia having an interest towards protectionism, reducing imports and exports of goods and produce like chicken.⁶⁵

Another primal example of protectionism in ASEAN is Cambodia, where they have imposed many restrictions on trade and flow of goods, hindering its supply chain flow and further resilience, especially in recent times. In 2020, Cambodia saw a ban on some rice exports in its country, mainly due to food security concerns in said country despite the rising pandemic of COVID-19.⁶⁶ Due to many issues regarding domestic supplies in Cambodia, such as Cambodia's water crisis when Cambodia's water supply was contaminated by multiple sources and pollutants, Cambodia hence had an interest in the aforementioned action of supply chain protectionism, seeing it as a preventive strategy that was important to the national interests of Cambodia.⁶⁷

Claims and acts of protectionism have resulted in criticisms in many countries, not just in ASEAN, but around the world. For example, a common criticism of supply chain protectionism would be the increase of prices in supply chain produce and goods. When

<u>https://www.channelnewsasia.com/singapore/malaysia-bans-chicken-exports-singapore-supply-pric</u> <u>e-consumers-2703071</u>.

https://www.ifpri.org/news-release/whats-behind-rise-trade-protectionism-cips%C2%A

https://www.reuters.com/article/health-coronavirus-cambodia-rice-idUSL4N2BN3EK/

⁶³ Tan, V. Yusof, A. May 23, 2022. "Malaysia Government to Halt Export of 3.6 Million Chickens per Month until Domestic Prices Stabilise." CNA. Assessed February 11 2024. <u>https://www.channelnewsasia.com/asia/malaysia-halt-export-chicken-36-million-month-ismail-sabri</u> <u>-2701206</u>.

⁶⁴Andres, Gabrielle. May 24, 2022. "Malaysia Bans Chicken Exports: What You Need to Know." CNA. Assessed Feb 11, 2024.

⁶⁵ Leighton, L. August 19, 2024. "What's behind the Rise in Trade Protectionism? (CIPS)." International Food Policy Research Institute Web. Assessed February 11, 2024.

⁶⁶ Thul, P., C., Johnson, K. March 30, 2020. Cambodia to ban some rice exports due to coronavirus. Assessed February 11, 2024.

⁶⁷ Bensen, Deborah. February 1, 2023. "The Cambodia Water Crisis: How You Can Help." Healing Waters. Assessed February 11, 2024.

https://healingwaters.org/the-cambodia-water-crisis-how-you-can-help/#:~:text=The%20Cambodia %20water%20crisis%20stems.

goods are protected, customers at the end of the supply chain or countries which gain exports from said supply chains will have to pay more for components or raw materials they purchase from overseas due to a limited supply from countries which choose to be protectionist, ultimately increasing the nett price that one has to pay for the acquisition of said goods.

This is one of many transpicuous repercussions seen from supply chain protectionism, alongside many others, such as the reduction of a customer's liberty to choose between goods, known as a "customer's choice" in supply chains.⁶⁸ Protectionist measures that are meant to protect businesses, jobs, and industries may result in having fewer options for consumers, who may be forced to make do with subpar goods.

On the other hand, supply chain protectionism does have its benefits, which is why some countries, such as Cambodia and Malaysia, choose to implement said protectionist policies for the betterment of the entire country. One of the prevalent benefits of supply chain protectionism is that it allows for the shielding of domestic industries from foreign competition. To allow for domestic employment, industries, and national security interests to be safeguarded, countries will implement protectionist measures to maintain these said factors which heavily benefit a country in its course of expanding supply chains and allowing for supply chains to become more resilient, especially in times of global turmoil. This also concurrently reduces import levels in times of crises and turmoil and thus allows the country to increase its trade balance compared to that of not implementing protectionist measures.

Furthermore, supply chain protectionism and the implementation of protectionist policies allow for temporary relief to be provided to workers along the supply chain, easing the production line and thus allowing for a better outlook of supply chains in the long and short term. Trade restrictions may temporarily create new employment opportunities for a protected industry while other industries are forced to contract, and this results in improvements towards labour productivity and income in a plethora of supply chains, ultimately boosting it and allowing for it to become more competitive and resilient in times of global turmoil. Lastly, supply chain protectionism allows for the offsetting of the cost of trade barriers— while protectionist policies will reduce transportation costs and avoid higher duties,

⁶⁸ IMF. June, 2023. Trade, Disrupted. IMF Web. Assessed February 11, 2024. <u>https://www.imf.org/-/media/Files/Publications/Fandd/Article/2023/June/FD0623.ashx</u>

it will increase the cost of production. To keep their cost base in check, companies therefore will be increasingly looking for cost optimization opportunities, particularly in the supply chain area.

To ultimately weigh out the pros and cons of supply chain protectionism, there are many downsides to this course of action, but this does not undermine the benefits which countries reap when considering supply chain protectionism. Ultimately, countries will have different stances towards protectionism, with countries such as Indonesia and Malaysia practising said courses of protectionism, while others such as Brunei and Singapore do not do so, as said countries exercise and emphasise a harmonised system in trade⁶⁹ and a free and open international trading environment respectively.⁷⁰ Hence, to come up with solutions regarding the aforementioned issues, countries should take into account this matter of protectionism— whether they should exercise it, considering the benefits and disadvantages of this matter.

⁶⁹ HKTDC Research. February 12, 2018. Research.hktdc.com. Accessed February 11, 2024. <u>https://research.hktdc.com/en/article/MzUzNjExOTQz#:~:text=Brunei%20adopts%20the%20Harmoni</u> <u>sed%20System</u>

⁷⁰ International Trade Administration. January 5, 2024. "Singapore - Trade Agreements." Www.trade.gov. Assessed February 11, 2024.

https://www.trade.gov/country-commercial-guides/singapore-trade-agreements#:~:text=The%20pri mary%20objective%20of%20Singapore.

Key Stakeholders

Countries With Strong Supply Chain Resilience

Singapore, one of the main states that plays a vital role in the global supply chain, has a substantial say in supply chain management and sustainability. It is also one of the busiest ports by shipping tonnage and is geographically located along the world's major shipping, aviation, and trading routes.

Alongside other countries such as Malaysia, Singapore does place a strong emphasis on supply chain digitalisation. Besides its initiatives being rolled out to capture new digital jobs in supply chain management, Singapore has formally launched a centralised data platform to improve information flows throughout a disjointed global supply chain, showing the importance of supply chain digitalisation to said country.⁷¹ Singapore has acknowledged the fact that digitalisation makes it possible for businesses to continuously implement process improvements by getting rid of common production errors, and more Food and Beverage businesses in Singapore are turning to digital technologies to identify ingredients in line with consumer preferences, bridge gaps in the supply chain, streamline operations, and optimise business processes, showing its steady transition towards digitalisation.⁷²

In Singapore, multiple supply chain disruptions have also occurred. These disruptions have cost Singapore's economy an astounding \$2.6 billion in damages annually, and it can be seen that this is a significant issue that is on the rise, especially during times of turmoil like the global pandemic.⁷³ Furthermore, Singaporean companies saw increased demand for their products and services—a significant problem during said times of global turmoil—and many

⁷¹ Yu, Eileen. June 2, 2022. "Singapore Officially Launches Digital Platform to Ease Supply Chain Data Flow." ZDNET. Assessed January 21, 2024.

