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THE NEW GLOBALISATION ERA UNDERSTOOD THROUGH THE DEVELOPING ECONOMIES OF SOUTHEAST ASIA

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MADRID | Junio 2024

TITLE

"The New Globalisation era understood through the developing economies of Southeast Asia."

ABSTRACT

Globalisation, primarily understood as the progressive disappearance of the forced union between production and consumption, has experienced a drastic and relevant change since 1990. It is in this year, when the second rupture of globalisation takes place, bringing upon a new era characterised by different parameters from those known before, and consequently sustaining new challenges for the global economy. Like this, the second rupture marks the beginning of "The Great Convergence" between what the old globalisation established: the "developed countries" and the "developing countries".

The reasons behind the study of these changes through the countries conforming ASEAN are due to their possession of key characteristics enabling us to measure the new effects caused by globalisation. Firstly, they are developing economies which have gone through a process of liberalisation and internationalization of economic life in the 1980s. Secondly, linked to their liberalisation they started to trade with developed economies such as the US or European countries, but also with developing economies like China, also considered to be a hegemon. Thirdly, most ASEAN countries individually and collectively play a significant role in the commercialisation of commodity goods, which are a double-edge sword due to their volatility and high level of trade. Lastly, ASEAN countries have been capable of capitalizing one of the greatest disruptors of the modern economy: Global Value Chains. ASEAN nations have become a hub for their expansion, significantly influenced by China´s internal dynamics and its geoeconomic position with the rest of the world.

Consequently, in order to better understand the change that encompasses these new phase of globalisation, and to critically recognize the new trends of global trade, such as the rise of protectionism, geoeconomic fragmentation or economic regionalism, the paper will focus on explaining the evolution faced towards globalisation by these group of developing countries. This analysis will serve as a sample to comprehend how the second rupture changed how globalisation is understood nowadays and how countries act upon it.

TÍTULO

"La era de la Nueva Globalización entendida a través de las economías en desarrollo del Sudeste Asiático"

RESUMEN

La globalización, entendida principalmente como la progresiva desaparición de la unión forzada entre producción y consumo, ha experimentado un cambio drástico y relevante desde 1990. Es en este año, cuando se produce la segunda ruptura de la globalización, que trae consigo una nueva era caracterizada por parámetros diferentes de los conocidos anteriormente y, por lo tanto, el mantenimiento de nuevos desafíos para la economía mundial. Así, la segunda ruptura marca el comienzo de la "Gran Convergencia" entre lo que estableció la vieja globalización: los "países desarrollados" y los "países en desarrollo".

Las razones detrás del estudio de estos cambios a través de los países que conforman la ASEAN se debe a su posesión de características clave que nos permiten medir los nuevos efectos causados por la globalización. En primer lugar, son economías en desarrollo que han pasado por un proceso de liberalización e internacionalización económica en 1980. En segundo lugar, vinculado a su liberalización, comenzaron a comerciar con economías desarrolladas como los Estados Unidos o los países europeos, pero también con economías en desarrollo como China, también consideradas hegemónicas. En tercer lugar, la mayoría de los países de la ASEAN, individual y colectivamente, desempeñan un papel importante en la comercialización de productos básicos, que son una espada de doble filo debido a su volatilidad y alto nivel de comercio. Por último, los países de la ASEAN han sido capaces de capitalizar una de las mayores fuerzas disruptivas de la economía moderna: las Cadenas Globales de Valor. Los países de la ASEAN se han convertido en un centro para su expansión, influenciado significativamente por la dinámica interna de China y su posición geoeconómica con el resto del mundo.

En consecuencia, para comprender mejor el cambio que abarca esta nueva fase de la globalización y reconocer críticamente las nuevas tendencias del comercio mundial, como el aumento del proteccionismo, la fragmentación geoeconómica o el regionalismo económico, el trabajo se centrará en explicar la evolución de este grupo de países en desarrollo hacia la globalización. Este análisis servirá como muestra para comprender

cómo la segunda ruptura cambió la forma en que se entiende la globalización hoy en día y cómo los países actúan en consecuencia.

KEY WORDS: ASEAN, Foreign Direct Investment (FDI), Liberalisation, Multinational enterprises (MNE´s), Globalisation, Economic integration, Global Value Chains (GVCs).

PALABRAS CLAVE: ASEAN, Inversión Extranjera Directa (IED), Liberalización, Empresas Multinacionales (EM), Globalización, Integración Económica, Cadenas Globales de Valor (CGV).

INDEX:

1. INTRODUCTION:

1.1 Purpose and Motivation:

The purpose of this paper is to understand how globalisation, one of the most important phenomena the world has experienced, changed significantly from 1990 onwards by looking into ASEAN. For doing so, the study presented in this paper will firstly outline the defining features of the "New era of Globalisation" to then pursue a more empirical analysis centred on examining these new characteristics and effects within a group of developing countries which today represent one of the most relevant regional integration groupings, ASEAN.

Furthermore, the motivation behind undertaking this research is to understand more profoundly and critically the real implications of the changes the world has undergone due to globalisation, through the knowledge and research presented by Richard Baldwin in his book the "Great Convergence", and by other scholars' insights. Precisely because of the characteristics of the New Globalisation, it is captivating to look into a group of developing countries like ASEAN, to better understand how intriguing and thought provoking were the changes the world experienced since the 1990s, and how precisely by understanding those changes, many of the actual dynamics the world has been caught in can be better comprehended.

1.2 Theoretical Framework:

1.2.1: Contextualisation and characterisation of the "New Globalisation era"

Globalisation has been one of the most discussed and influential phenomenon in the last decades. The maze of literature around it manifests its relevance in order to understand the past and present world dynamics not only at an economic level, but also at a political and societal one (Sengupta, 2001). For this, it is fundamental to trace the history of this phenomenon in order to determine its characteristics and to comprehend and tackle the challenges that come with or from it (Huwart and Verdier, 2013).

Many definitions have been used to conceptualise the term "Globalisation", and thus, in many cases, globalisation has become part of a "catch-all" term. Consequently, even though, the term "globalisation" encompasses cultural, political, or informational dimensions, for the purpose of this paper, the research and analysis will be centred on economic globalisation. Although, it is important to note that occasional references to the broader term will be made, as inevitably all the aspects end up being interconnected (Huwart and Verdier, 2013).

Therefore, when speaking of economic globalisation, distinct definitions can be extracted. The European Commission defines it as “the process by which markets and production in different countries are becoming increasingly interdependent due to the dynamics of trade goods and services and flows of capital and technology” (Sengupta, 2001). The IMF puts it as “the process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies” (Köhler, 2002). Richard Baldwin (2022) simply puts it as the progressive breakdown of the force union between production and consumption. And Joseph Stiglitz describes it as (Huwart and Verdier, 2013):

> “the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders”.

Even though, the term of “globalisation” in its modern meaning was first coined in the 1970s, the internationalization of markets, ideas, people, and cultures goes back a long time (James, 2016). More specifically, even though economic globalisation has experienced accelerations and slowdowns, not following a linear historical path, two main phases can be distinguished (Huwart and Verdier, 2013). The first one took place between 1860 and 1913, and it was driven by the Industrial Revolution and the consequent reduction of the cost of the transportation of goods (Baldwin, 2022) (Siddiqui, 2017). The second phase started to flourish in the 1950s, but it is not until the end of twentieth century when a radical change took place in the landscape of globalisation. This pivotal change was due to a revolutionary reduction of the cost of moving ideas as a result of the spread of information and communication technologies (ICTs) (Baldwin, 2022) (Siddiqui, 2017). It is in this moment, where globalisation, understood as the involvement of the majority of the world states in the market economy and free trade, took place (Huwart and Verdier, 2013).

The initial phase of globalisation, referred of as the old globalisation, was characterised by a combination of merchants seeking to reach new markets outside their borders and the rapid transformation in communication and transportation (Huwart and Verdier, 2013). This phase unfolded under a global context of peace and as a result of the introduction of the steam engine, railways, and the telegraph (Baldwin, 2022) (Siddiqui, 2017). It paved the way for the expansion of global markets and trade, whilst the production of the goods being traded remained localised (Baldwin, 2022). Importantly, this localization of industrial production took place in Europe and North America, concentrating commerce, economic growth, and development on the North (Siddiqui, 2017). This led to a turning point in the world history, and what historians have referred to as the "Great Divergence", from which people started to talk about "the centre" and the "periphery". In fact, ancient civilizations in Asia and the Middle East, which had long been the economic rulers of the world, were displaced by what we nowadays recognize as the wealthiest and most influential powers, the countries conforming the G7 (Baldwin, 2022).

In the context of the first phase of globalisation, David Ricardo laid the foundation for understanding the globalisation process that unravelled until 1990. Through his work "On the Principle of Political Economy and Taxation", he introduced some of the fundamental principles that have explained the causes and effects of the globalisation process (Baldwin, 2022). The main idea introduced by Ricardo, and which continues to be relevant when analysing traditional globalisation, is the one of the comparative advantage. Through it, Ricardo stated that each country has certain goods that they can produce at a lower cost and therefore more competitively. As a consequence, Ricardo proposes that each country should specialise on producing those goods for which they have a comparative advantage in terms of costs. (Baldwin, 2022) (Siddiqui, 2017). This has served to explain why countries started to trade with each other and why they mainly exported certain goods. This idea has also contributed to the continuous and incremental expansion of commerce all around the world (Siddiqui, 2017).

Likewise, the first phase of globalisation was pushed and facilitated by the role of many governments which supported free trade and elaborated laws which strived to facilitate the flows of goods and financial capital between different countries and across continents (Huwart and Verdier, 2013). Importantly, the development of national legislation in regard to trade, as well as the increasing disposition for international treaties, constituted a pivotal aspect for achieving a greater degree of global economic integration (Huwart and Verdier, 2013). In the end, trading is the result of an uneven distribution of resources across geographies, and as such, countries are interested in overcoming this lack of certain resources through trade (Kogut, n.d).

Following the first phase of globalisation, which in historical terms ended in 1914, the inter-war period took place, with the First and Second World War. For economic globalisation, this meant the plummeting of international trade. The wars made western countries, with the exception of the US, look inward causing an important trade downturn. Indeed, looking into foreign investment as a measure of economic integration, what we observe is that before the inter-war period initiated, total assets held around the world by foreign investors amounted to 17.5% of the global GDP, and in 1945 this percentage was drastically reduced representing only 4,5% (Huwart and Verdier, 2013).

In the post-war period until 1990, globalisation progressed unequally due to the fragmentation derived from the Cold War and the process of decolonisation, giving more importance to a fragmented and regional economic growth, where the governments of different countries elevated their trade in their areas of influence (Huwart and Verdier, 2013). Precisely, it is in this moment of history when a debate encompassing globalisation starts to gain importance. Whilst on the one hand the post-war period was characterized by the nascency of multilateralism due in part to the rejection of protectionism in Western countries (Huwart and Verdier, 2013), on the other hand, an increasing regionalism was also taking place due, as some would argue, as a response to the faults contained in the system of globalisation (Anon, 2010).

In fact, regionalism, where a region is understood as something more than a geographical unit defined also by organized cooperation in a given field, by a social system and an acting subject with a particular identity, has been argued to be a result of globalisation (Anon, 2010). As the political scientist Toshiro Tanaka puts forward, globalisation is in part characterized by its selectiveness, and as such, "exclusion is inherent in the process of globalisation, and the benefits are evenly balanced by misery, conflict, and violence". Meaning, that under the challenges originated in the multi-polar world order, where states relinquish control and authority over exchanges and economic progress, regionalisation arises in response. Through Regional Trade Agreements, nations are given the opportunity to enter the global free trade terrene gradually, giving them the sufficient time to adjust their economies to such an uncontrollable reality (Anon, 2010). Consequently, even though many have argued that regionalism is in direct contraposition to globalisation, it can actually be seen as a building block of achieving a fruitful globalised world (Anon, 2010).

Returning to the resurgence of multilateralism in the second half of the 20th century, despite growing ideological tensions between the US block and the URSS, an ecosystem that looked to favour trade was fostered (Huwart and Verdier, 2013). The Bretton Woods agreement, which took place in 1944 aimed for countries to agree on “a system of economic order and international cooperation that would help countries recover from the devastation of the war and foster long-term global growth” (The World Bank, n.d). This narrative, followed by other important agreements such as the General Agreement on Tariffs and Trade (GATT), which made worldwide tariffs levels fall an 80% from 1947 to 1994, as well as the creation of the World Tarde Organization (WTO) in 1995, marked a crucial time for the expansion of globalisation (Huwart and Verdier, 2013).

Moreover, what became an increasingly relevant aspect of globalisation in the last years of the 20th century, turning out to be a crucial driver, was the proliferation of Multinational enterprises (MNEs), defined by Dunning (1992) as “enterprises that engage in foreign direct investment (FDI) and own or control value-added activities in a number of countries around the world”. A favourable trading ecosystem allowed for the expansion of company’s activities beyond their borders. This, linked with the increasing advances in transportation and communication enabled for such companies to enlarge themselves and become key actors in order to understand the new wave globalisation was delving into (Huwart and Verdier, 2013).

Baldwin (2022) outlines how this revolutionary change drastically altered industrial competition, giving rise to what he terms the “New Globalisation” or “The Great Convergence”. This was possible due to the simultaneous reduction of the costs associated with the transmission of ideas and the pre-existing decrease in the costs of transporting goods. Consequently, not only goods are traded, but cross-border movements of capital, technology, ideas and management practices and services were build (Siddiqui, 2017). This enabled for trade to grow more profoundly, resulting in the rise of entirely new, and as it will be argued, contrasting effects (Baldwin, 2022).

Indeed, in his book “The Great Convergence”, Richard Baldwin explains that precisely what marked a new era of globalisation around 1990 and drastically changed the world dynamics, was the wealth of knowledge companies transferred when relocating their industrial production beyond their borders and establishing operations in other countries (Baldwin, 2022). With their privileged access to cutting-edge technologies, in the fields of transportation, communications, electronics and robotization of production lines among other areas, they generated an increasing share of global output and trade (Stallings, 2001). And, in fact, the relationship between MNEs and globalisation is appreciated by the direct influence of what could be argued to be the three main channels of economic globalisation: foreign direct investment (FDI), international transfer of knowledge and technology, and international trade (Kenya, 2020).

Concerning the first aspect, FDI has been directly associated with the global increase in economic integration. In fact, even though FDI was already important before the 1970s, it´s interesting to note that between 1973 and 1997, FDI grew exponentially by 780%, making financial trends have a more direct and dramatic impact than those of trade (Kenya, 2020) (Stallings, 2001). And as mentioned before, MNEs are characterized by FDI, positioning them as integral contributors to this substantial expansion. Secondly, the international transfer of knowledge and technology, exhibited a similar growth to FDI flows in the final decades of the 20th century. Even in the 1990s, the annual growth rate of this transfer surpassed the FDI outflow growth. Finally, international trade has played a pivotal role in the world's economic integration. In the last two decades of the 20th century exports tripled, fostering a deeper level of integration (Kenya, 2020). This all came with stunning quantitative but also qualitative results (Stallings, 2001).

Furthermore, the transformative shifts that took place in 1990 can be attributed to the emergence of another noteworthy phenomenon, "new global value chains" (GVCs), which main characteristic derived from the international reorganization of production (Baldwin, 2022). Prior to the 1990s, value chains were already a fundamental part of the globalisation process, but the way they functioned was distinct, they were built within a country and as a result production remained geographically clustered (Cigna, Gunnella and Quaglietti, 2022). On the contrary, the new global value chains implied a more extensive and integrated connection between "commerce-investment-services and intellectual property" which came along with the need to highly coordinate the international centres of production with a double flow of goods, ideas, people, and investments (Baldwin, 2022). This shift led to costs reductions, enabling multinational enterprises (MNEs), as important players of GVCs, benefit from lower trade and coordination costs. Consequently, these corporations started to operate for market-seeking motives, also referred as horizontal integration, or efficiency-seeking motives (vertical integration), as for example, looking out to relocate their production to those countries which offered them a more efficient process, thereby enhancing their competitive advantage (Cigna, Gunnella and Quaglietti, 2022).

As a consequence, global value chains have reshaped globalisation, affecting simultaneously, how it can be understand and measured, as well as the impact it can have on both the developed and developing economies. As a matter of fact, this new phenomenon has contributed to increase at an exponential pace the speed of world trade, to the extent that between 1995 and 2010 the growth in world trade surpassed the growth of world GDP (Cigna, Gunnella and Quaglietti, 2022). At the same time, countries interconnectedness have amplified due to the progressive practice of vertical linkages carried out by these transnational corporations. This interconnectedness has had deep effects on many countries price movements and their domestic inflation, making it harder for policymakers to elaborate accurate policies in order to achieve certain economic or social objectives (Cigna, Gunnella and Quaglietti, 2022).