<u>https://www.zdnet.com/article/singapore-officially-launches-digital-platform-to-ease-supply-chain-data-flow/.</u>

⁷² Tan, Ken Chew. February 28, 2023. "Why Digitalisation Future-Proofs Singapore's Food Supply Chain." Frontier Enterprise. Assessed January 21, 2024.

https://www.frontier-enterprise.com/why-digitalisation-future-proofs-singapores-food-supply-chain /#:~:text=At%20the%20same%20time%2C%20digitalisation,businesses%20to%20transform%20innova tion%20processes.

⁷³ Singapore Business Review Staff Reporter. February 21, 2023. "How Much Does Singapore Lose Each Year Due to Supply Chain Disruptions?" Singapore Business Review. Assessed January 21, 2024. <u>https://sbr.com.sg/economy/in-focus/how-much-does-singapore-lose-each-year-due-supply-chaindisruptions.</u>

companies based in the said country have also reported that the global pandemic had greatly affected the global supply chain due to disruptions from travel restrictions.⁷⁴

Concerning the aforementioned problems of supply chains, Singapore has implemented strategies to mitigate said problems and maintain and build supply chain resilience. For example, Singapore uses the diversification of goods in the supply chain to guarantee a steady supply of essential goods, allowing for the flexibility to adjust when a source is interrupted and collaborate with numerous reliable partners to maintain supply flow even in challenging situations.⁷⁵ Furthermore, Singapore believes the way to achieve resilience is by diversifying trade links and enhancing interdependence and mutually beneficial cooperation, and is also forging cooperation with multiple countries to improve its supply chain sustainability, like China. Singapore has also reaffirmed its commitment to continue fostering goods flow in supply chains with its multiple economic partners like Australia, Canada, the Republic Of Korea and New Zealand, with added measures to minimise the impact of COVID-19 on trade and investment and facilitate an inclusive and sustainable economic recovery from the pandemic.⁷⁶

In summary, Singapore has a vital role in maintaining supply chain resilience and building said measures because it has implemented many solutions regarding supply chain disruptions, especially in times of global turmoil. Owing to Singapore leading ASEAN in the exportation of goods have a substantial say which can contribute to the overall resilience of supply chains around ASEAN and in further regions such as the Asia-Pacific region.⁷⁷

https://www.statista.com/statistics/1235320/singapore-covid-19-impact-on-supply-chain-sector/.

⁷⁵ Singapore Public Sector Outcomes Review. December 6, 2022. "Strengthening Our Supply Chain Resilience." SPOR. Assessed January 21, 2024.

⁷⁴ Statista Research Department. May 22, 2023. "Singapore: Covid-19 Impact on Supply Chain Sector 2021." Statista. Assessed January 21, 2024.

<u>https://www.mof.gov.sg/singapore-public-sector-outcomes-review/citizens/our-shared-future-and-p</u> <u>lace-in-the-world/strengthening-our-supply-chain-resilience</u>.

⁷⁶ Ministry of Trade and Industry Singapore. May 1, 2020. "Singapore Reaffirms Commitment to Facilitate Cross-Border Flows with Australia, Canada, Republic of Korea and New Zealand." MTI. Assessed January 21, 2024.

<u>https://www.mti.gov.sg/Newsroom/Press-Releases/2020/05/Press-Release-on-Joint-Statement-with-Korea-Australia-Canada-and-New-Zealand.</u>

⁷⁷ ASEAN Secretariat. n.d. "Industry Focus." Association of Southeast Asian Nations. Accessed February 18, 2024. <u>https://asean.org/industry-focus/</u>

Malaysia has a critical stance on the said issues of supply chains and supply chain resilience. Malaysia is highly invested in supply chain areas that revolve around automobile manufacturing and is finding solutions to draw capital into sectors that produce high-tech products like electric cars and semiconductors, other nations increasingly rely on Malaysia for semiconductors and electric vehicles due to its exports of said goods.⁷⁸ As a result, any interruption in the supply of these goods would put pressure on the supply chains in ASEAN and throughout the world since the other producing nations would find it challenging to meet demand. Malaysia has a strong and bustling role in which it can play for this said supply chain regarding automobiles and other supply chains, with cooperations with other countries in said areas of the economy showing the pivotal role it plays in the sustainability of the multitude of supply chains.

Malaysia also has a pivotal stake in supply chain digitalisation. For instance, the pandemic and the Movement Control Order (MCO) that was subsequently implemented caused difficulties in the market.⁷⁹ To stop the virus from spreading, offline companies and non-essential services were told to stop operating. However, the logistics sector—and specifically the e-commerce and e-fulfilment businesses—was recognised as an essential service and was granted permission to continue operating.⁸⁰ In said state, value-driven information has been generated by the digitalisation of supply chains, resulting in a data explosion, and this, in turn, attracts malicious people wishing to use this data for illicit purposes.

In Malaysia's eyes, supply chains are henceforth important as well. In recent years, Malaysian corporations have started to reorganise their supply chains to take advantage of the benefits

⁷⁸ Goh, Norman, and Tsubasa Suruga. October 25, 2023. "Malaysia Plans to Accelerate Its EV and Chip Sectors as Supply Chains Shift." Nikkei Asia. Assessed January 12, 2024. <u>https://asia.nikkei.com/Spotlight/Supply-Chain/Malaysia-plans-to-accelerate-its-EV-and-chip-sectors-as-supply-chains-shift</u>.

⁷⁹ Republic of Singapore, High Commission. "Movement Control Order (MCO) in Malaysia." Ministry of Foreign Affairs Singapore, 2021.

https://www.mfa.gov.sg/-/media/Images/MFA/OverseasMission/Kualalumpur/Consular-Services/FA <u>Qs Movement Control Order in Malaysia 12May21.pdf.</u>

⁸⁰ Malaysian Investment Development Authority. December 8, 2020. "Delivering in the Face of Pandemic: Leveraging on Supply Chain Digitalisation - MIDA: Malaysian Investment Development Authority." MIDA. Assessed January 21, 2024.

https://www.mida.gov.my/delivering-in-the-face-of-pandemic-leveraging-on-supply-chain-digitalis ation/.

provided by the Regional Comprehensive Economic Partnership (RCEP).⁸¹ Malaysia has also received its fair share of supply chain disruptions; global geopolitical tensions, severe labour shortages, and climate change cost Malaysia's economy RM8.7 billion a year.⁸² Said issues are also costing companies an average of 0.47% in lost revenue globally, and the COVID-19 pandemic has also made the aforementioned situation worse, with 39% of supply chain executives reporting that supply chains in Malaysia have seen noticeable disruptions.^{83 84}

Malaysia stands at a standpoint in which its wealth of supply chains and increasing popularity for investments towards many supply chains enable it to have a larger and exponentially growing consumer base for multiple products in supply chains. However, it has also suffered from many crises regarding supply chains, and its post-COVID-19 consolidation of finances has progressed more slowly. It is pivotal that Malaysia starts taking measures to mitigate supply chain disruptions in current times, as supply chain sustainability investments can help Malaysia become even more of a preferred investment hub in the region and open up new avenues for growth.

Countries With Weaker Supply Chain Resilience

An example of these countries that face supply chain issues is Indonesia, which has a nuanced viewpoint on supply chain situations, resilience and sustainability. For starters, there are several obstacles facing Indonesia's supply chain, such as inadequate infrastructure, a shortage of skilled labour, corruption, and natural disasters. In retrospect, there are also a plethora of factors which affect multiple processes along the supply chain. For example, logistics for goods in Indonesia faces several challenges, including insufficient transportation

⁸¹ Aman, Azanis Shahila. June 12, 2023. "HSBC : Malaysian Corporates Are Moving Supply Chains Closer to Home : New Straits Times." NST Online. Assessed January 21, 2024. https://www.nst.com.my/business/2023/06/919116/hsbc-malaysian-corporates-are-moving-supply-c

hains-closer-home%C2%A0.

⁸² Business, NST. February 21, 2023. "Supply Chain Woes Are Costing Malaysia's Economy RM8.7bil a Year: New Straits Times." NST Online. Assessed January 21, 2024.

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⁸³ Francis, Isabelle. February 21, 2023."Disruptions in Supply Chain Are Costing Malaysia's Economy RM8.7 Bil a Year, Says TMX." The Edge Malaysia. Assessed January 21, 2024. <u>https://theedgemalaysia.com/node/656070</u>.

⁸⁴ Statista Research Department. October 5, 2022. "Malaysia: Covid-19 Impact on Supply Chain Sector 2021." Statista. Assessed January 21, 2024.

https://www.statista.com/statistics/1235332/malaysia-covid-19-impact-on-supply-chain-sector/.

infrastructure and connectivity. Furthermore, Indonesia's multiple supply chains are also extremely vulnerable to global turmoil, including the pandemic, when there were severe limitations on the movement of consumables or food goods.

Hence, Indonesia has come to a consensus that to keep the nation competitive in international markets and boost economic efficiency, these problems must be resolved. Indonesia has made considerations to improve supply chain measures, and there is no doubt that Indonesia would need to have solutions encapsulating methods of continuity, creativity, and cooperation in supply chains and its management as well.⁸⁵ Suppose the aforementioned problems still need to be addressed and mitigated quickly. In that case, supply chain issues have the potential to and will cause uncertainty for businesses, making it challenging for them to make long-term plans and foreign investments.

However, there is more to be said than to be done. Indonesia will need to implement significant measures to combat or mitigate supply chain disruptions and henceforth improve its sustainability, and measures would need to be implemented swiftly. Regarding corruption rates in Indonesia, there have been past frameworks such as the Southeast Asia Parties Against Corruption— the SEA-PAC, established in 2004 by Brunei, Indonesia, Malaysia and Singapore— which can be revitalised and reutilised for the reduction of corruption rates.⁸⁶ In the context of supply chain sustainability, the government is also taking adequate steps to mitigate disruptions or halt disruptions, such as focusing on the affordability of food prices in Indonesia from production to consumption, as well as food availability and accessibility.⁸⁷

More needs to be done, as disruptions in supply chains in Indonesia and other countries in which Indonesia collaborates are still highly prevalent. As Indonesia excels in supply chains in multiple areas, such as nickel mining, smelting, battery production and EV manufacturing

⁸⁵ International Monetary Fund. "Browse in Book, Post, Journal Issue." IMF eLibrary, 2023. <u>https://www.elibrary.imf.org/browse.</u>

⁸⁶ Cambodia, Anti-Corruption Unit. "IAACA Newsletter Issue 6: Members' Column: 18th Principals Meeting of the Asean Parties against Corruption." International Association of Anti-Corruption Authorities. Accessed February 24, 2024.

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⁸⁷ Islah, Khikmatul, Resista Vikaliana, Agus Subagiyo, Eka Rofiyanti, and Zakia. September 14, 2021. "Food Resilience Policy 2012-2020: A Perspective of Food Supply Chain and Logistics in Indonesia." Journal of Management Information and Decision Sciences. Assessed January 21, 2024.

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goods provisions, it can consider aspects of supply chain management to become more resilient with measures such as allowing Indonesia to utilise a flexible and agile supply chain system.⁸⁸ This allows for the betterment of Indonesia's current supply chain resiliency and improves measures in its supply chain systems, in which said flexible and agile supply chain systems can reap more benefits to Indonesia's economy.

⁸⁸ Barich, Anthony, and Avery Chen. January 4, 2023. "Miners Benefit as Indonesia's Resource Nationalism Drives EV Supply Chain." S&P Global Homepage. Assessed January 21, 2024. <u>https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/miners-benefit</u> <u>-as-indonesia-s-resource-nationalism-drives-ev-supply-chain-73264026.</u>

Guiding Questions

- 1. What is your delegation's stance on supply chain resilience, and are there any conflicts of interest with other countries regarding said Supply Chain interests?
- 2. How does your delegation want to improve on supply chains and make said Supply Chains sustainable, with consideration of issues in your country?
- 3. What are your delegation's views on visibility and protectionism, and do said interests come into conflict with the interests of other countries?
- 4. Are there solutions already implemented in your country, and if so, how have they helped and can they be introduced to other countries?

Questions a Declaration Must Answer (QADMAs)

- How can Supply Chains be pushed out and improved, considering that the current efforts to push out the resilience and security of said Supply Chains are minimal, especially in global turmoil?
- 2. How would countries be able to improve their supply chains while considering international and domestic agreements and understandings?
- 3. How can ASEAN allow for the further protection and sustainability of said supply chains amidst rapid digitalisation?

Note: Should you have read until the end of this section, please <u>underline the last sentence</u> for your position paper on both topics.