Interestingly, global value chains (GVCs) have also been characterised by their regionality, notably in Asia and Europe. The wave of trade liberalisation that took place in the 1990s mostly in emerging economies, which started to implement a reduction in tariffs and a more opened view of economic liberalisation, welcomed trade integration (Cigna, Gunnella and Quaglietti, 2022). This linked with the progress undertaken in information and communication technologies, the reduction in trade costs, the incorporation of emergent economies to the world economy, and the upheaval of MNEs, unleashed what Richard Baldwin (2022) referred to as the "second unbundling". (Baldwin, 2022).

This second unbundling gives birth to the New Globalisation which differs with the old globalisation due to the new actors and new dynamics which took place in 1990 and that have already been explained, but also due to how the old globalisation had already shaped the world, positioning the northern countries on the positive side of the balance compared to what has been defined as "the periphery". Interestingly, what happens with the New Globalisation is quite the opposite, the developing economies are the ones which presumably were able to grasp more effectively the new dynamics of the globalisation process compared to the already developed countries. This, as Baldwin

(2022) puts forward, paved the way for the "Great Convergence", where the developing countries started to grow exponentially cutting the space that existed in terms of economic development between them and the northern economies.

Precisely, what can be seen as new in this New Globalisation, is the fact that the production processes and factories started to cross not only North-North borders but also extended to North-South borders. More specifically, what distinguished this phase was that all the knowledge and investments that had been growing incessantly in the northern countries, fostering exponentially their economic and societal development, where know being also transferred to the South. This transfer to the South was facilitated as a result of the "reduction of the restriction in shell", this being, the gradual reduction of the three main costs that exist in association with distance: the cost of transporting goods, the cost of circulating ideas, and the cost of transferring people (Baldwin, 2022).

The decisive and critical thing here, is that this emerging relationship between the North and the South, along with the flows that accompanied them, had profound implications for the South. For the developing economies, the new dynamics went beyond their frontiers and directly impacted their economic, political, and social development from the inside (Baldwin, 2022). Whilst, on the other hand, for the already developed economies, the reduction in coordination costs was a mere evolution. Undoubtedly, it granted them with new opportunities, but the magnitude of the change was not as revolutionary as it was in the developing economies (Baldwin, 2022).

As a consequence, despite the symmetrical nature of the second cost breakdown, the outcomes were far from symmetrical. Taking in consideration that the starting point in 1990 was like night and day between the North and the South- especially in terms of the amount of knowledge and qualified working force- this meant that due to the new facilities to transfer this knowledge, the flows from North to South were abundant and influential, but in the opposite direction, the flows from South to North were minimal. Thus, the impact of the New Globalisation, while starting symmetrically, ultimately yielded asymmetrical results (Baldwin, 2022). This gave pace to revolutionary changes in the capacity of the emerging economies, which experienced a growing demand in their exports, whilst the most developed economies were unable to guarantee such an exponential growth for their economies (Baldwin, 2022).

All these new asymmetries which started to develop from the 1990s until today, have played a role in adversely impacting the already developed economies. These disparities have been in part the drivers of the new protectionist's drifts that have been recently fuelled by the direct commercial war between the US and China, which has already expanded becoming a relevant phenomenon in many European and Latin American countries. Therefore, the contemporary shift in globalisation, with its new features and repercussion, is directly linked to many of today's events regarding the current state of global fragmentation.

As nations all around the world started to open up their economies in order to benefit from the boom in trade, economic development, and economic growth, a notable lack of attention was put into the potential ramifications of the growing interconnectedness. In many cases, this interconnectedness led to the formation of profound dependencies, which resulted in significant and, in some cases, serious consequences for many countries. The combination of an ultra-globalised world and the defence of political democracy in nation-states at the same time is complex to pursue (Siddiqui, 2017). Hence, even though many economies have become global, policies continue to be nation-state based, and as such, many democratic countries have found it challenging to respond to local democratic aspirations without containing globalisation policies, and vice versa (Siddiqui, 2017).

Many have claimed that the world has reached such a level of integration in the global markets, that the world economy has become increasingly one, where national markets have been pushed aside by global markets (Siddiqui, 2017). As mentioned earlier, large corporations have moved much of their production to emerging economies all around the world. This strategic approach implies that in today´s scenario, the production processes and components of any product may have easily gone through more than five different countries. However, as everything in life, within this complex and fascinating web of production, there are both winners and losers. The internalisation of the global economy has occurred unevenly, and as such, both its positive and negative effects have varied significantly from one region to another and from country to country (Siddiqui, 2017).

1.2.2: Foreign Direct Investment from a theoretical perspective

Foreign direct investment (FDI) has become a crucial aspect in shaping the path globalisation has immersed itself in the last decades, significantly changing the structure of international trade and representing an important channel through which technology between countries is transferred and economic development is fostered (Nayak and Choudhury, 2014) (OECD, n.d). Similarly to the term "globalisation", Foreign direct investment has received abundant definitions alongside the development of numerous theories and models which have been introduced aiming to effecitvely explain such an influential and ground-breaking phenomenon. For the purpose of this paper, we will make use of the definition put forward by the OECD which defines FDI as "a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy" (OECD, n.d).

FDI started to gain relevance after the end of WWII, and it was in the 1960s when this phenomenon started to be thoroughly studied. Today we know that a distinctive characteristic of the Global Economy has been the unquestionable increase in FDI (Chirila, n.d). In fact, FDI and globalisation experience a relationship of mutual correspondence, as FDI is one of the causes that prompts the deepening of globalisation, but at the same time, it is a manifestation of globalisation in economics. Therefore, the increased globalisation process the world has undergone over the last decades has resulted on both a cause and a consequence of the growth of international business activity and FDI, which have simultaneously contributed to an increased integration of national economies (Chirila, n.d) (Faeth, 2009).

Consequently, given the significant relevance of FDI when discussing globalisation, it is fundamental to understand from a theoretical standpoint three major aspects:

1. The main different theories which explain FDI
2. The types of FDI
3. The link between FDI and multinational corporations (MNCs)

Regarding the first point, **theories of FDI** may be classified based on those theories that assume perfect markets, theories that assume imperfect markets and other theories. Theories based on perfect competition were developed by MacDougall and Kemp

(Nayak, and Choudhury, 2014). However, we will not delve into detailed analysis as many scholars have questioned these theories by arguing that in order for FDI to take place, some distortion needs to exist (Nayak, and Choudhury, 2014). Consequently, the bulk of the theories regarding FDI have been developed based on imperfect market setups, which, besides, is much closer to reality.

There are numerous FDI theories which assume imperfect competition, some of the most important being: the Industrial organization approach developed by Hymer, FDI based on monopolistic power developed by Kindleberger, the Internalization theory of FDI developed by Buckley and Casson, the Oligopolistic theory explaining FDI by Knickerbocker, and the Eclectic Paradigm to FDI developed by Dunning (Nayak, and Choudhury, 2014). Even though each of these theories has contributed significantly to explaining the reasons behind the existence of FDI and its main determinants, the Eclectic Paradigm to FDI theory, also known as the OLI paradigm, put forward by Dunning, has been considered one of the most robust and comprehensive theories as it incorporates many insights from the other imperfect market-based theories (Nayak, and Choudhury, 2014). Through this theory, Dunning explains that a firm will engage in FDI only if three conditions are given, emphasizing that all three must be fulfilled before a firm commits to FDI. These conditions are (Nayak, and Choudhury, 2014):

1. The firm has ownership advantages in comparison to other firms (O)- refereed to those advantages specific to a firm which enable the company to compete with other companies in a foreign country.
2. It is more profitable to internalize these advantages instead of using the market to transfer them to foreign firms (I)
3. Location advantages exist in using a firm´s ownership advantage in a foreign locale (L)- these location advantages can take the form of supply-oriented location theory (low costs for production factors) or demand oriented theory (based on the destination markets and its competitors) (Nayak, and Choudhury, 2014) (Gorter, and Nijkamp, 2001).

Importantly, one of the key new insights introduced by Dunning is the inclusion of a third dimension rooted in location theory. Given its significance and widespread adoption by scholars like Dunning on explaining the reasons behind multinational corporations' decisions to localise their production in foreign countries, we will briefly introduce some of the fundamental ideas and implications presented by the *location theory* (Nayak, and

Choudhury, 2014). This theory analysis the geographic dimension encompassed in economic decision-making based on both the behaviour of firms and households (Gorter, and Nijkamp, 2001). Even though, the father of location theory is Weber, with his research centred on the location of industrial firms, previous scholars such as Adam Smith, already introduced and discussed the intertwined relation between location and trade, where location was said to impact trade flows, and vice versa, where trade impacted location decisions. Nonetheless, location theory has been further explained by researchers such as Krugman, which explained how trade and location are endogenously determined, stressing how mobility, transportation costs, and transactions costs become integral in the modern economy (Gorter, and Nijkamp, 2001).

However, what holds greater significance is that since the 1990s, much of the international production activity undertaken by multinational corporations commenced to be explained through location theories. Precisely, these theories shed light on some of the new determinant characteristics of the new global dynamics since the 1990s, such as transaction costs imposed by distance, technological and communication infrastructure, and innovation standards. These factors have become key in shaping investment decision-making processes and location advantages (Gorter, and Nijkamp, 2001).

Finally, in relation with FDI theories, it is crucial to introduce the basic insights provided by the *Production Cycle Theory* of Vernon, for its highly relevant implications when explaining FDI raison d´etre and expansion. His theory urges to provide an explanation of how factors such as the discovery of new processes or product differentiation, among others, interact through time determining the production, foreign investment, and export patterns of different enterprises (Nayak and Choudhury, 2014). The most interesting aspect of Vernon´s theory lies in the conclusions reached from what he presents as the three stages of production, elucidating the lifecycle of a product, where (Nayak and Choudhury, 2014):

1. The first stage is related with the introduction of innovation, where the new products are created, produced, and sold in highly developed economies.
2. The second stage is marked by maturity, where production increases and the demand for the product rises in other countries. In order to successfully exploit these new demand opportunities, the original producer establishes production units in the foreign countries, allowing for the firm to go international.

3. Finally, the third stage is characterized by standardization, where the production technique becomes easily known worldwide, fostering investments to relocate to countries offering cost advantages. From this point on, the product is produced in what was initially the host country and exported to the original country of innovation at a lower cost, thus turning the initial exporter into an importer, and vice versa.

Moving on to the second point**, types of FDI**, we can classify FDI from the perspective of the investor, where we can find horizontal, vertical, and conglomerate FDI, or from the perspective of the host nation, which distinguishes between import-substituting FDI, export increasing FDI, and government initiated FDI. Horizontal FDI is pursued in order to produce similar products abroad while exploiting some location advantages, vertical FDI is pursued in order to exploit raw materials or be nearer to consumers, and conglomerate is a mixture of both. On the other hand, import-substituting FDI is based on the production of previously imported goods, while exporting increasing FDI is based on the increase of raw materials and intermediate goods exports by the host country, and government initiated FDI is motivated by national governments interest on incentivising foreign investors attraction for other reasons (Moosa, 2002).

Finally, the third point, the **link between FDI and multinational corporations (MNCs)** is crucial as, multinational corporations are the product of foreign direct investment and as such they are key players when understanding the globalisation process (Kogut, n.d)**.** As Dunning (1992) puts forward, multinational corporations (MNCs), also referred as multinational enterprises (MNEs), transnational corporations (TNCs) and transitional enterprises (TNEs) are "enterprises that engage in foreign direct investment (FDI) and own or control value-added activities in a number of countries around the world". And as Baldwin (2022) mentions, companies, or more appropriately speaking MNEs, were the main culprits of the change in globalisation which they were able to produce due to the revolutionary changes in communication technology.

1.2.3: The theory of economic integration based on developing economies

Another phenomenon which has become fundamental in order to be able to understand the new economic dynamics that erupted after WWII and the evolution the world has experienced since, is "economic integration". This term has been used to describe “a process whereby the economies of several different countries, often in close geographical proximity, are bound together into a single region” (Grimwade, 2013). Thus, economic integration, or more specifically, regional economic integration, is a phenomenon which’s increase in the last decades is characteristic with the new era of globalisation (Coleman, and Underhill, 1998).

Over the years the world economies have witnessed the proliferation of economic integration processes not only in the developed world, but also within developing economies. Despite the processes of economic integration allowing for important changes and in some cases long-lasting transformations, the different economic integration initiatives that have developed throughout the years vary significantly from country to country and region to region depending on the “deepness” of the economic integration and of the moment in history (Grimwade, 2013). In fact, in regard to the last decades, economic integration has been influenced by the impact of new determinants such as the change experienced in multinational corporations’ models, the expansion of financial transactions on a global scale, and the effects of it all on the nation-state (Coleman, and Underhill, 1998).

In consequence, and due to the multi-faceted nature of economic integration, several authors have put forward the importance of analysing economic integration in developing countries from a different perspective compared to the approach used to delineate economic integration processes in developed economies like the formation of the European Economic Community, which is typically analysed based on classical economic doctrines (Balassa, 1976). Like this, taking into consideration that the theory regarding economic integration can be classified in two stages, the first one regarding the traditional theories which fall under the classic theory or static analysis, and the second one regarding the new economic integration theories referred to as dynamic analysis, it is crucial to evaluate the different insights each of the stages provides but with a special focus on developing economies, as it is the concern of this paper (Marinov, 2014).

Starting with the static analysis, it is Jakob Viner with “The Customs Union Issue” who first attempts to develop a theory of economic integration by identifying specific criteria which distinguishes between the pros and cons of economic integration (Marinov, 2014). He introduces what have become very well-known concepts, trade creation and trade diversion. The first one refers to how, on the creation of a Custom Union between two countries, trade moves from a high-cost producer to a lower one among the member states thereby creating welfare. Whilst, the second one involves the opposite, the shift from a lower price producer outside the integration agreement to a high price producer within it, which results in reduced welfare. However, the static effect analysis comes with its limitations for its incapacity to fully assess the effects of integration on welfare, and it is why dynamic analysis by Bella Balassa is introduced (Marinov, 2014).

Balassa and other scholars start to develop an analysis of economic integration more adequate following the changes in the global economic conditions and therefore, more effecitvely explaining the economic rationale behind the creation of economic integration schemes (Marinov, 2014). In fact, authors such as Lawrence allege that “the driving forces behind previous integration efforts (simple trade creation and trade diversion) are drastically different from the factors that stand behind recent integration development, such as private sector participation, foreign direct investment, an increasing role of services, etc” (Marinov, 2014).

Consequently, even though following a dynamic analysis in order to understand economic integration may be more quantitatively difficult to pursue, when speaking on measuring the effects behind integration agreements among developing nations, it is more convenient. Like this, even though the traditional theory of economic integration may serve to also analyse the effects of these processes effectively on developing countries by looking into general economic, market-related and trade related determinants, it is convenient to pay more attention to dynamic instead of static effects.

The reasons for doing so are that in many instances, economic integration among developing countries should be perceived from a different view point, where many countries adopt such processes as a transition stage for opening their economies, where countries are much smaller and weak and therefore the process of integration is seen as a tool to gradually gain more competitiveness in the global economy, or where the countries integration aim is more a political goal. Therefore, economic integration effects should not be measured the same way as in most developed countries where a classical approach based on achieving short-term economic integration effects such as achieving full employment, perfect competition, constant returns of scale and the perfect mobility of production factors are the centre of the analysis, but rather dynamically, where long-term restructuring effects and other factors such as the economic growth rate or the utilization of underemployed economic potential are conceived (Marinov, 2014).

1.2.4: ASEAN foundation and main characteristics

The region of Southeast Asia is characterized by the existence of very diverse and in some cases small countries which are the product of distinct historical influences and their own and unique religious, political, and societal values. Despite these differences, distinct projects concerning integration tried to be implemented but failed. One example of it was the creation of the Association of Southeast Asian Nations (ASA) which was unable to effectively achieve profound levels of consolidation due to political reasons (Khoman,1997). Consequently, it is not until 1967 that the emergence of a successful regional integration process was finally accomplished with the formation of ASEAN by its five initial members: Indonesia, Malaysia, the Philippines, Singapore, and Thailand (CFR.org Editors, 2023). The aspiration and need for achieving greater unity in order to work jointly on facing and solving regional problems, as well as promoting the growth and strength of the regional group and its members, started to mold and became a reality (Khoman,1997).

What it is now one of the most durable and acknowledged regional groupings in the developing world, went through different phases of formation (Hill and Menon, 2010). Interestingly, even though ASEAN nowadays is regarded and studied in many cases from an economic perspective, mostly recognising and praising its achievements on becoming an attractive, consolidated, and powerful economic bloc, the reality, is that in its beginnings, the major reasons for establishing ASEAN were political (Khoman,1997). Back in that time, Southeast Asia was experiencing political instability as a result of recent military conflicts and the tensions derived from the Indochina war (Garnaut,1998). Specially, what pushed the process of ASEAN´s formation was the Vietnamese occupation of Cambodia, and the uncertainty this meant for what then became the founding countries of ASEAN (Khoman,1997) (Garnaut,1998). This, linked with the fact that at those times, what now are the ASEAN members where relatively small and weak compared to some of their neighbours, such as China or India, which started to develop as hegemons due to their increasing economic capacities, drove the formation of ASEAN (Khoman,1997). Precisely, given these circumstances, it was really in ASEAN founding members interest to unite and bolster their collective strength, making sure their voices were also heard on the global stage. As it is commonly said, “the whole is more than the sum of its parts”, and ASEAN meant to embody this principle.

As the political objectives started to be consummated, gradually the aim for economic cooperation started to become a reality. Specifically, real progress was made in 1976 by incorporating a programme with specific measures to promote international trade expansion. But most importantly, it is in 1992 when a far-reaching economic accomplishment in terms of cooperation is attained through the embodiment of the ASEAN Free Trade Area (AFTA) which will enter into force in 1993 (Garnaut,1998) (ASEAN Secretariat, 2015). The creation of the AFTA meant that the members of ASEAN, looked forward to progress towards economic integration and free trade by trying to achieve the goal of creating a single market through the reduction of tariffs, the increase of intra-ASEAN trade, and the attraction of foreign direct investment (CFR.org Editors, 2023).

How ASEAN has been affected by phenomena of transformational nature such as globalisation or economic integration has been in part, determined by its existing singular characteristics and their countries vision on what actions should they proceed with, based on their cautious, pragmatic, and consensus-based way of doing things (Hill and Menon, 2010). As for this, it is important to take in mind that, ASEAN will probably never achieve the levels of economic integration other organizations, such as the EU, have accomplished. Firstly, ASEAN is a region of immense diversity, at economic, political, cultural and linguistical levels. For example, some countries have been occupied by western nations and others not, some are freewheeling democracies and others communist states (Hill and Menon, 2010). Likewise, ASEAN includes one very wealthy nation, Singapore, alongside some of the most impoverished countries. Secondly, their way of doing things, is characterised by the so-called “ASEAN Way”, meaning, ASEAN countries have their own course of integrating their economies based on the respect of other nations sovereignty, which explains the reason behind ASEAN leaders deliberate avoidance on creating a more unified supranational regional institution (Hill and Menon, 2010) (Oleh, 2017).

Based on ASEANs particularities, in order to better grasp how ASEAN evolved to achieve over time greater openness and economic integration, it is crucial to understand the 4 main phases that narrate the flowering of ASEAN from an economic viewpoint. The first phase was characterised by the initial interest from ASEAN members on debating and analysing in further detail the distinct possibilities on carrying out economic cooperation. In fact, in 1969 ASEAN Foreign Ministers called on the United Nations for them to conduct a study on economic cooperation within ASEAN, which ended up with the elaboration of the Kansu Report (Hill and Menon, 2010). Parallelly on these first years of ASEANs constitution, different reports on how to boost cooperation in areas such as commerce, transport, industry, telecommunications, among others, were carried out (Hill and Menon, 2010).

Moving on, the second phase was marked by the realisation of regional cooperation measures such as the ASEAN Preferential Trading Agreement (APTA), the ASEAN Industrial Projects (AIPs), the ASEAN Industrial Complementation (AIC), and the ASEAN Industrial Joint Venture (AIJVs). These new initiatives were an illustration of the display of regional initiatives that were taking place not only in East Asia but in other regions such as Latin America. In the case of Southeast Asia, despite the actions adopted, small impact was really achieved in terms of economic integration, as tariffs continue to be considerably high and commodity coverage was insufficient (Hill and Menon, 2010). Even though this was the case, this phase was marked by the clear aspirations of ASEANs members to become an active organization embedded in the international sphere.

Speaking of the third phase, it initiated with the ASEANs leader´s Summit in 1992 and it introduced an unprecedented step towards economic cooperation with the presentation and commitment to the ASEAN Free Trade Area (AFTA). The time for real and effective actions took place, with the compromise of the members to reduce tariffs following specific levels and deadlines. Numerous reasons explained this step taken by the ASEAN members, as in the first place, they were aware of the relevant failure the previous initiatives have represented and they wanted to really turn "free trade" as one of their major objectives. Secondly, the world was experiencing different trends regarding commerce, such as the proliferation of preferential trade agreements (PTAs) which looked to extend and favour trade, and ASEAN wanted to be part of it. Finally, the Southeast Asian region was also experiencing notable changes as more countries embarked on the development endeavours to join ASEAN. Concurrently, ASEAN leaders felt overplayed by the exponential growth and power of China, promoting them to look into assuring their own space (Hill and Menon, 2010).

It is at this time, when many scholars started to criticise the modesty on ASEAN´s approach to integration and cooperation, as they argued it was a constant barrier for deeper integration and deeper ramifications. However, this gradualism of economic cooperation was part of that "ASEAN´s Way" philosophy. At that moment in time, not all the countries were ready to push forward, and the organization was only able to proceed when all countries were ready. As a matter of fact, ASEAN was gaining form at the same time when some of the centrally-planned Mekong countries were starting to swift into market-based economies. Consequently, the adoption of market economies was a change of paradigm for many countries, and this explains the slowness of change, as it was not only a new economic system that needed to be implemented, but a change in mentality and societal values had also to be undertaken, and this took time (Naya and Plummer, 1997). Thus, it was through "open regionalism" that ASEAN started to make real progress towards economic integration and liberalisation in order to create a closely integrated market where multinational and domestic firms could minimize transactions costs (Naya and Plummer, 1997).

Importantly, the "deepening" of ASEAN economic integration since 1992, was joined by its substantial "widening", as in 1995 Vietnam joined, followed by Laos and Myanmar in 1997 and Cambodia in 1999 (Naya and Plummer, 1997). This constituted a major milestone for ASEAN as it was capable to comprise all of Southeast Asia and thus truly embrace its commitment on working to achieve deeper levels of cooperation and integration. Like this, the 1990s were years of real momentum of outward oriented development strategies for ASEAN, until in 1997 the Asian financial crisis took place. With it, the fourth phase of ASEANs economic evolution was marked by a crisis that even though it was short-lived, it triggered a series of effects on many countries, serving as a precedent for ASEAN members to look out for greater cooperation beyond their borders as their need for interdependence grew (Prakash and Isono, 2012). Despite this intentions, this was not an easy work to carry out, as, the loss of commercial attractiveness and the lack of a coordinated and effective response to face the crisis urged ASEAN members to reflect and rethink its place on a complex scenario that was touring the world towards fragmentation (Hill and Menon, 2010).

Since then, ASEAN leaders have worked on carrying out initiatives to complement trade liberalization with the purpose of improving cooperation and effectiveness on international trade and investment. An example of it, was the ASEAN Industrial Cooperation Scheme and Investment promotion, which emerged as a clear commitment towards outward-oriented development (Naya and Plummer, 1997). As economic deepening picked up in ASEAN, foreign direct investment (FDI) inflows started to gain importance as ASEAN countries started to emphasise the significance of technology transfer and precisely, FDI meant foreign exchange, rapid access to foreign markets and technological transfer. Through AFTA and the promotion of FDI flows, ASEAN countries started to create a promising environment which attracted multinational corporations and also prompted the appearance and growth of domestic corporations in the developing region itself (Naya and Plummer, 1997).

AFTA turned out to be a successful achievement in terms of the level of liberalisation the ASEAN countries experienced. The adoption of a flexible liberalisation which took in consideration the different levels of economic development among the member countries enabled the region to progress adequately to the point of achieving a 98.6% rate of trade liberalisation (Ishikawa, 2021). This constituted a clear and historical illustration of how ASEAN´s economic integration turned out to be an outstanding example of economic integration carried out by developing countries. But all this progress did not end with AFTA, as in 2015 ASEAN realized the ASEAN Economic Community (AEC), or what some refer to as the "FTA-plus" economic integration (Ishikawa, 2021).

The ASEAN Economic Community started to de debated and formed in the 9th ASEAN Summit that took place in 2003. In the Summit, Goh Chok Tong, Prime Minister of Singapore, manifested his concerns regarding ASEANs difficulties to attract foreign investment, and thus argued why AEC should be established to further demonstrate ASEAN intention to deepen economic integration (Ishikawa, 2021). It is in the 12th ASEAN Summit in 2007 that its members agreed on establishing AEC in 2015 and parallelly start to develop the Economic Community Blueprint. By establishing AEC, ASEAN members were prone to deepening integration by increasing the free movement of services, investment, capital, and skilled workers. Likewise, it was meant to move ASEAN closer to the global economy by pushing it to participate in the global supply chains. For this, the ASEAN Economic Community Blueprint pillars were agreed, this being (Ishikawa, 2021):

1- Single market and production base: through the free flow of goods, services, investment, capital, and skill labour.
2- Competitive economic region: through competition policy, consumer protection, intellectual property rights, infrastructure development and e-commerce.
3- Equitable economic development: through SME development and initiatives for ASEAN development.

4- Integration into global economy: through a coherent approach to foreign economic relations and greater participation in the global supply networks.

Although, we should bear in mind that the countries conforming ASEAN and the region itself are characterized by economic disparities and political, social, and cultural diversity, ASEAN has turned out to be an outstanding example of how economic integration, cooperation and gradual liberalisation by its members has been achieved both at a regional and global level (Ishikawa, 2021).

1.3 Objectives and Methodology:

The main objective of this paper is to study how "The Great Convergence" that took place in 1990 marked a new era of globalisation between the "developed countries" and the "developing countries". To accomplish this objective, the paper will focus on the countries conforming ASEAN due to their possession of key characteristics enabling us to measure effectively the new effects caused by globalisation.

Moreover, some other specific objectives are:

1. Understand the new determinants of globalisation and critically interpret their impact in the rise of developing economies.
2. Assess how the new factors derived from the new globalisation process have affected ASEAN from an economic standpoint.
3. Evaluate the economic integration process undergone by ASEAN and determine whether this process has facilitated the advancement of globalisation within ASEAN´s economies or impeded it.

With the purpose of achieving these objectives, the paper will use both qualitative and quantitative information in order to understand in its full form the analysis conducted and to do so critically.

Firstly, the paper will carry out a literature review in order to understand the main concepts that will be presented as well as their historical evolution and their further impact.

Likewise, quantitative information will be extracted from official websites such as the OECD, the IMF, ASEAN database or the World Bank. The information extracted will be used descriptively to understand the trends studied and their relevance.

2. ASEAN: a relevant case study

2.1 Motives for choosing ASEAN:

Since ASEAN was established in 1967 the course of its evolution serves as a clear reflection of the transformative process of globalisation, this being, one of the main explanatory phenomenon that can disclose why nowadays ASEAN is considered one of the most highly-integrated regional organizations in the world (Cahaya, Amara, and Mulatsih, 2015).

As it has already been put forward in the theoretical framework, there are numerous studies and articles which have delved on analysing globalisation and its impacts. However, little emphasize has been put on measuring the changes that took place since 1990 due to the second rupture and what Richard Baldwin terms as the "New Globalisation" or "The Great Convergence" (Baldwin, 2022). From the 1990s forward, not only goods are traded, but cross-border flows of capital, technology, ideas and management practices and services (Siddiqi, 2017). These transformative shifts, made possible due to the revolutionary advancements in communication technology, directly reshaped how the world had functioned up to that point. The consequences derived from this new process of globalisation had profound effects on the relations between the already developed countries and the developing economies, heavily impacting the progress of developing nations in terms of economic growth, trade, and in most cases, political and social development.

When ASEAN was formed, all Southeast Asian countries with, if anything, the exception of Singapore, were characterized by very low levels of economic development. However, today, ASEAN countries are part of one of the fastest-growing regions of the world, with a GDP that has experienced a growth of more than 42% between 2013 and 2022 (The European House Ambrosetti, 2023). In fact, if considered as a single economy, ASEAN is the 3rd largest economy in Asia, and the 5th largest in the world, it has become the 3rd top recipient in the world of Foreign Direct Investment (FDI) with an annual growth rate of more than 13% between 2003 and 2022, and it is one of the largest international trading areas in the world, ranked 3rd (The European House Ambrosetti, 2023). Therefore, it is intriguing to analyse how this spectacular development the countries conforming ASEAN have experienced, and the potential they represent nowadays, could be closely linked to the changes encompassed in the globalisation process since the 1990s, that is, the consequences derived from the "New Globalisation".

Like this, the upcoming analysis, will seek to measure the transformative journey the world has undergone since the 1990s, contextualized within the framework of the "New Globalisation", in order to understand how and what where the catalysts that propelled the "The Great Convergence" forward. To achieve this, Southeast Asian countries set the grounds for this study to take place, providing us with the opportunity to critically understand how different developing countries have been influenced both positively and negatively, by what we understand as the "New Globalisation".

2.2 Challenges and limitations:

ASEAN comprises 10 highly diverse countries. These differences can be measured in numerous ways. For instance, just by examining the population size, GDP, and GDP per capita across each member, straight forward we can perceive the significant disparities that exist between the countries that form the organization. Like, this, Indonesia has a total of 275M people as of 2022, contrasting starkly with Brunei´s 445 thousand inhabitants, a difference of practically 618 times. Conversely, Singapore stands as the strongest country in economic terms within ASEAN, with a GDP per capita of \$82,794, while Myanmar, also member of ASEAN, reports a GDP per capita of \$1,093. This is a clear example of Singapore´s economic dominance, being its GDP per capita nearly 75 times higher than that of Myanmar.

However, the diversity does not end here, but on the contrary it is fully accentuated if we take into account the wide spectrum of political systems among the member states. From flawed democracies to hybrid regimes and authoritarian states, ASEAN encompasses a range of governance models. These political dynamics exert direct influence on the decisions made in political, economic, and social terms (CFR.org Editors, 2023). Therefore, each of the countries of ASEAN, despite being part of the same region and the same organization, have significant differences. As such, their historical trajectories have taken divergent paths shaped by the varying governance decisions adopted, which explain some of the disparities in the current realities of each ASEAN nation.

Interestingly, and in order to have a clearer understanding of the diversity that characterises ASEAN, *Figure 1: ASEAN´s countries Index of Economic Freedom,* puts forward the score each country of ASEAN receives for 12 different freedoms based on quantitative and qualitative factors (Heritage Foundation, 2023). As the table illustrates, the 12 freedoms are grouped into four broad categories: rule of law, government size, regulatory efficiency, and open markets, enabling us to have a clearer picture and understanding of the differences in terms of economic growth and prosperity each country conforming ASEAN experiences (Heritage Foundation, 2023). Taking into consideration that each freedom is graded on a scale of 0 to 100, it can be extracted there are significant differences between each country´s overall score, where Singapore scores the highest, not only in comparison with the other ASEAN countries, but the highest of the 184 countries analysed. On the contrary, whilst Brunei, Indonesia, Malaysia, and Vietnam receive a moderately free status due to lower scores in factors related with fiscal health, government integrity or property rights, Cambodia, Laos, The Philippines, and Thailand, are considered to have a mostly unfree status for presenting preoccupying low scores in areas such as, judicial effectiveness, financial freedom, or investment freedom.

ASEAN´S COUNTRIES INDEX OF ECONOMIC FREEDOM										
2024	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
OVERALL SCORE	**65.9**	**55.6**	**63.5**	**50.6**	**65.7**	**n.d**	**59.0**	**83.5**	**59.0**	**62.8**
Property Rights	68.8	41.0	39.2	44.0	65.7	n.d	46.1	94.2	45.0	49.6
Government Integrity	59.8	18.6	38.6	23.4	48.2	n.d	33.8	88.3	38.1	38.7
Judicial Effectiveness	52.3	22.0	44.5	12.2	65.6	n.d	42.2	58.3	35.2	35.4
Tax Burden	95.8	88.8	81.7	88.8	83.9	n.d	78.2	90.7	81.1	80.4
Government Spending	73.7	78.2	90.2	91.2	81.4	n.d	79.2	89.2	80.3	87.9
Fiscal Health	20.0	74.7	66.8	67.1	42.8	n.d	40.5	76.0	46.8	94.6
Business Freedom	76.5	54.7	73.1	56.2	70.5	n.d	69.7	86.9	70.3	73.9
Labour Freedom	75.2	47.4	59.5	42.9	58.2	n.d	57.8	77.3	56.3	54.6
Monetary Freedom	68.9	71.5	78.4	59.1	79.1	n.d	65.8	76.3	66.7	69.3

Trade Freedom	84.8	70.8	79.6	67.6	83.0	n.d	74.4	95.0	72.8	79.8
Investment Freedom	65.0	50.0	50.0	35.0	60.0	n.d	60.0	90.0	55.0	40.0
Financial Freedom	50.0	50.0	60.0	20.0	50.0	n.d	60.0	80.0	60.0	50.0

Figure 1: ASEAN´s Countries Index of Economic Freedom, data 2024. Source: own elaboration based on data from Index of Economic Freedom statistical results (Heritage Foundation, 2023).