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Topic Introduction

Poverty is an alarming issue that is recurring worldwide. Today, almost 700 million people worldwide survive in extreme poverty, with their daily income falling below the extreme poverty line of \$2.15.⁸⁹ Furthermore, one billion children and nearly half of the world's population live in poverty.⁹⁰ Considering that a high proportion of the global population resides in Asia and Africa, the situation of poverty that resides in ASEAN and regions outside of it is exceptionally dire, with people living in poverty in the different ASEAN member states being relatively well seen.

The key definitions of poverty in ASEAN refer to that of one being in a state in which he or she lacks access to basic needs such as food, clothing and shelter. It can also refer to an individual whose financial circumstances keep them from going to school, getting medical attention, finding a steady job, or engaging in leisure activities.⁹¹ A key indicator of poverty relies on a global factor: Purchasing Power Parity (hereinafter referred to as "PPP"), where poverty goes beyond a mere lack of income. It manifests through the inability to afford and access basic needs, such as food, health and education. The Purchasing Power Parity (PPP), refers to the money conversion rate, which measures how much different currencies can buy in terms of standard units. This rate illustrates the difference in the money needed in various nations to buy an equivalent quantity of goods and services.⁹²

Throughout the years, as the PPP fluctuates, another factor which also affects the rates of poverty proportionately changes, with the said factor being the International Poverty Line (hereinafter referred to as "IPL") — the threshold that determines whether someone is living

⁸⁹World Bank. 2023. "Overview." World Bank. October 17, 2023. https://www.worldbank.org/en/topic/poverty/overview#:~:text=Almost%20700%20million%20people <u>%20around</u>

⁹⁰ Nations, United. 2023. "Addressing Poverty." United Nations. 2023. https://www.un.org/en/academic-impact/addressing-poverty

⁹¹ Okalow, Samson. 2021. "What Is Poverty? It's Not as Simple as You Think." Worldvision. May 20, 2021. <u>https://www.worldvision.ca/stories/child-sponsorship/what-is-poverty</u>

⁹² "Definition - Purchasing Power Parity / PPP / PPP / PPP / PPP | Insee." n.d. Www.insee.fr. <u>https://www.insee.fr/en/metadonnees/definition/c1923#:~:text=Purchasing%20power%20parity%20(P</u> <u>PP)%20is</u>

in poverty, based on the value of goods needed to sustain one adult.⁹³ Since the measurement of PPPs plays a crucial role in the calibration and application of IPLs, both factors play a pivotal role in global poverty levels.

| | | | | | | Share of | Share of |
|----------------------------|------------|------------|-----------|-------------|-------------------|------------|------------|
| | 1990 | 2005 | 2010 | 2015 | 2019 | world 1990 | world 2019 |
| East Asia & Pacific | 984 | 363 | 221 | 47 | 20 | 52.7% | 2.9% |
| Latin America & Caribbean | 70 | 60 | 38 | 26 | 24 | 3.8% | 3.5% |
| Middle East & North Africa | 14 | 9 | 8 | 19 | 27 | 0.8% | 4.0% |
| South Asia | 505 | 509 | 401 | 262 | 262 ⁵ | 27.1% | 38.2% |
| Sub-Saharan Africa | 278 | 385 | 401 | 413 | 436 | 14.9% | 63.6% |
| Europe & Central Asia | 11 | 23 | 14 | 7 | 5 | 0.6% | 0.7% |
| World | 1867 | 1355 | 1088 | 736 | 686 | 100% | 100% |
| Number | of poor at | \$3.2 a da | y (2011 F | PP) (milli | ons, Wor | ld Bank) | |
| | | | | | | Share of | Share of |
| | 1990 | 2005 | 2010 | 2015 | 2019 | world 1990 | world 2019 |
| East Asia & Pacific | 1365 | 861 | 602 | 254 | 131 | 46.9% | 7.2% |
| Latin America & Caribbean | 136 | 124 | 86 | 68 | 59 | 4.7% | 3.2% |
| Middle East & North Africa | 61 | 58 | 51 | 61 | 77 | 2.1% | 4.2% |
| South Asia | 906 | 1080 | 1042 | Na | 905 ⁶ | 31.1% | 49.7% |
| Sub-Saharan Africa | 383 | 570 | 618 | 667 | 719 | 13.2% | 39.5% |
| Europe & Central Asia | 55 | 53 | 36 | 26 | 20 | 1.9% | 1.1% |
| World | 2913 | 2755 | 2443 | 1933 | 1821 | 100% | 100% |
| Number | of poor at | \$5.5 a da | y (2011 P | PPP) (milli | ons, Wor | ld Bank) | |
| | | | | | | Share of | Share of |
| | 1990 | 2005 | 2010 | 2015 | 2019 | world 1990 | world 2019 |
| East Asia & Pacific | 1526 | 1358 | 1102 | 710 | 473 | 42.3% | 14.5% |
| Latin America & Caribbean | 226 | 233 | 186 | 165 | 145 | 6.3% | 4.4% |
| Middle East & North Africa | 135 | 153 | 150 | 158 | 172 | 3.7% | 5.3% |
| South Asia | 1074 | 1377 | 1444 | Na | 1440 ⁷ | 29.8% | 44.1% |
| Sub-Saharan Africa | 453 | 686 | 764 | 850 | 928 | 12.6% | 28.4% |
| Europe & Central Asia | 174 | 120 | 82 | 68 | 58 | 4.8% | 1.8% |
| World | 3602 | 3940 | 3742 | 3387 | 3269 | 100% | 100% |

Figure 2.1. Statistics of people living in poverty as of 2019.94

In the ASEAN region, there had been an original downward trend of poverty before times of global turmoil in the 2020s. In 2019, extreme poverty rates were dropping in Southeast Asia, with that year recognising 14.9 million people in said region suffering from extreme poverty, down from 18 million in 2018 and 21.2 million in 2017. ⁹⁵

⁹³ "International Poverty Line: Definition, Criticism, and Uses." n.d. Investopedia. <u>https://www.investopedia.com/terms/i/international-poverty-line.asp#:~:text=Key%20Takeaways</u>

⁹⁵ The Straits Times. 2022. "Covid-19 Pandemic Sends 4.7m More People into Extreme Poverty in South-East Asia," March 16, 2022. <u>https://www.straitstimes.com/asia/se-asia/covid-19-pandemic-sends-47m-more-people-into-extrem</u> e-poverty-in-south-east-asia

⁹⁴ "Multidimensional Poverty Analysis for the Asia Pacific Region 2022." n.d. <u>https://cdn.sida.se/app/uploads/2022/08/26165454/Sida-MDPA-Regional-Asia.pdf</u>