Consequently, the profound and relevant differences between each of the members is something we need to take in consideration when examining the impact of globalisation and economic integration on both individual nations and ASEAN as a whole. As practically everything we are going to assess has been directly or indirectly shaped by these disparities, it is essential to recognise that the region´s diversity may pose some limitations to our analysis. Hence, it is fundamental that we critically interpret the data by also taking into account the historical characteristics that define each country.

Speaking of the different historical paths the nations in Southeast Asia have experienced, an already pertinent example that directly concerns our analysis, is that ASEAN started as a project where only 5 countries were fully involved, these being Indonesia, The Philippines, Malaysia, Singapore, and Thailand (ASEAN-5). These early grouping already laid the grounds for different developmental paths and levels of openness between these founding nations compared to those that joined the organization later on. Consequently, for the purpose of this analysis, in order to better measure and grasp the influence of globalisation and economic integration on the developing nations of Southeast Asia, and to reduce the complexity that is already inherent due to the diverse country backgrounds and the limited historical data accessibility, the research will primarily focus on the ASEAN-5 countries. Nonetheless, when feasible and relevant, further attention will be placed on exploring the relationship between ASEAN as a collective entity and globalisation.

3. Evolution of Economic Globalisation in ASEAN-5

Over the years, numerous indicators have been used to measure the impact and extent of Economic Globalisation on the globe. However, many of the economic statistics and indicators used have been centred on measuring what we understand as the "Old

Globalisation", were mostly all economic activity took place inside each country's borders. Consequently, it is crucial to undergo a reinterpretation of the traditional indicators and incorporate new owns in order to adequately measure the changes in the new era of globalisation (OECD, 2005).

Various have been the factors that have contributed to the intensification and newness of the globalisation process. Although already mentioned in the Theoretical Framework, the most relevant have been (OECD, 2005):

1. The transcendental role played by the information and communication technologies (ICT). The abysmal advances on this field have pushed connectivity and innovation around all the world to another level.
2. The liberalisation of capital movements. This has opened the doors for greater investment opportunities and facilitated significant interactions among capital flows.
3. The increasing opening of markets to trade and investment pushed forward trough different governments and international organizations, linked with the adoption of deregulation policies, allowed for the globalisation of competition.
4. The globalisation of corporations and industries with a subsequent fragmentation in the production processes and increasing spillover effects.

Bearing this in mind, in order to try and provide a coherent and relevant analysis through the lenses of the new phenomena derived from the "New Globalisation", the subsequent analysis will be predominantly centred on examining key indicators and literature pertaining to ASEAN-5 relations with:

1. Foreign direct investment
2. Economic activity of multinational corporations
    a. Diffusion of technology
3. Globalisation of trade
    a. Global Value Chains (GVC)

The aforementioned aspects will be analysed in detail in order to grasp many of the reasons behind ASEAN-5 upheaval and transformation in the context of the "New Globalisation". However, before doing this, it is compelling and suitable to look into the evolution of the KOF Globalisation Index for each of the ASEAN-5 countries. This will provide us with a foundational understanding and a broad overview of how economic globalisation has progressed in these countries.

Finally, and before diving into the analysis, it is convenient to consider four very pivotal historical moments in the evolution of Southeast Asian nations. These events had significantly conditioned and shaped the trajectories of these countries, and thus, it is likely that they will be reflected on the analysis. These are:

1. 1967: beginning of ASEAN integration process.
2. 1992: creation of the ASEAN Free Trade Area (AFTA)
3. 1997: East Asian financial crisis
4. 2015: constitution of ASEAN Economic Community (AEC)

3.1 KOF Globalisation Index in ASEAN-5

As Globalisation is practically a boundless concept that includes many aspects related to economic, social, and political terms, it presents a complex landscape for assessment. Measuring its impact on the world and within ASEAN-5 countries, proves to be extremely complicated due to its multifaceted nature (Potrafke, 2014). Nonetheless, the KOF index of globalisation has become one of the most recurrent indexes used for measuring globalisation due to its exhaustive and integrated nature. Specifically, the benefits of using the KOF index could be resumed in three (Potrafke, 2014):

1. It is an index that takes into account the three dimensions of globalisation: economic, social, and political.
2. It is available for more than 200 countries over the period of 1970-2021.
3. It is updated annually.

Consequently, even though the subsequent chapters will be centred on specific topics, this chapter will serve us with the opportunity of having an overview of the evolution of both the world, and the ASEAN-5 nations experience in the realm of globalisation, and, more specifically, in economic globalisation. Like this, the KOF Globalisation Index, which has been developed, and it is provided by the Swiss Federal Institute of Technology Zurich, puts together more than 40 variables that look into: economic flows, restrictions, cultural proximity, personal contact, Foreign direct investment, transfers, high technology exports, civil liberties, international organisations, and numerous other factors (Swiss

Federal Institute of Technology Zurich, 2024) (KOF Globalisation Index, 2023). The combination of these diverse variables result in an overall index that ranges from 0 to 100 (Global Economy, 2021).

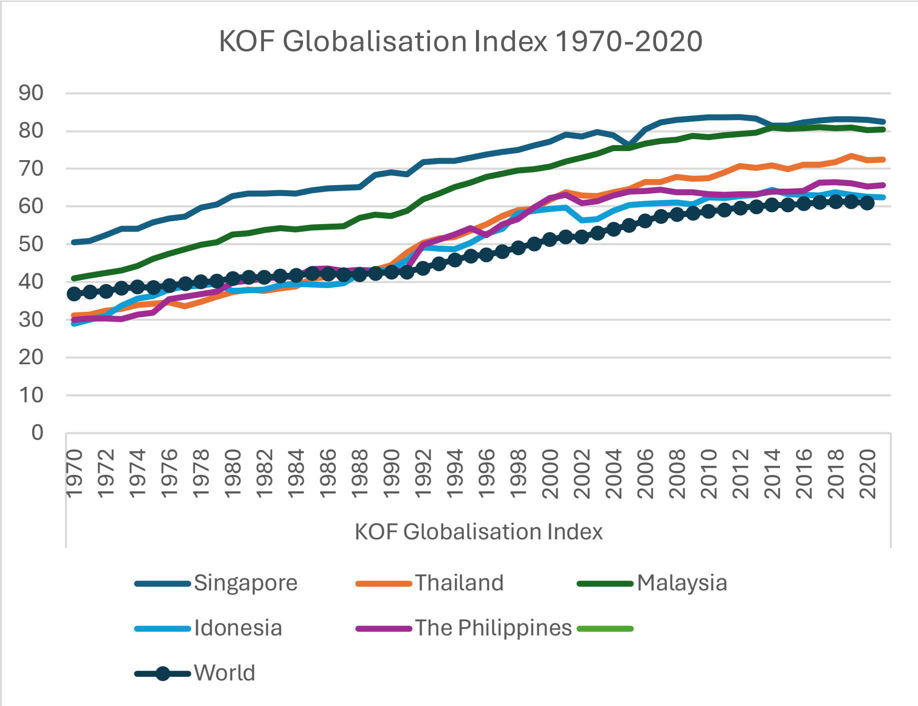


Figure 2: KOF Globalisation Index 1970-2020. Source: own elaboration based on data from KOF Swiss Economic Institute (KOF Swiss Economic Institute, 2024).

In general terms, as it can be appreciated in *Figure 2: KOF Globalisation Index 1970-2020,* the combination of economic, political, and social globalisation within ASEAN-5 has shown a consistent uptrend since 1970. As anticipated, there are important differences in the levels of globalisation among the member states, with Singapore and Malaysia surpassing 80, whereas Thailand, The Philippines and Indonesia register lower levels on the scale. Nonetheless, what is particularly intriguing, and arguably serves as an indicative of the transcendence of the "New Globalisation", as Richard Baldwin (2022) puts forward in his book "The Great Converge", is the emergence and unravel of a new globalisation process in 1990.

This shift can be clearly observed in the graph, as firstly, if we look into the evolution of the globalisation index in the world, it is in the 1990s were a significant increase takes place, anticipating what many scholars have referred to, as the "acceleration of globalisation" which brought many changes to the scene. More interesting even, is the fact that when looking into the graph, it is also in 1990 when

Indonesia, The Philippines and Thailand, which prior to the 1990s presented very low levels of globalisation, experience a far-reaching and historical moment, by surpassing the Globalisation index of the World. This is one of the most significant developments the "New Globalisation" brings forward and one of the most significant developments I want to measure and critically explain, that is the unprecedented change developing economies like the ones being analysed experienced, to the point of significantly reducing the distance between what till today we consider the developed countries and the developing nations.

While the preceding information is key in order to have a more general understanding of the evolution of globalisation in its political, social, and economic dimensions, this paper focuses on the analysis of economic globalisation. Therefore, it is convenient to examine economic globalisation specifically through the KOF Globalisation Index to identify any different trends. Before doing so, it is important to note that the KOF Globalisation Index employs various indicators and variables which measure crucial factors such as flows of trade, FDI and portfolio investment, but also, considers distinct obstacles for economic globalisation, such as, hidden import barriers, tariff rates or Capital Account Restrictions (Cahaya, Amara, and Mulatsih, 2015).

Consequently, by looking into *Figure 3: KOF Globalisation Index- Economic Globalisation 1970-2020,* we can firstly detect that the levels of economic globalisation in ASEAN-5 nations show more abrupt variations compared to Figure 2. Singapore and Malysia continue being the countries with higher indexes, where Singapore overpasses the figure of 90 around the year 2000, and Malaysia experiences a consistent uptrend positioning itself above 70. On the other hand, Thailand, Indonesia, and The Philippines experience a significant increase in economic globalisation at the end of the 1990s. Since then, Thailand has managed to sustain a positive trend, albeit at a significantly lower level compared to Singapore and Malaysia, but Indonesia and The Philippines, suffered a decline in the index level in 2004, and since then, their level of economic globalisation has plummeted to the point of being situated below the World average.

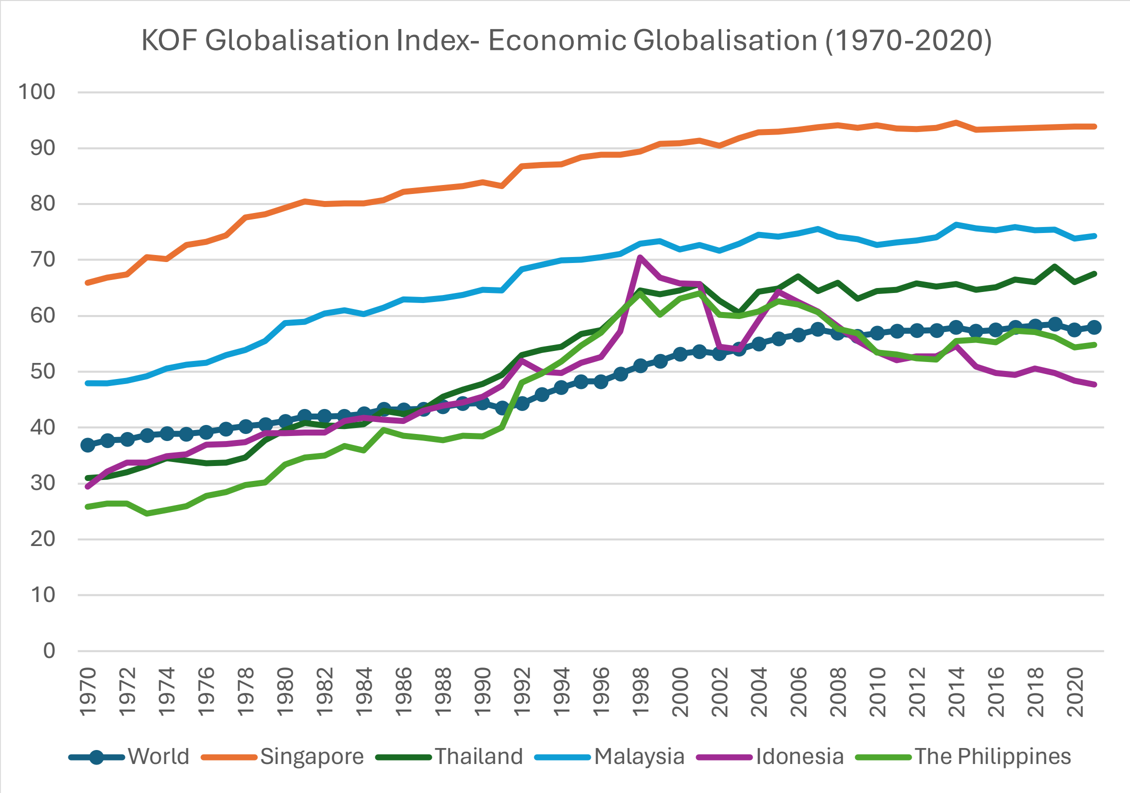


Figure 3: KOF Globalisation Index- Economic Globalisation 1970-2020. Source: own elaboration based on data from KOF Swiss Economic Institute (KOF Swiss Economic Institute, 2024).

In order to have a better understanding of the evolution ASEAN-5 countries experienced in terms of economic globalisation, it is of paramount importance to critically examine the key components that have become integral since the 1990s aligning with the shifts brought about by the New Globalisation.

3.2 Foreign Direct Investment (FDI)

Foreign direct investment (FDI) has become a crucial aspect in shaping the path of globalisation. Numerous scholars have proved that the increased globalisation process the world has undergone over the last decades can be closely linked with phenomena such as FDI. Notably, there has been a significant alteration in the direction of FDI inflows, primarily due to the new globalisation process (Liu, et al, 2022). Like this, while G7 nations were among the top recipients of FDI, a notorious shift in favour of developing countries has been taking place. Thus, many Asian newly industrializing economies, such as the ASEAN countries, China, or Korea, but also Latin American countries, have experienced an unprecedented increase in FDI, as it can be observed in *Figure 4*. Interestingly, this influx has been pivotal in pushing these economies to further global integration, particularly impacting their export sectors (Bende-Nabende, Ford, and Slater, 2002).

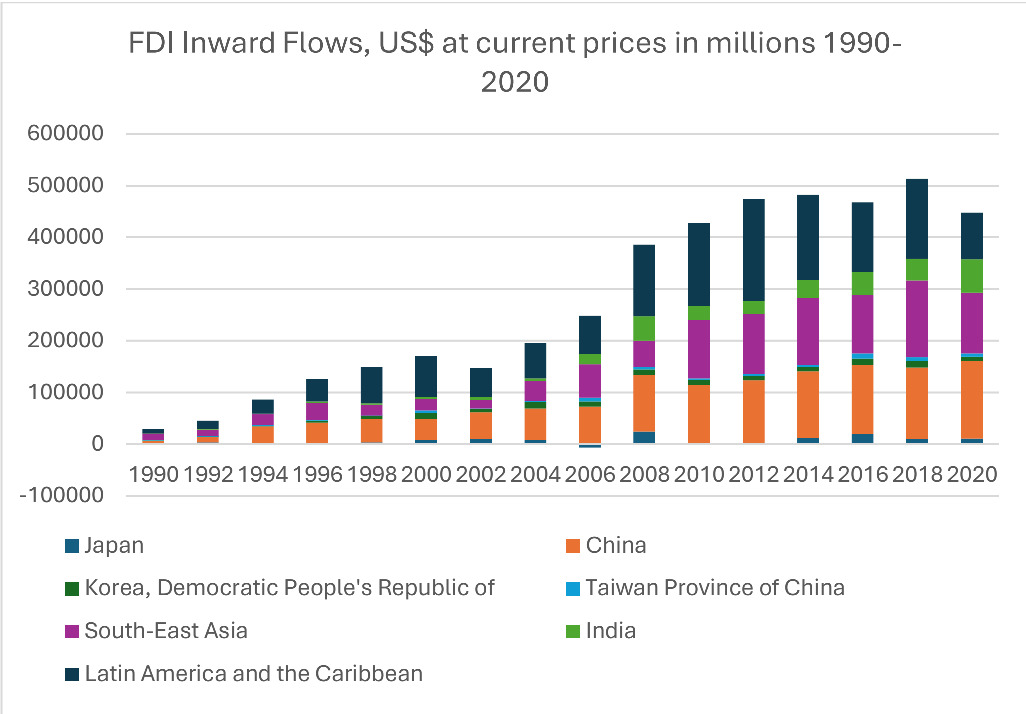


Figure 4: FDI Inward Flows, US$ at current prices in millions 1990-2020. Source: own elaboration based on data from UNCTAD (UNCTAD, 2024).

As shown in *Figure 4*, FDI in the selected countries and regions has been increasing since the 1990s, and specially since 2006. By welcoming FDI and trade liberalisation, many developing nations and regions have experienced unprecedented growth. The abundant opportunities arising from opening their doors to FDI have prompted these nations to adopt revolutionary policies in order to inflict stronger local and international integration structures (Liu, et al., 2022). Interestingly, among the regions and nations compared, Southeast Asian countries receive abundant FDI, alongside China and Latin America. China, often referred to as "the factory of the world", owes this status due to the "open-door" policy launched in 1978, which opened up southern China to foreign investors (Chantasasawat, et al., 2005). In Latin America, the region counts with abundant natural resources, and thus much of the economic efforts have been specialized in the exploitation of raw materials aimed at external markets with investment oriented to commodities (Alvarado, Iñiguez, and Ponce, 2017). However, for the case in hand, centred in ASEAN, it is important to pose the next questions: What has been the real impact of FDI in ASEAN? Has FDI been able to orchestrate faster growth and modernization in these developing economies? (Liu, et al, 2022).

In general terms, and when looking back into the evolution of FDI inflows in the region, it is valuable to appreciate how between 1995 and 2006, the influx of FDI tripled, going from USD 345 billion to 1.31 trillion. In fact, before the Asian financial crisis erupted in 1997, ASEAN countries FDI inflows accounted for 8% of global FDI. Once the crisis took place, despite its consequences, FDI remained robust in the region, positioning the ASEAN-5 countries as some of the most important destinations for FDI outside OECD nations (Tu, Yu, and Tan, 2011) (Thomsen, 1999). This robustness can be associated with ASEAN´s decision to further integrate its economies by establishing the ASEAN Economic Community (AEC), thereby creating a larger and more stable market aimed at maintaining and attracting greater FDI (ASEAN Secretariat and World Bank, 2013).

Importantly, FDI has been one of the main culprits in transforming many ASEAN economies from having major agricultural and raw materials-based economies to becoming major producers and exporters of manufactured goods (Thomsen, 1999). And, although the origin countries who have decided to venture their investments in ASEAN vary in time, it has been mostly developed nations, particularly the US, the EU and Japan, who have consistently been their main sources of FDI as it can be observed in *Figure 5* (Tu, Yu, and Tan, 2011) (ASEAN Secretariat and World Bank, 2013). However, intra-regional FDI flows have experienced significant increases, were, for example, in 2008, intra-ASEAN FDI flows accounted for 20% of the total investment influx to the region (Nguyet, Hong, and Vallée, 2016).

ASEAN: total inward FDI flows by economic sector and investor source, 2000-2016 (Millions of dollars)										
Sector\Source	Japan	US	EU	Republic of Korea	Hong Kong, China	Taiwan	China	ASEAN	Other	TOTAL
Agriculture/fishery/forestry	459	225	1.864	643	524	167	499	16.492	460	21.333
Mining and quarrying	4.592	3.616	18.921	764	1.188	115	5.371	8.365	18.094	61.025
Manufacturing	97.962	3.323	42.165	17.842	8.567	7.613	-2.594	54.132	40.977	269.986
Construction	1.126	-67	1.531	1.001	1.199	364	1.042	2.856	940	9.992
Trade, hotels and restaurants	18.712	21.940	56.306	3.964	7.058	2.650	8.745	10.049	29.605	159.029
Financial and insurance activities	8.781	87.657	59.774	4.159	15.791	6.397	17.095	44.261	91.077	334.990
Real estate	2.389	4.751	11.340	3.672	5.286	1.316	11.493	36.433	21.565	98.245
Other services	12.276	6.853	52.705	2.692	8.666	2.348	6.209	12.297	32.221	136.266
Others (includin	7.670	16.952	12.999	1.528	4.901	1.424	7.749	7.458	7.257	67.937
TOTAL	153.966	145.248	257.695	36.266	53.180	22.392	55.610	192.343	242.195	1.158.804

Figure 5: ASEAN: total inward FDI flows by economic sector and investor source, 2000-2016 (Millions of dollars. Source: own elaboration based on data from ASEAN Secretariat (ASEAN Secretariat, 2017).

Nonetheless, the distribution of FDI varies significantly from country to country, as in fact three fourths of the investments have been concentrated in only 5 countries, and a half in Singapore, which has been considered a major magnet for FDI in the region (ASEAN Secretariat and World Bank, 2013) (Thomsen, 1999). Although this can be partly linked to the strong influence of the external environment, the inflows of FDI within ASEAN have been largely driven and determined because of each country´s policies and approaches towards FDI (Thomsen, 1999). In fact, we can observe the disparities in FDI volumes in *Figure 6* and *Figure 7*. Even though FDI inflows to the 5 countries have generally increased since 2009, Singapore stands out with an influx of FDI which represents more than 15% of its GDP since 2008, while Thailand, Malaysia, Indonesia, and the Philippines have experienced similar levels of inflows, with Indonesia seeing slightly higher levels.

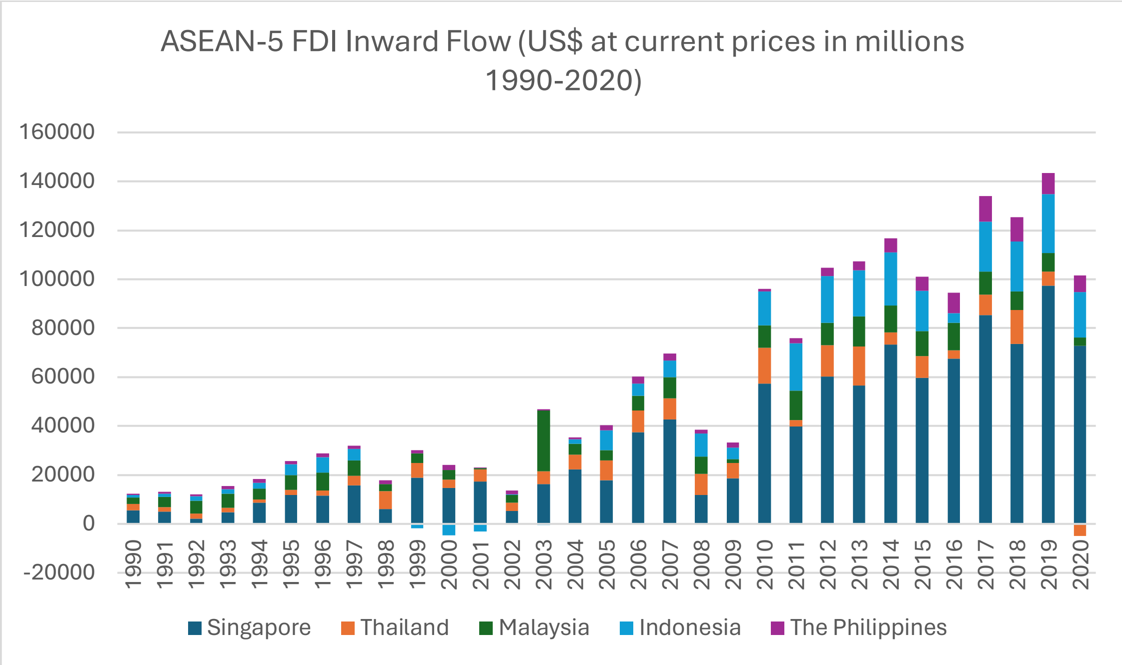


Figure 6: ASEAN-5 FDI Inward Flow (US$ at current prices in millions 1990-2020). Source: own elaboration based on data from UNCTAD statistics (UNCTAD, 2024).

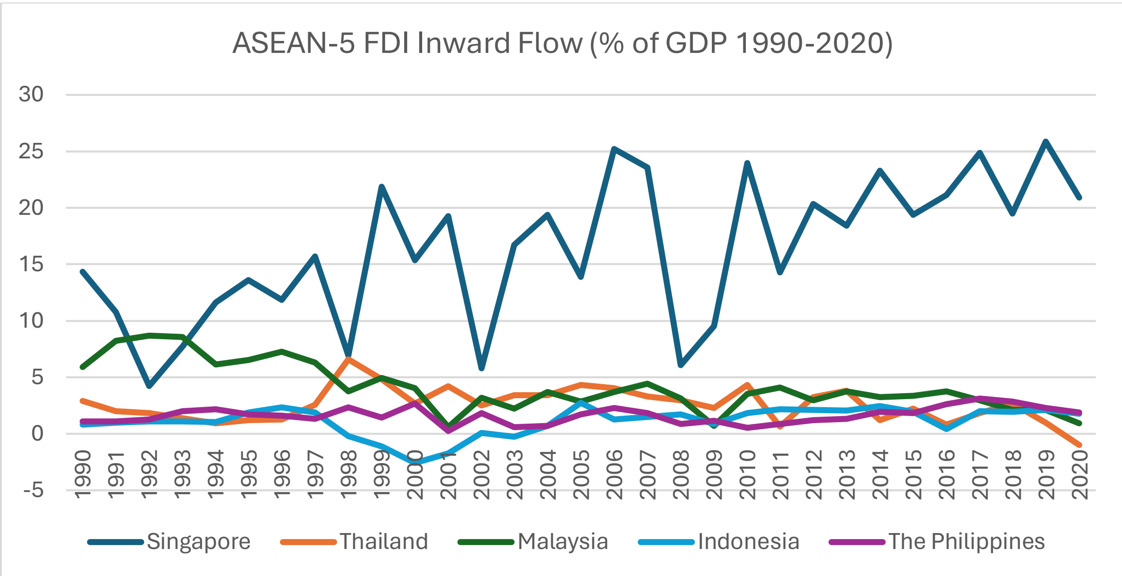


Figure 7: ASEAN-5 FDI Inward Flow (% of GDP 1990-2020). Source: own elaboration based on data from UNCTAD statistics (UNCTAD, 2024).

Several factors explain the increase in FDI inflows to the ASEAN-5 nations, as well as the main differences in their volumes:

1. Liberalisation materialises as one of the most consistent determinants of FDI. This is important, as Singapore was the first ASEAN nation to undertake an important

liberalisation process in the 1960s, and Thailand, Malaysia, Indonesia, and the Philippines did so in the mid-1980s (Bende-Nabende, Ford, and Slater, 2002). These incipient openness was in part favoured by ASEAN nations concern on China´s increasing attractiveness and growth (Thomsen, 1999).

2. ASEAN-5´labour force has been comparatively underpriced compared to that of OECD countries, which amplified the importance of skilled or semi-skilled labour force as a key factor for FDI location (Bende-Nabende, Ford, and Slater, 2002).

3. The ASEAN Preferential Trade Area (APTA) became a determinant of FDI. The more developed and economically attractive countries at those times, Malaysia, Thailand, and Singapore, were positively impacted by the reorganization effect APTA had on FDI, as they possessed more favourable post-integration locational advantages, whilst the Philippines and Indonesia, the least developed, were negatively affected by it (Bende-Nabende, Ford, and Slater, 2002).

As a result, each country has exhibited a unique FDI pattern based also on its economic structure and historical background. For example, for Malaysia and Thailand, most investments have originated form regional countries like Japan, whilst, conversely, the Philippines has seen significant investments from the US due to historical ties. Likewise, the sectors attracting FDI vary from nation to nation, in Malaysia and Thailand there is a predominance over manufacturing activities, whilst in Indonesia and the Philippines, FDI interest in the electronics sector has been on the rise (Thomsen, 1999).

However, in general terms, and based on the insights provided by Dunning´s FDI theory, the OLI paradigm, which explains how FDI channelled through Multinational enterprises (MNEs) is determined by 3 drivers (ownership advantages, location advantages, and internalization advantages), various are the reasons for the expansion of FDI through ASEAN. Based on this theory, investors interest in ASEAN countries can be attributed to several factors, the most important being: the openness these countries have promoted, the availability of abundant and low-cost raw materials, a specialized and affordable labour force, and the opportunity to access new markets with rising demand thanks to an increasing integration and connectivity among Southeast Asian countries under ASEAN (Tyrkba, and Yashina, 2019).

Consequently, even though we can determine that FDI did had important implications in ASEAN-5 nations by stimulating economic growth through positive liberalisation policies, the effects vary from country to country (Bende-Nabende, Ford, and Slater, 2002). Indeed, even though ASEAN-5 nations were able to experience important economic growth thanks to an aggressive promotion of export-oriented FDI, in some cases, these countries were incapable of transforming this success into something durable (Thomsen, 1999).

Precisely, "The ASEAN Way", characterised by partial openness, adopted a dualist approach of welcoming investments while imposing significant restrictions related to what products and sectors foreign companies could invest in, in order to protect the local economy (Thomsen, 1999). This approach somewhat hindered the ASEAN nations, limiting the positive effects delivered through FDI, particularly, those concerning sustainable development. Additionally, the focus on FDI directed exclusively towards export-oriented activities, contributed to the creation of a dual economy with limited technology spillovers.

Overall, although FDI has been pushed by the new globalisation process to become one of the main enablers of economic growth, modernisation, and development for many nations, granting substantial opportunities for the countries taking part in it, it has also demanded rapid changes and adaptability, which have not come without consequences.

3.3 Multinational enterprises (MNEs) and their diffusion of technology

The world has become increasingly interdependent due to evolving trade dynamics, where capital flows, as we have already discussed in the preceding chapter, and technology advancements, have caused significant disruption. Importantly, the primary vehicle of these turmoil in globalisation have been multinational enterprises (OECD, 2005). Consequently, even though FDI and MNEs are strongly interconnected, it is both compelling and valuable to devote one chapter of the analysis exclusively to MNEs. Their unique role in the New Globalisation and their long-lasting impact on host economies given their potential for creating and spreading technologies, skills, organizational capabilities, and other resources, justify the need to examine their role and impact on the ASEAN economies (ASEAN Secretariat, 2017).

MNEs have expanded their presence during the last decades, establishing a valuable network of subsidiaries across the South East Asian region, where practically every industry, sector and business have been covered. In fact, today, at least 94 of the world´s 100 most important non-financial MNE´s by foreign assets are present in ASEAN, making the region a significant hub in MNE´s global production systems (ASEAN Secretariat, 2017). However, the presence of MNE´s vary significantly from country to country based on many factors that have to do with, for example, history, value chain segments, capabilities, motivations, among others. Thus, depending on the product or the activity MNE´s are interested on developing, the need for certain prerequisites such as, a proper level of industrial development, the access to skilled labour force or simply a more adequate location, help MNE´s determine the ideal locations in where to establish among the different ASEAN Member States (ASEAN Secretariat, 2017).

In consequence, in ASEAN we can find global production-oriented MNE regional networks, Market-oriented MNE regional networks, or mixed or specialist MNE regional networks. Each have their own specific characteristics, although, generally, most MNE´s adopt a mixed approach, establishing their production base, while also targeting the ASEAN markets (ASEAN Secretariat, 2017). Interestingly, in the early stages of foreign MNEs presence in ASEAN, their impact on the host countries was limited as supply chain linkages were minor compared to the scale of subsidiary activities. During this period, foreign MNE´s investments in ASEAN, were mostly export-oriented, making use of cheap local labour to assemble the imported parts, which were then sent for further processing to MNE´s home countries. This raised questions about the limited or even negative impact of MNE´s in ASEAN nations. However, throughout time, a significant change has been taking place, where subsidiary linkages have improved considerably by being extended to many ASEAN countries local firms, upgrading their capacities and in consequence their competitiveness and quality (ASEAN Secretariat, 2017).

Another crucial aspect when speaking of MNE´s is to consider not only the presence of foreign MNE´s but also ASEAN MNE´s. Although ASEAN MNE´s did not start to pick up until 1980s, today, some of the most important companies investing in ASEAN are precisely ASEAN -based companies. Examples of them are, Malayan Bank Bhd (Maybank, Malaysia), Siam Commercial Bank (Thailand), Asia Pulp and Paper (Indonesia), Hong Leong Group (Singapore) or San Miguel Corp (Philippines) (ASEAN Secretariat, 2017). These companies have a long history, and their capacity to accumulate assets and experience, which has sustained their internationalization, can be partly linked to the rapid economic growth ASEAN experienced due to the significant opportunities provided by the influx of FDI (ASEAN Secretariat, 2017).

Looking into the profile of MNEs depending on the different sectors, we find:

- Manufacturing sector: MNEs but also Micro-Small and Medium-sized Enterprises (MSMEs) invest in ASEAN´s countries manufacturing sector, mostly in Indonesia, Malaysia, the Philippines, Singapore, and Thailand, and they do so in very distinct industries (electronics, food and beverages, general machinery, building materials, chemicals, etc). Foreign manufacturing MNEs are predominantly from Japan, the US, some European countries like France and Germany, and neighbouring nations such as China, India, or Australia.
- Services sector: larger MNE´s are more common in trade and logistics, with mammoth companies like Mitsubishi Corporation (Japan) or UPS (US). Likewise, among the prominent ASEAN MNEs in non-financial services, the most important sectors turn up to be real estate and infrastructure.
- Primary sector: due to the volatility characteristic of the extractive sector (mining, oil, and gas), MNE´s interest in this sector has suffered it´s ups and downs throughout the last decades. Even though practically all ASEAN nations, with the exception of Singapore, possesses exploitable resources, Indonesia and Malaysia are preferred by foreign MNE´s like, Royal Dutch Shell (UK- Netherlands), Tota (France), Rio Tinto (UK), or BHP Billiton (Australia). Also, ASEAN MNE´s have an important presence, with companies like PTT (Thailand), Bumi Resources (Indonesia) or Petronas (Malaysia).
- Agriculture: apart from Singapore, the rest of ASEAN-5 nations have some of the most fertile and rich agricultural land in the world. Interestingly, this sector, is the only one from the above analysed, in which ASEAN investors are considered to be the most important, as they go a long time back in history. Some of the most memorable companies being: Sime Darby (Malaysia) or Boustead (Malaysia).