However, the COVID-19 Global Pandemic escalated situations of poverty, pushing 4.7 million more people in Southeast Asia Into Extreme Poverty in 2021.⁹⁶ The COVID-19 pandemic and growing living expenses resulted in nearly 70 million more people in developing Asian countries living in extreme poverty in 2023, according to the Asian Development Bank.⁹⁷ In 2022, when the new Omicron COVID-19 variant was rampant, multiple countries, including ASEAN member-states, lost their hard-earned economic and developmental gains.⁹⁸ As of 2023, 11 million additional people, mainly from South Asia (5 million) and the Middle East and North Africa (4 million), live in extreme poverty.⁹⁹

ASEAN has put into place many measures to mitigate poverty. The ASEAN Ministers Meeting on Rural Development and Poverty Eradication (hereinafter referred to as "AMRDPE"), in 2021, reaffirmed its dedication to advancing rural development and the eradication of poverty and has also tasked the Senior Officials Meeting on Rural Development and Poverty Eradication (hereinafter referred to as "SOMRDPE") to engage in cross-sectoral and inter-pillar collaboration with pertinent ASEAN Sectoral Bodies and ASEAN's partners.¹⁰⁰ Furthermore, ASEAN has drafted its Master Plan on Rural Development 2022 to 2026, encapsulating its plans for mitigating and possibly eradicating poverty, with plans to involve youth and improve territorial developments to have a higher chance of success regarding said issues.¹⁰¹

⁹⁶ Bank, Asian Development. 2022. "COVID-19 Pushed 4.7 Million More People in Southeast Asia into Extreme Poverty in 2021, but Countries Are Well Positioned to Bounce Back – ADB." Asian Development Bank. March 16, 2022. <u>https://www.adb.org/news/covid-19-pushed-4-7-million-more-people-southeast-asia-extreme-pove</u> <u>rty-2021-countries-are-well</u>

⁹⁷ "Asia's Poor Grew by 68 Million People after Pandemic, Report Says." n.d. Www.aljazeera.com. https://www.aljazeera.com/economy/2023/8/24/asias-poor-grew-by-68-million-people-after-pand emic-report-says

⁹⁸ "The COVID-19 Pandemic: Impact on ASEAN Connectivity and Recovery Strategies Policy Insights." n.d. <u>https://www.oecd.org/southeast-asia/ERIA%20COVID19%20and%20ASEAN%20Connectivity.pdf</u> ⁹⁹ "March 2023 Global Poverty Update from the World Bank: The Challenge of Estimating Poverty in the Pandemic." 2023. Blogs.worldbank.org. March 29, 2023. <u>https://blogs.worldbank.org/opendata/march-2023-global-poverty-update-world-bank-challenge-e</u> stimating-poverty-pandemic#comments

¹⁰⁰ "JOINT STATEMENT of the TWELFTH ASEAN MINISTERS MEETING on RURAL DEVELOPMENT and POVERTY ERADICATION (12 Th AMRDPE) 26 November 2021. Boracay, Philippines and through Video Conference. n.d.

https://asean.org/wp-content/uploads/2022/02/Joint-Statement-12th-AMRDPE_adopted-1.pdf

¹⁰¹ "ASEAN Master Plan on Rural Development 2022 to 2026." n.d. <u>ASEAN Master Plan on Rural</u> <u>Development 2022 to 2026</u>

ASEAN's mitigating measures, however, do not undermine the weaknesses of ASEAN's solutions as mentioned above. Addressing the various facets of poverty necessitates significant resources, which many developing-country governments, including Cambodia, Lao PDR and Myanmar, the three least developed countries in ASEAN, find difficult to come by. Furthermore, although there is a link between economic expansion and a decline in poverty, millions of people in the ASEAN region still lack access to enough money to meet their most basic requirements, which include clothing, food, shelter, and sanitary facilities, and this has yet to be covered by ASEAN's approaches.¹⁰²

Hence, the alleviation of the said issue plays a pivotal part in improving ASEAN, and it is of priority that ASEAN probe this issue to innovate solutions while also addressing gaps and loopholes to enhance its course of eradicating poverty in hopes of better development.

¹⁰² Guo, Yanjun, and Yue Yang. 2021. *ASEAN–China Cooperation for Poverty Reduction. Series on Asian Regional Cooperation Studies*. <u>https://doi.org/10.1142/11865</u>.

Key Terms and Definitions

| Term | Definition |
|-------------------|---|
| Corruption | Corruption refers to the abuse of entrusted power for private gain, which includes, but not limited to the following actions: public servants demanding or taking money or favours in exchange for services; politicians misusing public money or granting public jobs or contracts to their sponsors, friends and families; and corporations bribing officials to get lucrative deals. ¹⁰³ |
| Extreme Poverty | Extreme poverty refers to the condition of living under the current international extreme poverty line, which is set at \$2.15 a day in 2017 PPP terms and represents the median national poverty line of 28 low-income countries. ¹⁰⁴ |
| Income Inequality | Income Inequality refers to the extent to which incomes of different groups of citizens are distributed in the country. ¹⁰⁵ |
| Poverty | Poverty refers to the pronounced deprivation in well-being in people who do not have enough income or consumption to put them above some adequate minimum threshold. ¹⁰⁶ |

¹⁰³ Transparency International. n.d. "What Is Corruption?" Transparency International. Transparency International. <u>https://www.transparency.org/en/what-is-corruption</u>.

¹⁰⁴ World Bank. 2018. "WDI – Poverty and Inequality." Worldbank.org. 2018. https://datatopics.worldbank.org/world-development-indicators/themes/poverty-and-inequality.htm [.

¹⁰⁵ Inequality.org. 2019. "Income Inequality." Inequality.org. 2019. <u>https://inequality.org/facts/income-inequality/</u>.

¹⁰⁶ Pedro, João, Azevedo Global, Poverty Practice, and World Group. n.d. "POVERTY MEASUREMENT from NOISE to SIGNAL... and HOW the MEDIA CAN HELP." <u>https://www.worldbank.org/content/dam/Worldbank/document/eca/central-asia/TJ-Poverty-Measur</u> <u>ement-Media-Training.pdf</u>.

Key Issues

Income Inequality in ASEAN Countries

Income inequality is a major issue in ASEAN, with the average ASEAN country experiencing above average levels of income inequality.¹⁰⁷ In countries such as Thailand, the richest 10% of the population earn more than half of the national income.¹⁰⁸ This is in part due to unequal levels of education among the population and unequal access to job opportunities. Furthermore, there is also a lack of employment opportunities in certain areas, such as rural villages and highly competitive cities. As such, unemployment rates will skyrocket and more people will fall prey to poverty and income inequality. Recent events such as COVID-19 have also resulted in an increase in the income disparity in ASEAN countries.

Increased income inequality can result in an increased number of people who receive a lower amount of money, resulting in more people in poverty. The Bantuan Sara Hidup (BSH) in Malaysia is one example of assistance programmes for people of lower income. This cash assistance programme targets low-income households and helps alleviate the cost of living. Although BSH does provide immediate assistance, it does not address the root causes of poverty. It also raises the concern of dependency people would develop on cash assistance programmes. Another programme put in place is the Identification of Poor Households Programme (IDPoor) in Cambodia. Contrary to BSH, IDPoor aims to identify and register poverty-stricken households, before carrying out targeted assistance or social protection measures. Although IDPoor may have a targeted approach, it ultimately needs more resources, which may not be easily accessible. Similarly to other assistance programmes like BSH, it also has the risk of people developing a heavy reliance on social assistance.

https://www.imf.org/en/Publications/WEO/weo-database/2023/April/weo-report?c=516.

¹⁰⁷ IMF. World Economic Outlook Database. (n.d.). "Report for Selected Countries and Subjects." IMF web. Assessed January 13, 2024.

¹⁰⁸ WID.WORLD. November 22, 2023. What's New About Inequality IN South and Southeast Asia in 2023? World Inequality Database. Assessed January 13, 2024. https://wid.world/news-article/2023-wid-update-south-and-southeast-asia/

Corruption within Authorities and Mismanagement of Economic Aid

Corruption within Authorities is a major issue in ASEAN, with all ASEAN countries except for Singapore, scoring below 50 on the corruption perception index in 2022 (1-100)¹⁰⁹, with any score below 50 meaning that the country is perceived to be more corrupt. Corruption within the authorities will ultimately lead to political instability, which deters investors and hampers development.

Stalled development and an unattractive landscape for foreign investors slow ASEAN's economic growth. Countries have had plans to combat corruption within their respective authorities. For example, Thailand has the National Anti-Corruption Strategy (NACS), which establishes preventive measures and certain legal reforms to allow authorities to conduct deeper investigations. However, due to the challenges faced with implementation and enforcement, mainly caused by the shortage of resources, corruption is still relatively prevalent within Thailand. Inadequate whistleblower protection is also a huge factor, discouraging people from sounding out on corruption cases.

Furthermore, the issue of manhandling of economic aid is a pertinent one found in ASEAN countries, a primal one that has been prevalent for an extended period of time. One primal example of this would be the issue of Cambodia, where there have been issues such as the embezzlement of state funds under important ministries such as the Ministry of Social Affairs, Veterans and Youth Rehabilitation in said country.¹¹⁰ This instance is not limited to the said ministry, as the aforementioned country has seen a plethora of embezzlement cases of monetary aid provided to said country. Another similar issue would be that of the Philippines, where there were cases of mismanagement and misappropriation of funds in monetary aid given after the devastating blow of Super Typhoon Haiyan.¹¹¹ According to research in the aforementioned area, the repercussions of the typhoon became worse and possibly magnified due to corruption due to a multitude of reasons in the aforementioned area. Less

¹⁰⁹ Transparency International. 2022. "Corruption Perceptions Index." Transparency International Web. Assessed January 12, 2024. <u>https://www.transparency.org/en/cpi/2022</u>.

 [&]quot;^{no} "Ministry Official Accused of \$390K Embezzlement." n.d. Www.phnompenhpost.com. Accessed
 February 21, 2024.

https://www.phnompenhpost.com/national/ministry-official-accused-390k-embezzlement.

¹¹¹ November 2013, Jennifer Gayle Flores // 25. 2013. "Philippine Post-Disaster Response: Restoring FAiTH in Aid Transparency." Devex. November 25, 2013.

https://www.devex.com/news/philippine-post-disaster-response-restoring-faith-in-aid-transparency -82

<u>364</u>

money was set aside for roads, making evacuating harder for people. Hospitals were not provided with the necessary resources. If some houses had been constructed according to code, they might not have been demolished.¹¹²

The issue of corruption and the mismanagement of funds is ultimately and unfortunately still pertinent in ASEAN, a key issue which has yet to see solutions come to the light of day. Hence, it is crucial that these issues be solved, considering the fact that corruption plays its role as a factor in how economic aid gets hindered.

Lack of Rural Development

Lack of Rural Development is moreover still a pertinent issue in ASEAN, with multiple countries still facing this issue even after discussions in ASEAN, such as that of discussions through applying advanced technology and improving agricultural productivity to allow for rural development to be improved or issues to be mitigated.¹¹³ One of the main issues of the lack of rural development would be that of having a significant impact on inhibiting economic growth since infrastructure is at the very core of trade. In rural areas, the labour market is primarily seasonal and informal. The core of agricultural production is family farming, where smaller-scale farmers cultivate less than five hectares of land, and older and rural women continue to be primarily at risk and bear the majority of the burden.¹¹⁴ Thus, the lack of rural development will ultimately lead to two pertinent issues, poor agricultural productivity and poor access to markets.

Many factors lie within these issues as to why it is unable to be resolved, such as that of an increase of rural population growth, shrinking farm sizes, and low wages, in which the aforementioned causes have forced workers out of the agricultural industry. In addition,

¹¹² "Philippine Corruption Magnifies Effects of Typhoon." 2013. AP News. November 18, 2013. <u>https://apnews.com/international-news-general-news-cdf5f3730ff7427ebe381d9051cb49e3</u>.

¹¹³ VietnamPlus. 2023. "ASEAN Pledges to Eradicate Poverty, Ensure Sustainable Agriculture and Food Security for All | ASEAN | Vietnam+ (VietnamPlus)." VietnamPlus. October 12, 2023. <u>https://en.vietnamplus.vn/asean-pledges-to-eradicate-poverty-ensure-sustainable-agriculture-and-food-security-for-all/269544.vnp</u>.

¹¹⁴ Admin, The ASEAN. 2022. "Transformative Rural Development towards Poverty Eradication in ASEAN | the ASEAN." April 12, 2022. https://theaseanmagazine.asean.org/article/transformative-rural-development-towards-poverty-er adication-in-asean/

restricted financing availability limits capital formation in agriculture.¹¹⁵ Ultimately, this will lead to other serious repercussions such as lower yields and a suppressed trading sector, making it impossible for people to escape poverty. An example of this can be seen evidently in countries such as the Philippines, where over the past 15 years, the Philippines has seen persistently low agricultural productivity combined with lagging labour reallocations outside of the sector.¹¹⁶ Furthermore, the Philippine Statistics Authority estimated that the country's population was growing at a rate of 1.4% in 2019, whereas the agriculture sector only saw a meagre 0.5% growth in late 2020.¹¹⁷ These numbers unequivocally demonstrate the food-population imbalance, which occurs when population growth exceeds food production capacity.