This vast MNEs presence in ASEAN has brought about substantial effects, primarily involving (ASEAN Secretariat, 2017):

- Human capital
- People and communities
- Connectivity
- Supply chain linkages
- Multiplies effects
- Knowledge transfer
- Spillover effects

As mentioned previously, MNE´s investment activities in ASEAN have transformed over the years, moving from greater isolation to more direct relations with local businesses, which have been even regarded by MNE´s as key actors for successfully accessing ASEAN markets thanks to their rich knowledge and familiarity with it. Thanks to these linkages and shared processes with MNE´s, local companies have been the subjects of direct impacts, such as human capital development, income generation, and trade, but also indirect effects, such as the transfer of managerial know-how or innovative production techniques. Although, for these benefits to materialise effectively, it has been primordial for domestic companies to dispone or rapidly generate the necessary capabilities to absorb the new technologies and skills, making the most of the spillovers from MNEs (ASEAN Secretariat, 2017).

Among the spillover effects, technology spillovers have been particularly notable and ground-breaking, as they are widely recognized as one of the main elements from which local firms benefit from FDI (Tu, Yu, and Tan, 2011). Indeed, for ASEAN countries to achieve such a rapid and consistent escalation of their economies, technology has been essential, being one of the main factors which enabled for globalisation to happen so rapidly since the 1990s (Ahmed, Amin, and Yi, 2019).

All in all, ASEAN has become a regional fortress for foreign MNEs and ASEAN MNEs. And, by taking together the investment operations of these multinational enterprises and their direct and indirect effects on the ASEAN economies, we arrive to the conclusion that their role has been transcendental, as they have pushed the ASEAN nations to further levels of globalisation, opening their economies to modernization and development.

3.4 Globalisation of trade

As the OECD puts forward, “International trade in goods and services is a major component of the globalisation process” (OECD, 2005). Its evolution over the years has been subjected to numerous changes, which have pushed practically every country of the globe to engage in global trade dynamics. This has led to unprecedented levels of international integration. For instance, it is revealing to know that the volume of world merchandise trade was 16 times higher at the end of the 1990s in comparison with the volume of the 1950s (OECD, 2005).

Between the most important factors that have led to a singular globalisation of trade, we can find the dynamics of trade liberalization beyond the already developed nations (Anderson, 2001). In particular, this has led many developing countries, including those in ASEAN, to open their economies to greater opportunities, with increased access to global markets and technology advancements, as well as attractive investment conditions, leading these economies to experience impressive growth rates. Precisely, *Figure 8* illustrate that ASEAN-5 trade accounted for approximately 4% of total global trade in 1990, and since then, it has increased and stabilized at around 6%. Specifically, the GATT and WTO have contributed significantly to this process of liberalisation and global integration. However, not all the countries have decided to operate by GATT and WTO rules (Anderson, 2001). Interestingly, if we look into ASEAN, we find that the regional organization has promoted open-regionalism as their principle for trade liberalisation, committing to a gradual liberalisation by promoting the integration of the region with the rest of the world (Nguyet, Hong, and Vallée, 2016).

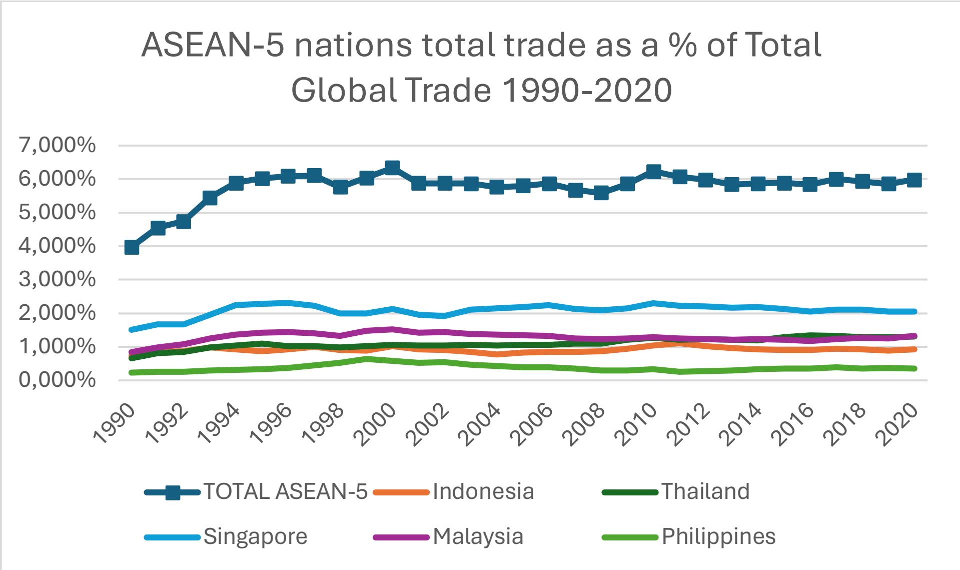


Figure 8: ASEAN-5 nations total trade as a % of Total Global Trade 1990-2020. Source: own elaboration based on data from UNCTAD (UNCTAD Statistics, 2024).

ASEAN-5 integration agenda, policies, and apparent unison towards transcendental economic matters such as liberalisation policies, could be seen from the mid-1980s to the early 1990s, when ASEAN members were proactive in the GATT, or, in the last round of multilateral trade negotiations, in the Uruguay Round. However, despite this initial "hung together" approach, with time, each member decided to take their own path (Sally, 2004). Like this, Singapore blazed the trail, becoming today one of the country´s with the world´s most liberal trade policies, being practically a free port with no tariffs on 99,9 % of its imports (Sally, 2004). Precisely because of this, Singapore has developed an extremely globalized economy, which can be seen in *Figure 9*, where the exports of goods and services in Singapore have represented since 1990 more than 150% of its GDP.

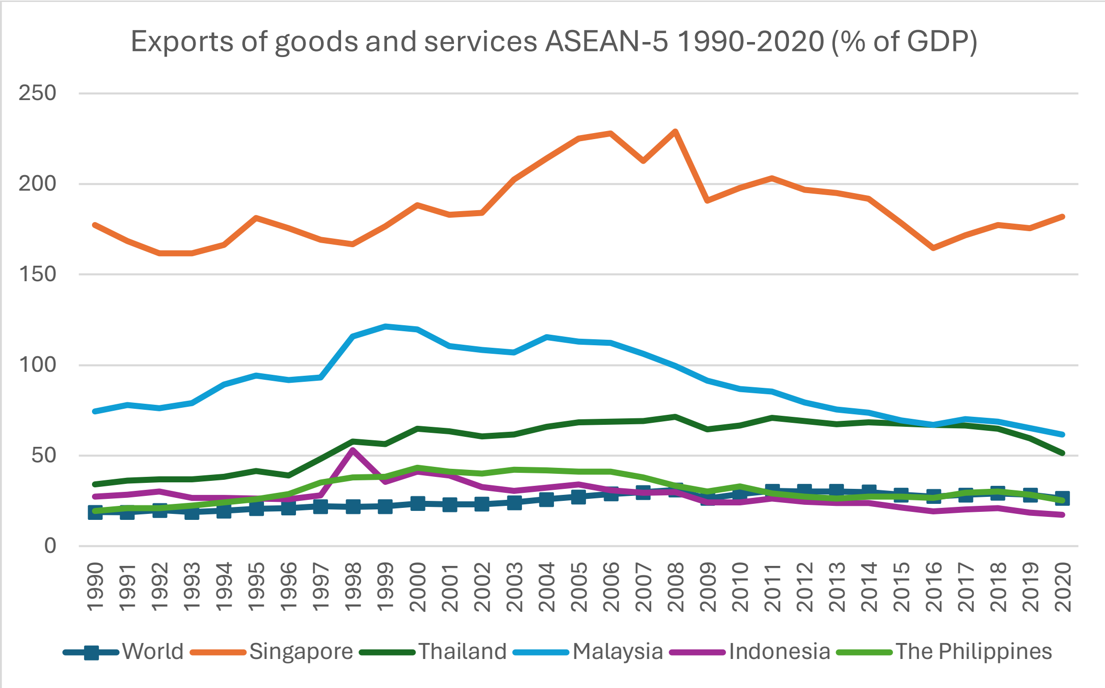


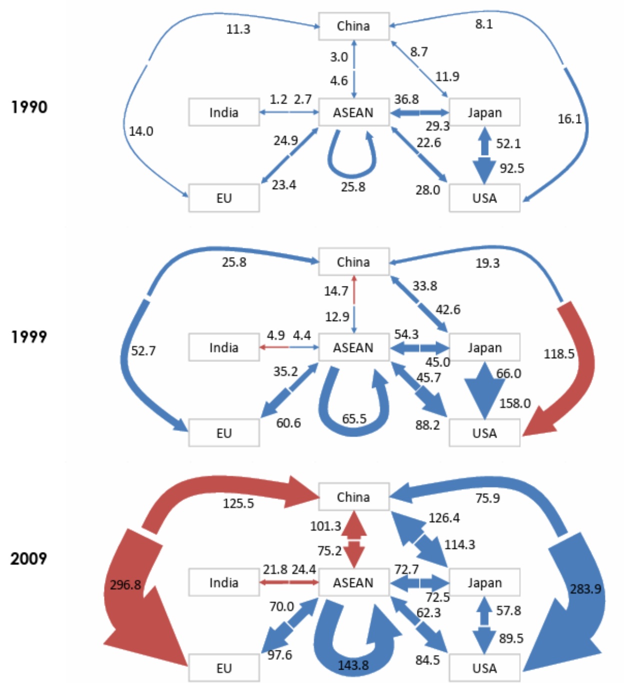
Figure 9: Exports of goods and services in ASEAN-5 1990-2020 (% of GDP) Source: own elaboration based on data from the World Bank (The World Bank, 2022).

Moreover, Malaysia and Thailand, saw an important increase in the weight of exports in their economies during 1996 until the 2008 crisis erupted, with their levels of exports representing more than a 100% in the case of Malaysia, and 50% in the case of Thailand. This is a result of Malaysia´s development of relatively liberal trade policies since the 1980s, despite the maintenance of a tariff escalation on sensitive items like cars, textiles, or food products. Thailand, for its part, has historically retained higher protection (Sally, 2004). On the other hand, and located at the bottom of the scale, The Philippines and Indonesia experienced an increase in international trade from 1995 until 2008, but at significantly lower levels, with their exports weigh on GDP being around 25% during these years. Interestingly, Indonesia´s acceleration towards liberalisation took place in 1998 due to the rolling of a Structural Adjustment Program agreed by the government at those times (Sally, 2004). In the case of The Philippines, protectionist policies persisted the longest among the five analysed countries, as it was not until the late 1990s when gradual liberalisation was pursued.

Despite the differences observed in the indicator measured in *Figure 7,* which is one of the most illustrative ways to measure the globalisation of trade according to the OECD, ASEAN has evolved to become today one of the largest trading regions globally, ranking 3rd among the top 10 countries in 2022 (The European House Ambrosetti, 2023)

(OECD, 2005). Importantly, ASEAN countries have been able to do so because of the changing characteristics of the New Globalisation, such as technology and important phenomena like FDI, but also, thanks to their internal characteristics, and their active adoption of policies, bilateral and plurilateral agreements (The European House Ambrosetti, 2023).

Moreover, when speaking of the globalisation of trade, it is primordial to analyse which have been ASEAN main trade partners. *Figure 10* grants us the opportunity to perfectly visualize the evolution of ASEAN main trade partners based on three moments of time, 1990, 1999, and 2009. The first conclusion that can be extracted, is that there has been an important increase in the trade flow since 1990, augmenting in all directions. Secondly, it is interesting to point out, that what used out be traditional ASEAN trading partners like the US and Japan, have not experienced significant increases in trade volume in the last years. Thirdly, it is though-provoking to see how the trade flows with China have increased more than 4 times, becoming in 2009 one of ASEAN´s major trading partners, before Japan or the US. Finally, it is interesting to appreciate how the integration process in ASEAN has positively paid off, as we can clearly see how intra-ASEAN trade has evolved to become a fundamental motor in the region.

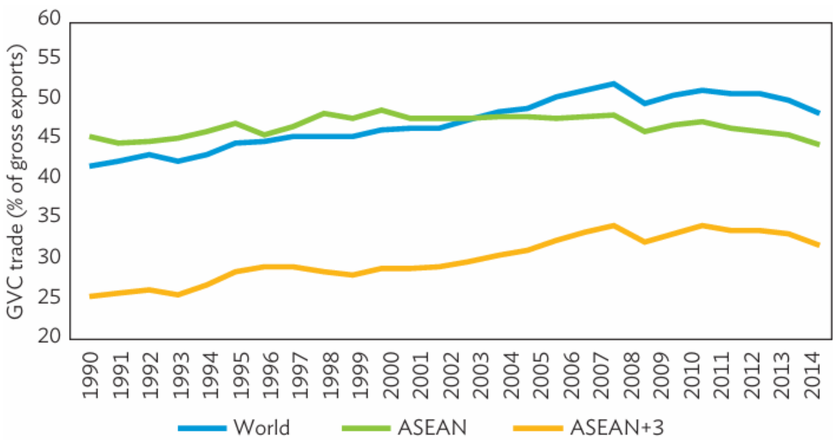


Note: Red arrows indicate that these directions increased more than four times than the previous period.

Figure 10: Trade among ASEAN and Big Economic Partners (in Billion USD). Source: (Prakash and Isono, 2012).

In addition, and in order to have a more critical understanding of the reasons behind the impressive increase in international trade over the last decades, specially in developing nations, it is crucial to analyse what has been the main disrupting component, the development of Global Value Chains (GVCs). So, what are GVCs, and how they did arrive to ASEAN? GVCs are the product of the contemporary global economy, and they are characterised by the establishment of vertical sequences of value-added activities spread in more than one country which culminate in a final product or service (ASEAN Secretariat, 2017). The vehicles of GVCs tend to be MNEs or "global buyers", which due to the advances in technology in the 1980s and 1990s, found they had the organizational capabilities to separate their production processes beyond their borders and benefit from lower costs in order to be more competitive (ASEAN Secretariat, 2017). Precisely because of this, the ASEAN nations appeared under the radar of MNEs and consequently of GVCs.

In 1967, when ASEAN-5 was created, these nations received low levels of FDI, as the world was still functioning based on the "old international division of labour". However, a paradigmatic shift in mindset, which marked the era of the New Globalisation took place. For the first time, many companies located in the industrialized nations began to look into the developing countries for locating more and more of their manufacturing and services operations. Like this, in the 1980s and 1990s, all ASEAN Member States started to see the transfer of MNE´s manufacturing process to their countries, fostering the creation of a rationalized supply chain as can be seen in *Figure 11* (ASEAN Secretariat, 2017). In no time, ASEAN-5 nations made significant progress in exporting high-tech products, mainly electronics, where Malaysia ranked second after China among top exporters, followed by Singapore, the Philippines, Thailand, and Indonesia (ASEAN Secretariat, 2017). In fact, today, the region stands out for having the highest GCV participation rate among major economic blocs worldwide, characterised mostly by backward participation as seen in *Figure 12* (Asian Development Bank, 2023).



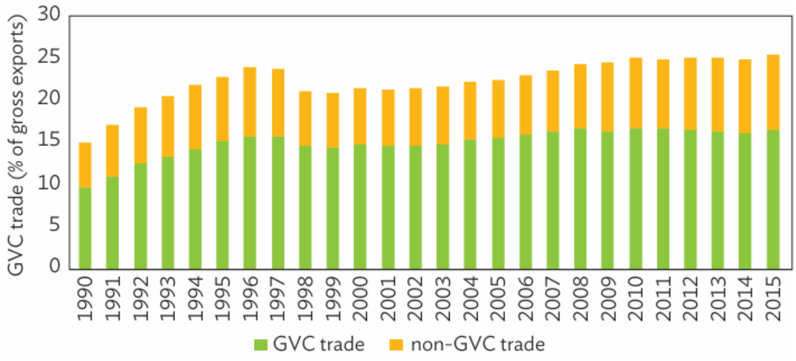
GVC = global value chain.
Note: ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus Japan, the People's Republic of China, and the Republic of Korea.
Sources: Authors' calculation using the United Nations Conference on Trade and Development Eora Multi-region Input–Output (UNCTAD-Eora MRIO) Database. https://worldmrio.com/eora/ (accessed 12 February 2022); World Bank (2020).

Figure 11: Trends in Global Value Chain Participation Rate, 1990-2015. Source: (Asian Development Bank, 2023).