¹¹⁵ Briones, Roehlano. 2021. "Philippine Agriculture: Current State, Challenges, and Ways Forward." Www.pids.gov.ph. December 27, 2021. <u>https://www.pids.gov.ph/publication/policy-notes/philippine-agriculture-current-state-challenges-an</u> <u>d-ways-forward</u>.

¹¹⁶ Cerutti, Eugenio M., and Yiliang Li. 2021. "The Agricultural Exodus in the Philippines: Are Wage Differentials Driving the Process?" *IMF Working Papers* 2021 (220). <u>https://doi.org/10.5089/9781513590097.001.A001</u>.

¹¹⁷ Department of Agriculture. 2022. "Facing the Big Challenges in Philippine Agriculture." Official Portal of the Department of Agriculture. June 5, 2022. <u>https://www.da.gov.ph/facing-the-big-challenges-in-philippine-agriculture/</u>.

Scope of Debate

Addressing Urban-Rural Disparity in ASEAN Member-states

ASEAN comprises countries on both ends of the financial spectrum. Some countries such as Singapore and Brunei are well-developed and affluent, while others such as Myanmar, Laos and Cambodia have a large percentage of their population living in rural areas. The huge gap between the wealthy and the poor in ASEAN is very concerning as it can lead to reduced social cohesion, increased political polarisation and lower economic growth. There are strategies such as the ASEAN Master Plan for Rural Development 2022-2026¹¹⁸ which aims to resolve the urban-rural disparity in Southeast Asia, however, this issue needs to be tackled holistically, both from the roots of the issue and the current problems it is creating. Although it is not possible for the entire nation to live in urbanised areas, such a large disparity causes many cases of economic inequality and lack of access to resources like education. This amplifies the discrepancies in access to promoted wealth and disallows them to improve their quality of life, trapping them in the vicious cycle of poverty. Furthermore, such a great disparity also limits employment choices, especially for those living in poorer regions.

Many conflicts in ASEAN have resulted in the aforementioned issue being yet to be resolved. Firstly, with regards to the existing ASEAN geopolitical scope, there have been many issues in countries that have been raised, such as political instability and governance issues, which ultimately result in the urban-rural disparity in the bloc's member-states being unable to be resolved. Ineffective governance, high-income disparity levels amongst its subjects, and corruption have reigned in multiple aspects of many ASEAN governments, and political instability is still a recurring problem yet to be solved in the current age and time.¹¹⁹

Secondly, there have been different priorities that lie within many of ASEAN's economies, especially those which have relatively high amounts of poverty. For example, a priority of Myanmar's economy would be that of agricultural growth, with it being the most significant

¹¹⁸ N.d. ASEAN Master Plan on Rural Development 2022 to 2026. Accessed February 21, 2024. <u>https://asean.org/wp-content/uploads/2022/11/34-ASEAN-Master-Plan-on-Rural-Development-202</u> <u>2-2026.pdf</u>

¹¹⁹ Rizki, Lutfi Trisandi, Normah Omar, and Jamaliah Said. "The Role of Control of Corruption and Quality of Governance in ASEAN: Evidence from DOLS and FMOLS Test." December 28, 2022. Taylor & Francis Online. Assessed February 17, 2024. https://databank.worldbank.org/databases/control-of-corruption.

economic sector of the nation, with agricultural products ranking as Myanmar's second-most important export.¹²⁰ However, due to factors such as low external demand and rising agricultural input costs, the outlook for agriculture has been extremely low, with agriculture growth slowing down to 0.8% in 2021 from 1.7% in 2020.¹²¹ On the other hand, a main focus on Cambodia's economy would be that of merchandise exports and foreign direct investment inflows.¹²² The fact that Cambodia's government has put policies into place to help the economy recover and lessen the negative effects of COVID-19 on people and businesses' incomes, has resulted in a steady outlook for its exportation rates, increasing by 8.1% in 2022 and 9.1% in 2023.¹²³ With the above information, it is pertinent to ASEAN that the different economic focuses on various sectors will substantially impact the country, leading to a different outlook of poverty in different countries as well. Countries need to relook and possibly revitalise some of their economic focuses to allow for poverty alleviation.

Long-term Plans and Direction of Poverty Alleviation

ASEAN countries are no strangers to poverty alleviation policies, with multiple economic policies in place, although some are in vain. One such policy is the Greater Mekong Subregion (GMS) Economic Cooperation between the nations along the Mekong River, which focuses on regional cooperation in areas such as transportation, connectivity and development disparities. However, not many of these policies have worked out. This is caused by multiple possible factors such as cost issues, corruption within authorities as well as the lack of proper infrastructure to implement these policies. As such, member states must come together to discuss feasible yet effective solutions.

https://www.trade.gov/country-commercial-guides/burma-agriculture#:~:text=Burma. ¹²¹ "Myanmar - Overview :: Country/Economy Profile." n.d. Aric.adb.org. https://aric.adb.org/myanmar/overview.

¹²⁰ 1. n.d. "Burma - Agriculture." Www.trade.gov.

¹²² Bank, Asian Development. 2022. "Cambodia's Economy to Accelerate in 2022 and 2023 — ADB." Asian Development Bank. April 6, 2022.

https://www.adb.org/news/cambodia-economy-accelerate-2022-and-2023-adb.¹²³ lbid.

Management of Economic Aid and Combating Corruption

Despite the introduction of multiple economic policies, 7.13% of ASEAN still live in extreme poverty.¹²⁴ This is because economic aid provided by authorities mainly relies on one-time cash assistance programmes. This, in addition to the presence of corruption, will result in the mismanagement of economic aid. In such a scenario, aid directed at the poverty-stricken people would either be misused by government officials or be "lost" during the aid delivery process. Instead of being delivered to the target audience, the funds would be intercepted midway and end up in the hands of government officials. This disallows aid to reach those in poverty and will not help reduce poverty rates.

To resolve the mismanagement of economic aid, policies such as the Malaysian Anti-Corruption Commission Act 2009, the Anti-Graft and Corrupt Practices Act in the Philippines and the Corrupt Practices Investigation Bureau (CPIB) in Singapore.^{125 126 127} These acts do have an impact on the amount of mismanagement and corruption within the authorities.

However, in certain areas, the anti-corruption policies are not implemented, mainly due to the lack of manpower and resources available to implement the acts. As such, there is a need for a central body in ASEAN to look into measures and monitor the movement of economic aid within the region and the respective nations. This central monitoring body will bring transparency and accountability over the entire region but has some areas of concern as well. Due to the nature of monitoring, some nations would be against ASEAN peeping too much into its internal affairs and feel it is a breach of its national sovereignty. Too much interference from ASEAN may also be unwelcome as countries may feel that they will no longer have the right to exercise their power.

Although monitoring by ASEAN might be useful, it is important to note the magnitude of interference caused by ASEAN and the impacts it has on the deliberative and sovereignty rights of the respective countries.

¹²⁴ "Poverty Ratio in South East Asia." n.d. TheGlobalEconomy.com. Accessed February 21, 2024. <u>https://www.theglobaleconomy.com/rankings/poverty_ratio/South-East-Asia/#:~:text=Poverty%2C%</u> <u>20percent%20of%20population%2C%202020</u>.

¹²⁵ "U4 Anti-Corruption Resource Centre." n.d. U4 Anti-Corruption Resource Centre. <u>https://www.u4.no/assets/malaysian-anti-corruption-commission-act-2009</u>.

¹²⁶ "R.A. 3019." n.d. Lawphil.net. <u>https://lawphil.net/statutes/repacts/ra1960/ra_3019_1960.html</u>.
¹²⁷ "Organisation." n.d. Default. Accessed February 21, 2024. https://www.sqdi.gov.sq/ministries/pmo/departments/cpib.

Promoting Rural Development

Many countries in ASEAN have rural areas which are underdeveloped and lack the infrastructure for basic public services and social protection. More than half of ASEAN's population lives in rural areas and poverty is twice as prevalent there than in urban centres.¹²⁸ In addition, many people living in rural areas live in poverty and are often engaged in agricultural work, which is highly dependent on external factors, leaving them vulnerable to things such as sudden changes in weather or seasonal changes.

Infrastructure and development in rural areas can help to alleviate poverty as it can help to increase agricultural productivity and increase climate resiliency, in addition to offering more employment and income opportunities. However, the development of infrastructure will lead to expanding access to regional markets in rural areas. Member states will need to work together and agree on how and to what extent ASEAN will facilitate this increasing trade between nations. The development of infrastructure will also be costly and require long-term investment, not just in the construction but also in the maintenance of infrastructure which some countries may not be willing to do. Delegates should decide what aspect of infrastructure to focus on. As countries develop, they will gradually become less agriculturally oriented so infrastructure should not be focused on agriculture in the long term. Countries will need to discuss what they want their infrastructure to be focused on in the long term once they progress past agriculture to be able to continue developing, especially in rural areas.

¹²⁸ The ASEAN. December 2021. Transforming ASEAN's Rural Landscape. The ASEAN Web. Assessed February 17, 2024.

https://asean.org/wp-content/uploads/2022/02/The-ASEAN-December-2021-January-2022-Digital _v1.pdf

Key Stakeholders

Poverty-stricken Nations in ASEAN

Southeast Asia is made up of a variety of countries. Some of them, such as Myanmar, Cambodia and Laos have been battling poverty for years. In Myanmar, 24.1% of the population lives below the poverty line.¹²⁹ This is significantly higher than those of other countries such as Singapore's and Malaysia's statistics. In these countries, poverty is not just the inability to afford. It is caused by a range of factors which deprive them of the opportunity to realise their full potential. Although poverty rates in ASEAN have dropped from 47% in 1990 to 15% in 2015, many countries such as Myanmar, Cambodia and Laos are still seeing high numbers of poverty-stricken people.¹³⁰ The governments of these countries have of course tried many solutions to alleviate poverty. However, the problem is still not fully resolved. These groups of nations would want policies that could benefit them and help them bring their country out of poverty and foster their own economic development.

Relatively Affluent ASEAN Nations

Brunei, Singapore, and Malaysia are three of the more affluent ASEAN countries. Both Brunei and Singapore have close to 0% poverty rates, while Malaysia has a low 3.8%.¹³¹ These countries also have relatively high GDPs. Although they might be "poverty-free", they are still surrounded by many poverty-stricken countries in ASEAN. As affluent nations, some of these countries have previously aided their less-affluent counterparts through trade and regional policies. One example is the Initiative for ASEAN Integration (IAI).¹³² This framework aims to bridge the gaps between the more developed and less developed countries in ASEAN by enhancing competitiveness in the region. The IAI involves several key areas such as capacity

¹²⁹ Asian Development Bank. August 10, 2022. "Myanmar: Poverty." Www.adb.org. Assessed January 12, 2024. <u>https://www.adb.org/where-we-work/myanmar/poverty</u>.

¹³⁰ ASEAN Secretariat. "Rural Development and Poverty Eradication." Association of Southeast Asian Nations. Accessed February 24, 2024.

https://asean.org/our-communities/asean-socio-cultural-community/rural-development-and-povert y-eradiction/.

¹³¹ Liu N., Wang P. J., Zhang M. Q. 2021. Singapore's Poverty Reduction Effectiveness Assessment for ASEAN. Atlantis Press. Accessed February 24, 2024.

https://www.atlantis-press.com/article/125961779.pdf

¹³² ASEAN Secretariat. 2021. Initiative for ASEAN Integration (IAI) Work Plan IV (2021-2025). Asean.org. Assessed January 13, 2024.

https://asean.org/book/initiative-for-asean-integration-iai-work-plan-iv-2021-2025/.

building, human resource development and technology transfer. These groups of countries seek to take this opportunity to utilise soft power, such as trade, to build up relations with other nations while ensuring their own economic and national stability.

Third-party Organisations/ States

Third-party organisations are extremely important to a regional association like ASEAN. Some key third-party states include China, and the United States of America, and some key stakeholders include the World Bank.¹³³ These states and organisations play a huge role in investment and funding the growth and development of ASEAN. Some organisations, such as the World Bank, also work with poorer nations to alleviate poverty. These third-party organisations have played a pivotal role in ASEAN's development and continue to be key players in the field, and seek to mitigate global challenges.

¹³³ ASEAN Secretariat. "External Relations." Association of Southeast Asian Nations. Accessed February 24, 2024.

https://asean.org/our-communities/asean-political-security-community/outward-looking-community/external-relations/.

Guiding Questions

- 1. What is your country's stance on poverty alleviation?
- 2. How does your country hold a similar stance/contrasting stance with that of other countries in ASEAN regarding poverty?
- 3. What has your country done to alleviate poverty?
- 4. What shared methods can ASEAN countries use to combat poverty together?

Questions a Declaration Must Answer (QADMAs)

- 1. How can poverty be alleviated effectively while reducing the financial burden on poorer countries that may come with this long-term process?
- 2. How can countries ensure that poverty rates remain stable and do not increase drastically in times of economic crisis?
- 3. How can poverty be reduced while considering the interests of countries with already existing economic policies?
- 4. How can cooperation be fostered especially during times of global turmoil to allow for the improvement of solutions to be made for poverty alleviation?
- 5. What can the AEC do to address Urban-Rural Disparity, and can this gap be bridged to improve poverty alleviation, such as provisions of necessary resources such as education?

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