Country		Participation index of global value chains											
		Participation Index, Forward						Participation Index, Backward					
		1995	2000	2005	2011	2015	2020	1995	2000	2005	2011	2015	2020
ASEAN-5	Indonesia	15.7	19.7	24.8	28.7	24.1	21.0	11.3	15.9	17	12.4	12.3	12.1
	Malaysia	11.6	13.2	16.4	19.7	19.6	20,5	39.8	44.2	41.4	34.7	33.2	33.8
	Philippines	10.1	16.5	19.5	22.7	22.3	21.7	25.3	21.2	28	20.1	19.7	22.3
	Singapore	12.9	16.6	16.8	16.3	17.2	16.3	36.7	40.8	46.1	48	43.9	43.8
	Thailand	10.6	12.5	14.1	13.6	12.5	14.7	24.4	34.9	39.6	40.11	35.3	31.4
	Brunei	22.3	25.9	29.7	32.5	19.3	34.9	7.1	8.1	7.4	9.4	10.7	17.9
	Cambodia	9.9	9.2	9.8	9.3	10.3	11.5	23.6	28.1	32.1	33.1	34.6	35.1
	Viet Nam	12.3	13.8	14.8	11.5	12	10.8	23.1	30.6	36.7	42.5	44.9	48
	Lao PDR	13.7	21.2	19.2	19.7	21.2	20.7	16.1	18.4	19.7	17.5	14.9	12.3
	Myanmar	14.5	18.9	25.4	24.2	19.2	17	17.5	20.2	10.6	9.9	13.8	14.8

Figure 12: Participation index of global value chains. Source: own elaboration based on data from the OECD (OECD, 2024).

ASEAN-5 participation in GVCs has conducted these nations to adopt national and regional policies which have highly contributed to ASEAN´s growth and connectivity over the years (ASEAN Secretariat, 2017). In fact, MNE´s decision to promote cross border non-equity modes (NEMs) of production in ASEAN-5 countries, allowed ASEAN based firms to upgrade their capabilities in all levels, by generating linkages with MNE´s and entering GVCs. Consequently, many scholars have argued that NEMs along with FDI were vital on promoting ASEAN´s economic globalisation and development, but also its regional integration as it can be appreciated in *Figure 13*. Like this, most of the regions industrial progress, export growth and expanding production, took place within the context of deepening GVC integration (ASEAN Secretariat, 2017).



ASEAN = Association of Southeast Asian Nations, GVC = global value chain.
Source: Authors' calculation using United Nations Conference on Trade and Development-Eora Multiregional Input–Output.

Figure 13: Intraregional Trade in ASEAN, 1990-2015. Source: (Asian Development Bank, 2023).

4: Beyond Economic Globalisation

4.1: ASEAN integration process

In order to understand how the key phenomena of the New Globalisation that have been described impacted ASEAN´s evolution, it is crucial to recognize that these phenomena had an amplified effect on ASEAN due to the region's commitment to integration. Without the process of regional integration ASEAN nations embarked into, the reality of the countries that conform the Southeast Asian region would likely have been different. Consequently, it is fundamental to pose the next question: has ASEAN´s economic integration process facilitated the advancement of globalisation within its economies, or has it impeded it?

Since the 1990s, regional economic integration became a priority in ASEAN, this can be appreciated by looking into the numerous economic projects which were promoted in those years. Between the most decisive initiatives, we can find, ASEAN Free Trade Area (AFTA) established in 1992, the ASEAN Agreement for Promotion and Protection of Investment (IGA) or the Framework Agreement on the ASEAN Investment Agreement (IAI) (ASEAN Secretariat and World Bank, 2013). Importantly, ASEAN´s economic integration project presents a vital characteristic, its commitment to carry out an integration process based on open regionalism. Based on this principle, ASEAN has promoted trade liberalisation among its members whilst encouraging greater investment and trade integration with non-members (Nguyet, Hong, and Vallée, 2016).

Interestingly, AFTA´s establishment was aimed at ameliorating the regions competitiveness position in the global market by facilitating and attracting international trade and foreign investment (Chen and De Lombaerde, 2014). In fact, a notable example of ASEAN´s open regionalism in practice, has been the extension of AFTA trough the ASEAN + X framework model, which has enabled ASEAN members to strengthen their regional cooperation through extensive and deeper ties with non-members (Nguyet, Hong, and Vallée, 2016). This constitutes an unequivocal example of how ASEAN´s economic integration process has fostered ASEAN´s openness, modernisation, growth and, most importantly, its participation in the globalisation process.

Moving on, the regional integration agenda gained greater momentum after the 1997 East Asian Crises, pushing the Association to declare in 2003 the need to work for achieving the ASEAN Economic Community (AEC), which was finally established in 2015 (ASEAN Secretariat and World Bank, 2013). AEC creation represented the realization of the region´s end goal of achieving economic integration (ASEAN, 2024). Importantly, AEC "envisions ASEAN as a single market and product base, a highly competitive region, with equitable economic development, and fully integrated into the global economy". Like this, ASEAN has been pushed towards greater intra-regional integration, particularly in trade and finance. This has resulted in a greater participation of ASEAN economies in an increasingly inter-connected and networked global environment, with high market interdependencies and globalized industries. Thus, through Free Trade Agreements (FTA) and Closer Economic Partnerships (CEP), ASEAN has promoted its integration with the global economy (ASEAN, 2024).

Consequently, many scholars have argued that from a historical perspective, ASEAN is the joint product of regional integration and globalisation, as it has been mainly due to global market mechanism why ASEAN´s regional integration process has been pushed forward (Chen and De Lombaerde, 2014). In fact, as Chen and De Lombaerde (2014) argue, "the enhancement of intra-ASEAN connexions and the deepening of economic globalisation have gone hand-in-hand in the evolution of ASEAN, showing that the two complementary processes can mutually reinforce each other and effectively push forward the progress of regional development".

Likewise, academics have reached the conclusion that ASEAN regional integration has progressed in a positive direction with global integration by looking into the movement of goods, services, and investments (ASEAN Secretariat and World Bank, 2013). Manifestations of these positive correlations are:

1- Non-ASEAN investors generate important levels of intra-ASEAN investments, mostly through global supply chains (ASEAN Secretariat and World Bank, 2013). This directly incentivises the proliferation of businesses, innovation, and economic growth, at the same time it promotes regional integration and wider economic globalisation.

2- Intra-ASEAN FDI to total FDI in ASEAN has increased from an 8% in 2000 to 20% in 2011. In fact, the larger market size promoted by AEC has made FDI to ASEAN rise from $20 Billion in 2001 to $94 Billion in 2010 (ASEAN Secretariat and World Bank, 2013).

3- ASEAN integration has resulted to be trade creating, as scholars have witnessed how at the same time intra-ASEAN trade expanded, trade with the rest of the globe has been increasing proportionately. This is precisely due to the intra-trade structure that ASEAN integration process fostered to create. In fact, as it can be observed in *Figure 14*, ASEAN´s global expansion of trade has been paralleled by an increasing concentration of trade activities within the region. For instance, intra-regional exports as a share of ASEAN´s total exports expanded from 22,8% in 2000 to 28,2% in 2010, and since then, it has continued to grow significantly (Nguyet, Hong, and Vallée, 2016). Consequently, ASEAN regional integration was efficient, as it did not deviate trade from the competent partners to favour regional partners, but it rather enhanced regional partners to modernise and benefit from being more competitive. Likewise, trade costs have been reduced internally, by as much as 50% for ASEAN-5 nations between 1990 and 2007, but also externally, about 8% with the rest of the world (ASEAN Secretariat and World Bank, 2013).

Partners	2000		2005		2010	
	Export	Import	Export	Import	Export	Import
Intra-ASEAN	22.8	21.1	25.3	24.5	28.2	26.6
Extra-ASEAN	77.2	78.9	74.7	75.5	71.8	73.4
China	3.5	5.2	8.1	10.6	11.3	12.4
Japan	12.3	18.8	11.2	14.1	11.1	10.8
Korea	3.5	4.4	3.8	4.1	4.8	5.5

Figure 14: Structure of ASEAN + 3 trade activities. Source: (Nguyet, Hong, and Vallée, 2016).

4- ASEAN has experienced during the last decades the highest degree of economic openness compared to other regional integration organizations, as it can be observed in *Figure 15*. This manifests how ASEAN´s regional integration process has been directly accompanied and influenced by the waves of economic globalisation (Chen and De Lombaerde, 2014).

	Openess of regional economies %			
	1980s	1990s	2000s	2010s
ASEAN	55.5	80.0	92.8	78.1
RCEP	16.4	17.0	25.2	27.1
EU	16.9	14.9	20.3	25.6
Mercosur	15.6	14.6	23.3	20.8
NAFTA	10.4	11.6	13.6	16.1
SAARC	12.6	18.0	28.8	36.0

Figure 15: Openness of regional economies %. Source: own elaboration based on data from (Chen and De Lombaerde, 2014)

Given the preceding information, one could argue that the perceived complementarity between ASEAN´s economic integration process and its expanding economic globalisation derive from the reality that ASEAN´s regional integration process is relatively weak and not sufficiently decisive, and instead globalisation is the clear dominant force driving ASEAN´s growth. However, today we know that ASEAN is, in fact, highly integrated compared to other regional organizations like the North American Free Trade Organization (NAFTA) or the European Union (EU), if we look for example, into the trade intensity indicator, which measures and compares regional trade to global trade with the region (ASEAN Secretariat and World Bank, 2013). This has been possible partly due to ASEAN´s unique approach to integration, known as the "ASEAN Way", which has been characterised by an open regionalism approach and gradualism. This approach has allowed for the coexistence of greater integration and further globalisation. An example of ASEAN´s commitment during the last decades to its regional integration development through openness can be appreciated when looking into *Figure 16*.

Free Trade Agreement Status by ASEAN member states as of 2024								
Country		Under Negotiation						
		WTO membership since year	Framewwork Agreement signed	Negotiations launched	Signed by not yet in effect	Signed and in effect	TOTAL
ASEAN-5	Indonesia	1995	0	10	1	17	28
	Malaysia	1995	0	8	0	18	27
	Philippines	1995	0	3	1	10	15
	Singapore	1995	0	7	4	31	44
	Thailand	1995	1	9	0	15	25
	Brunei	1995	0	1	0	11	13
	Cambodia	2004	0	1	1	10	12
	Lao PDR	2013	0	1	0	10	11
	Vietnam	2007	0	2	1	15	19
	Myanmar	1995	1	3	0	8	12

*Figure 16: Free Trade Agreement Status by ASEAN member states as of 2024. Source: own elaboration based on data from Asia Regional Integration Center (*ARIC, 2024).

However, there is still a long way to go to strengthen ASEAN´s integration. The main barriers impeding greater integration among ASEAN countries include the persistence of non-tariff trade barriers, the less effective integration of services, and the lack of stronger and complementary connectivity links between all ASEAN Members (ASEAN Secretariat and World Bank, 2013). Additionally, the high connectivity and, in some instances, dependency that ASEAN nations have with the rest of the world — primarily because their economies are highly integrated into Global Value Chains (GVCs) — leaves them vulnerable to global economic fragmentation due to Megatrend impacts, as it can be observed in *Figure 17* (Baek, et al.,2023) (Tay, Tan, and Kiruppalini, n.d).

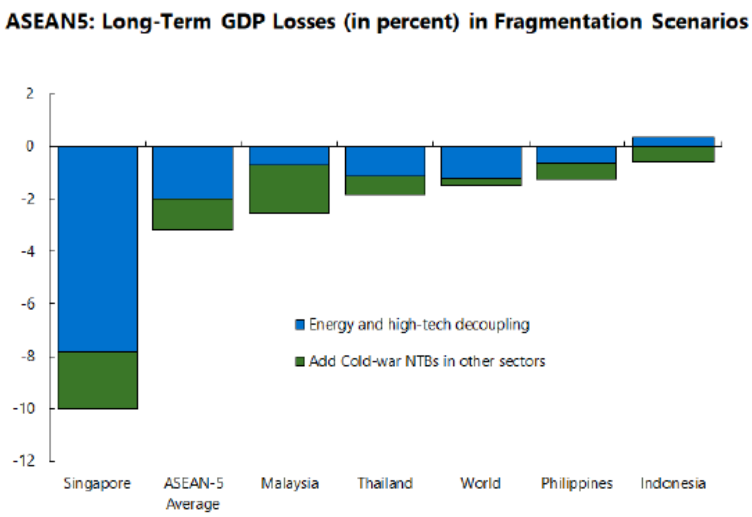


Figure 17: ASEAN 5: Long-Term GDP Losses (in percent) in Fragmentation Scenarios 2022. Source: (Baek, et al.,2023).

Nonetheless, for now, even though better work is needed by ASEAN members in order to ameliorate the integration process and benefit even more from it, the positive impact of ASEANs integration process on member economies is evident when looking into the GDP per capita in purchasing power parity (PPP). This metric allows to better understand and compare the economic productivity and standards of living between the different countries of the world (Investopedia Team, 2024). As shown in *Figure 18,* ASEAN-5 nations have seen a modest, yet positive increase in this metric, reaching 100.000 in Singapore, 27.880 in Malaysia, 18.200 in Thailand, 12.210 in Indonesia, and 8.450 in the Philippines in 2020. Interestingly, when compared to China (25.020), India (10.120) and Brazil (20.810) — three of the most powerful developing economies — Singapore stands out significantly, but also, the remaining four ASEAN-5 countries, despite being smaller developing economies, can be comparable to these larger economies in terms of GDP per capita in PPP (IMF, 2024).

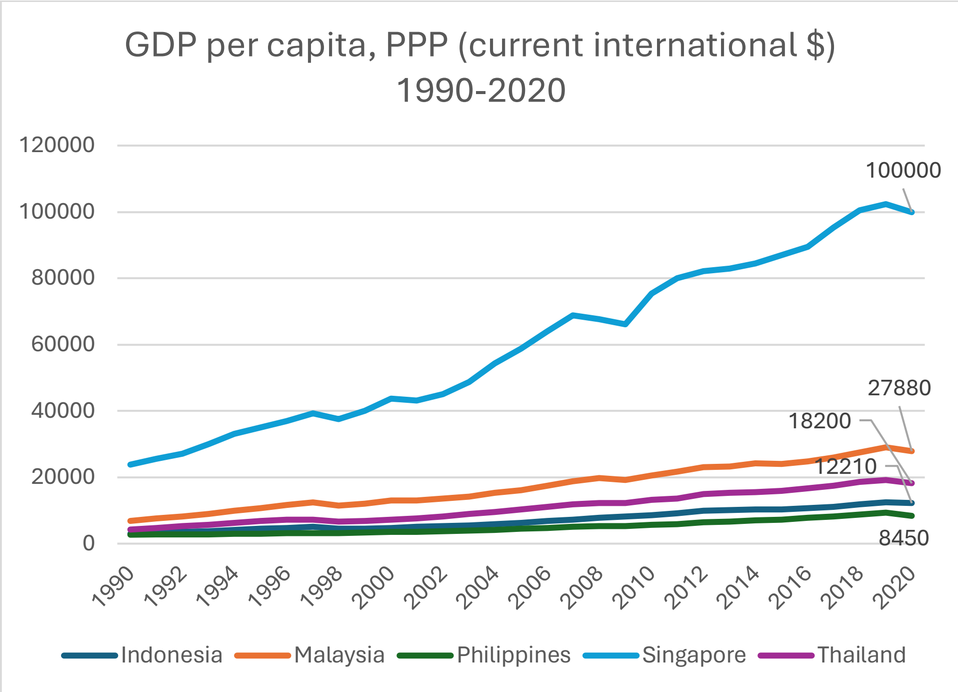


Figure 18: GDP per capita, PPP (current international $) 1990-2020. Source: own elaboration based on data from the IMF (IMF, 2024).

Finally, it is important to emphasize how ASEAN´s integration process has had a positive impact beyond the economic sphere. This can be seen through the Human Development Index (HDI), developed by the United Nations (UN), which summarizes key dimensions of development related to a long and healthy life, knowledge, and a decent standard of living (United Nations, 2024). *Figure 19* shows that all ASEAN-5 countries have experienced an increase in HDI. Singapore has reached a very high index (above 0,8), Malaysia and Thailand have maintained a high index since 2004 (above 0,7), and the Philippines and Indonesia have achieved a medium level (above 0,6). The increase of HDI across these countries can be attributed to ASEAN´s integration and growth, as its HDI increase has been directly linked to these countries' improvement in GDP and other factors such as increased regional investments and modernisation through FDI (Kaukab and Sruwandono, 2021).

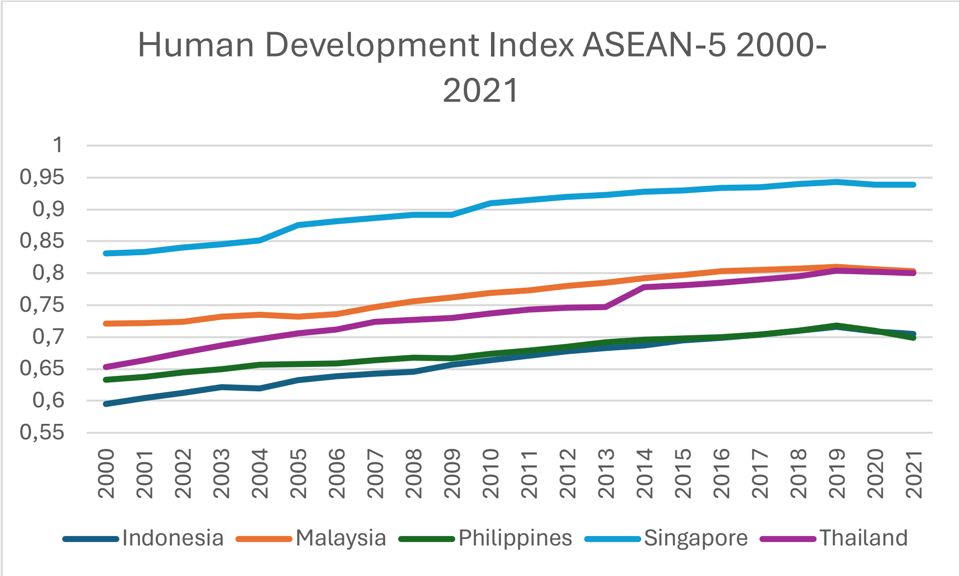


Figure 19: Human Development Index ASEAN- 5 2000-2021. Source: own elaboration based on data from the Asian Development Bank (Asian Development Bank, 2024).

4.2: ASEAN extra-regional relations: from EU and the US to China

Between the different global megatrends that have had far-reaching consequences for ASEAN´s economic, political, and social development, the rise of China has been, without a doubt, one of the most influential factors in shaping the regional order of Southeast Asian economies (Tay, Tan, and Kiruppalini, n.d). China´s accelerated growth and integration in the global economy has been such, that today, China is the third-largest trading nation in the world and the largest destination for FDI. It´s potential is evident globally, but even more so to its neighbours, as China has become a major driver of the region´s growth, creating numerous opportunities while also intensifying competition for ASEAN countries, which have strongly felt the impact of China´s surge (Zhang, 2007). Thus, it is convenient to introduce the next questions: What has been the real impact of Chinas extraordinary growth for ASEAN? How have ASEAN members responded to these impacts? How are they navigating the growing US-China tensions?

Today, ASEAN and China stand as each other´s largest trading partners, and it has been this way for ASEAN since 2009 (Zhang, 2007) (Whester, 2023). It was in the year 2000 when ASEAN and China´s economic relationship gained momentum, as China overtook Japan as the largest supplier of inputs for ASEAN exports (Whester, 2023). Since then, trade has been growing between them at 20% annually, to the point that in

2019, trade between ASEAN and China amounted to \$507.9 billion, 18% of ASEAN´s total trade (Zhang, 2007) (ASEAN, 2024). Notably, the composition of bilateral trade between China and ASEAN has shifted from predominantly raw materials to machinery and electric equipment (Zhang, 2007). Moreover, ASEAN´s trade deficit with China has surged from \$10.4 billion in 2010 to \$102.9 billion in 2019. Additionally, China is the 4th largest source of FDI for ASEAN countries, with China´s investment flows reaching \$15.4 billion in 2022 (ASEAN, 2024) (Whester, 2023). Several factors have intensified their economic relations, primarily the integration of both ASEAN countries and China into the global economy through the adoption of more liberal policies and the opening of their consumer markets with abundant demand (Zhang, 2007).

China´s growing competitiveness has made ASEAN economies become aware of the need to intensify their own competitiveness, and to do so by maintaining positive economic relations with China, acknowledging that the country´s rise as an economic hegemon is an undeniable reality. Consequently, ASEAN´s approach reflects its view of China as an opportunity, and it explains its active pursuit of a bilateral Free Trade Agreement (FTA) with this country since the 2000s (Zhang, 2007). Reflecting this approach, in November 2001, ASEAN-10 nations and China agreed on establishing the world´s largest free trade area, aiming to secure more favourable trade and investment conditions for all its members (Zhang, 2007). Likewise, recently, in 2022, the encouragement for greater economic integration and supply chain connectivity has been realised through the Regional Comprehensive Economic Partnership (RCEP), which results to be the largest regional FTA in the world, accounting for 30% of the world´s GDP and 30% of the global population (Whester, 2023).

However, each ASEAN member has had its own view on how to approach the "Chinese economic phenomenon". While Singapore and Thailand have proactively pursued deeper relations with China, the Philippines, due to its historical ties with the US and Japan, has been more reticent (Zhang, 2007). However, as mentioned earlier, the Chinese rise is an unstoppable beast, and thus, all ASEAN nations, despite their differences, have had no other option than to adjust to Chinas influence and impacts. A brief summary of how each ASEAN country has managed to do so is illustrated in *Figure 20*.

Countries	Singapore	Malaysia	Thailand	Vietnam
Response	Rapid	Rapid	Rapid	Rapid
	Strong sense of urgency to anticipate change and take action, institutional facilitation, competitive business	Political commitment, competitive business, need to address issues in education and investment	Political commitment, institutional capacity, market-friendly policies for competition and development	Policies in line with broader reform and opening, need for further state sector reform and PSD
Countries	Philippines	Indonesia	Cambodia	Laos
Response	Medium	Medium	Slow	Slow
Determinants	Political commitment, cumbersome bureaucratic process, weak institutional capacity, strong vested interests and corruption	Resolving political uncertainty, weak economic and financial institutions, regulatory distortion, lack of investment	Reforms stalled, complacent on past record, formal sector rigidity, rampant rent-seeking corruption	Lack of leadership, institutional capacity, human resources and infrastructure, but geographical advantage and Greater Mekong Scheme

Figure 20: Effectiveness in ASEAN countries´ adjustment to China's impacts. Source: (Zhang, 2007).

The rise of China to become a vital economic partner of ASEAN, despite offering ample benefits as a source of investment and an export market, has come with risks. The growing dependency on China´s economic influence has also become a growing source of vulnerability. Importantly, this dependency has become riskier when taking into consideration the escalating tensions between the US and China and the recent slowdown of the Chinese economy (Whester, 2023). However, although ASEAN nations have been suffering the consequences of the US-China trade war to some extent — since many ASEAN products exported to China end up in the US market, and the increased tariffs impositions placed by both countries also harm ASEAN — these shifting global dynamics have also created opportunities for ASEAN nations, as the US-China clash has allowed ASEAN countries to position themselves as alternative production hubs. In fact, a recent research found out that "ASEAN nations have boosted their exports to the United States and the rest of the globe, and they report greater export growth rates for products subjected to U.S tariffs against Chinese imports than those that were not" (Whester, 2023).

Another major and memorable change that has taken place in ASEAN´s extra-regional relations, has been the shift in its main trading partners. For many years, Japan and the EU were ASEAN´s primary partners, but their share of total trade has declined in favour of the US and China, which have increased their prominence in ASEAN´s trading relations as it can be appreciated in *Figure 21* (Whester, 2023). Despite this, Chinese FDI inflows into ASEAN remain relatively low compared to the ones presented by the US, Japan, or the EU, as it can be observed in *Figure 22* (Whester, 2023).

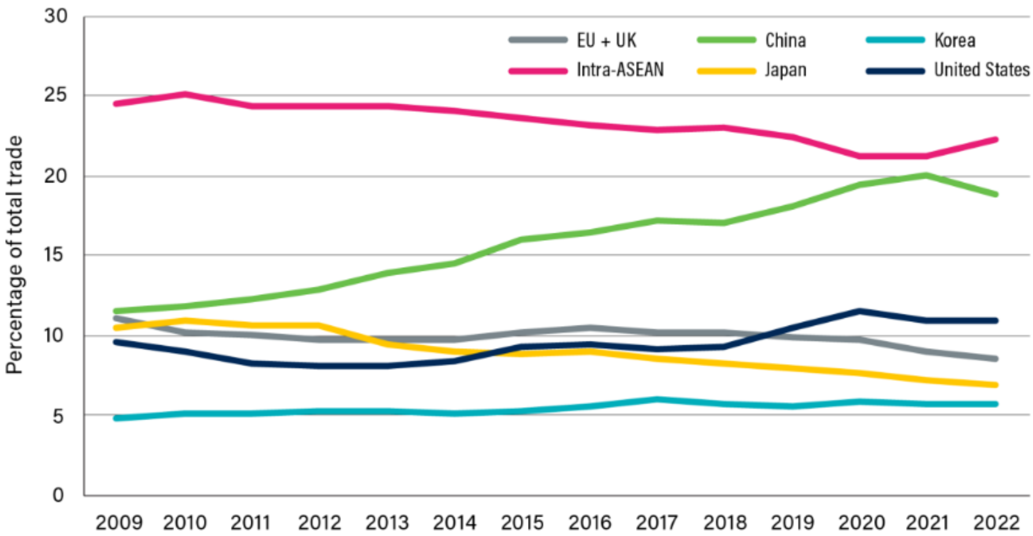
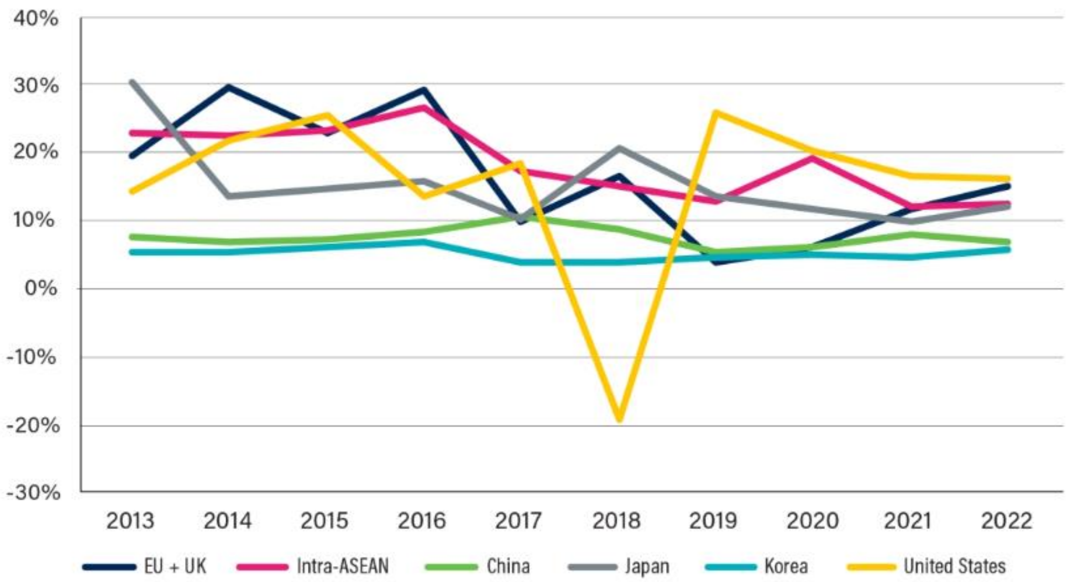


Figure 21: ASEAN´s trade evolution with major partner (2009-2022). Source: (Whester, 2023).



Note: According to ASEAN Investment Report (2019): In 2018, U.S. global FDI dropped due to tax reforms promoting earnings repatriation, yet U.S. investment in ASEAN manufacturing, particularly in Indonesia, Singapore, and Thailand, rose.

Figure 22: Share of ASEAN FDI Inflows by top investor 2013-2022. Source: (Whester, 2023).

All in all, even though ASEAN nations have found themselves in the middle of a complex economic landscape, by pursuing an approach based on maintaining positive economic relations with their main partners and looking to mitigate the risks derived from the high levels of interconnectedness with China, they have been able to develop a resilient and strategic approach for pursuing greater economic growth and development (Whester, 2023).

5. Conclusions

Globalisation, a widely recognized and studied phenomenon, has undergone significant changes over the years, impacting the evolution of the world economies. The reduction in transportation costs, coupled with the advances in technology and communication, have facilitated the transmission of ideas, which has pushed forward the "New Globalisation" or, what Richard Baldwin has referred to as "The Great Convergence". Importantly, among all the different consequences derived from the new era of globalisation, one of the most significant has been the unprecedented growth of the developing economies. These economies have successfully leveraged the new determinants of the "New Globalisation". Like this, since the 1990s, there has been an unprecedented increase in cross-border flows of capital, technology, ideas, management practices, and services, in addition to the trade of goods. This shift has greatly benefited the development of "the periphery".

Within this "periphery", ASEAN, composed mainly by developing nations, has experienced a singular growth in order to become nowadays on of the most-highly integrated and fast-growing regional organizations of the world, emerging as a prime example of the "New Globalisation". By looking into some of the most relevant indicators that capture the determinants of the new era of globalisation, we find that ASEAN nations have been profoundly impacted, fully participating in the acceleration of globalisation the world, and more specifically, the developing economies experienced since the 1990s. Precisely, since the 1990s, all ASEAN-5 countries have seen an unprecedented increase in their levels of globalisation as measured by the KOF Globalisation Index.

Various are the factors that have contributed to these increase. Firstly, FDI has played a crucial role on shaping globalisation, and in the case of ASEAN its impact is evident, as even though the distribution of FDI varies from nation to nation, FDI inflows to ASEAN tripled during 1995 and 2006, with Singapore being the preferred destination due to its early economic liberalisation and abundant specialized workforce. Secondly, MNE´s, closely linked with FDI, have undoubtedly been the major drivers of the "New Globalisation". They have had a long-lasting impact in ASEAN economies by establishing linkages and shared processes with local companies, facilitating technological, organizational and skills spillovers, and transforming ASEAN into a premier hub for MNE´S global production system. Thirdly, ASEAN has experienced an important increase in trade flows, ranking today, as the 3rd largest trading region globally. This has been possible mainly due to ASEAN´s open regionalism approach and, more importantly, due to ASEAN status as one the regions with the highest GVCs participation rates among the major global economic blocs.

While the new era of globalisation and its determinants, have undeniably fuelled ASEAN´s growth and development, making it one of the fastest-growing regions of the world, the process of regional integration ASEAN members underwent has further facilitated and amplified these positive effects on their economies. Since the 1990s regional economic integration has been a priority for ASEAN, with important initiatives such as the establishment of AFTA in 1992, or more recently, the creation of AEC. Additionally, the drive to establish various FTA´s and Closer Economic Partnerships, has allowed Southeast Asian countries to operate in the "ASEAN Way", making regional integration and economic globalisation complementary and mutually beneficial processes.

Overall, despite the current global challenges of economic fragmentation and decoupling, ASEAN has positioned itself as a strategic region. It has been capable of seizing the opportunities that the new era of globalisation presented in order to become a crucial player when understanding today´s global economic dynamics.

Declaración de Uso de Herramientas de Inteligencia Artificial Generativa en Trabajos Fin de Grado

ADVERTENCIA: Desde la Universidad consideramos que ChatGPT u otras herramientas similares son herramientas muy útiles en la vida académica, aunque su uso queda siempre bajo la responsabilidad del alumno, puesto que las respuestas que proporciona pueden no ser veraces. En este sentido, NO está permitido su uso en la elaboración del Trabajo fin de Grado para generar código porque estas herramientas no son fiables en esa tarea. Aunque el código funcione, no hay garantías de que metodológicamente sea correcto, y es altamente probable que no lo sea.

Por la presente, yo, [CARLOTA LÓPEZ ARRIBAS], estudiante de [ADE Y RELACIONES INTERNACIONALES] de la Universidad Pontificia Comillas al presentar mi Trabajo Fin de Grado titulado "[The New Globalisation era understood thorugh the developing economies of Southeast Asia]", declaro que he utilizado la herramienta de Inteligencia Artificial Generativa ChatGPT u otras similares de IAG de código sólo en el contexto de las actividades descritas a continuación [el alumno debe mantener solo aquellas en las que se ha usado ChatGPT o similares y borrar el resto. Si no se ha usado ninguna, borrar todas y escribir "no he usado ninguna"]:

1. **Brainstorming de ideas de investigación:** Utilizado para idear y esbozar posibles áreas de investigación.
2. **Constructor de plantillas:** Para diseñar formatos específicos para secciones del trabajo.
3. **Corrector de estilo literario y de lenguaje:** Para mejorar la calidad lingüística y estilística del texto.
4. **Generador previo de diagramas de flujo y contenido:** Para esbozar diagramas iniciales.
5. **Revisor:** Para recibir sugerencias sobre cómo mejorar y perfeccionar el trabajo con diferentes niveles de exigencia.
6. **Traductor:** Para traducir textos de un lenguaje a otro.

Afirmo que toda la información y contenido presentados en este trabajo son producto de mi investigación y esfuerzo individual, excepto donde se ha indicado lo contrario y se han dado los créditos correspondientes (he incluido las referencias adecuadas en el TFG y he explicitado para que se ha usado ChatGPT u otras herramientas similares). Soy consciente de las implicaciones académicas y éticas de presentar un trabajo no original y acepto las consecuencias de cualquier violación a esta declaración.

Fecha: [5 de junio de 2024]

Firma: _CARLOTA LÓPEZ ARRIBAS_

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