# Revisiting Myrdal's Asian Drama in the Age of Fragmented Globalization: State, Market, and Supply Chains in 21st-Century Southeast Asia

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# 1. Introduction

## 1.1 Contextualizing Myrdal's *Asian Drama*

### Myrdal's Critique of Postcolonial Development Models and Institutional Inertia

When Gunnar Myrdal published *Asian Drama: An Inquiry into the Poverty of Nations* in 1968, he presented a sweeping critique of postcolonial economic development in South and Southeast Asia. Myrdal engaged directly with the persistent underdevelopment witnessed across much of Asia, departing from prevailing economic orthodoxy by emphasizing the profound influence of non-economic factors—"soft institutions"—including social values, political structures, and deeply embedded attitudes that shape the trajectory of national economies. His institutionalist lens regarded poverty as a systemic outcome: not merely the product of insufficient capital, but the result of entrenched social hierarchies, educational deficits, and ineffective bureaucracies that perpetuate low productivity, stifle innovation, and undermine state capacity to transform society (Kanbur, 2019; Myrdal, 1977; Stewart, 2018).

Myrdal critiqued the postcolonial developmental state for what he termed "institutional inertia"—the tendency of inherited colonial-era structures, networks, and norms to resist substantive change. Newly independent nations, he argued, often replicated colonial patterns of governance, resulting in weak states beholden to landed elites, ethnic privilege, and clientelist patronage. These structural impediments, in his view, explained why optimistic post-war development models failed repeatedly to lift vast populations out of poverty (Stewart, 2018; Kanbur, 2019).

Central to Myrdal's assessment was skepticism toward "big push" industrialization programs that overlooked the cumulative effects of deeply rooted institutions. He warned that modernization would not emerge simply from capital inflows or technology transfer without complementary reforms in education, land tenure, and democratic participation. As such, his institutional critique extended beyond economic planning, contending that "irrational" practices—ranging from superstitious beliefs to the social exclusion of women and minorities—directly undermined the prospects for inclusive and sustainable development (Myrdal, 1977; Kanbur, 2019; Stewart, 2018).

### Relevance Today: Persistent Inequality, Export Dependency, and Geopolitical Shifts

More than five decades after the publication of *Asian Drama*, Myrdal's concerns about institutional inertia and the limits of postcolonial reforms remain salient. In Southeast Asia, while aggregate economic growth has been impressive—from the "East Asian Miracle" of the late 20th century to rapid catch-up by emerging economies like Vietnam—the region continues to wrestle with persistent inequality, export dependency, and geopolitical volatility (Liu, 2022; Yap, 2015; Kanbur, 2019).

**Persistent Inequality**: Although income poverty has significantly declined in much of Asia, inequality in both outcomes and opportunities has widened. The drivers of this trend are multifaceted: skill-biased technological change, globalization, and the agglomeration of growth in urban centers have all exacerbated gaps between rich and poor. Spatial inequality is highly pronounced, with dynamic growth enclaves such as metropolitan Manila, Jakarta, and Bangkok enjoying disproportionate prosperity, while rural and peripheral regions lag behind. The persistence of these divides attests to the durability of Myrdal's core thesis—that entrenched social hierarchies, weak governance, and lack of inclusive institutions perpetuate uneven development (Liu, 2015).

**Export Dependency**: Myrdal's original skepticism regarding trade-led growth has been contradicted in part by Southeast Asia's historic integration with global value chains. Countries once mired in poverty have leveraged export-oriented industrialization—especially electronics, garments, and agroindustry—to boost incomes and employment. However, this integration has also engendered new vulnerabilities: economies are now highly exposed to fluctuations in global markets, changes in external demand, and shifting trade policies among major external powers. Export dependency has created incentives for regulatory "race to the bottom" dynamics, including wage suppression, environmental degradation, and tolerance for informal labor, again echoing institutional weaknesses highlighted by Myrdal (Kanbur, 2019; Liu, 2022; Yap, 2015).

**Geopolitical Shifts**: The region's strategic importance has only deepened in the context of intensifying competition between China and the United States. The South China Sea remains a flashpoint for maritime disputes; China's Belt and Road Initiative (BRI) has increased the leverage of external actors in domestic political economies; and ASEAN countries have adopted hedging strategies, seeking to maintain autonomy while maximizing benefits from rival powers. At the same time, ASEAN's own

institutions—while facilitating dialogue and regional economic integration—show limitations when faced with challenges like Myanmar's civil conflict, new trade barriers, and ever-evolving global alliances (SEA Public Policy Institute, 2025; Norkevičius, 2014; Tam, 2025).

**Institutional Dynamics in the 21st Century**: Myrdal's focus on institutional capacity is echoed in current analyses of ASEAN's and national governments' ability to address mounting cross-border challenges—ranging from pandemic preparedness to climate adaptation and digital governance. Regional organizations struggle to maintain cohesion and flexibility, mirroring the "inertia" that Myrdal diagnosed as an enduring obstacle to transformative change. International donors and analysts alike have called for more inclusive, participatory models of development that overcome elite dominance and foster societal consensus for reform (Sjöholm and Tongzon, 2005; Stewart, 2018; SEA Public Policy Institute, 2025; Yap, 2015).

**Synthesis**

In sum, contextualizing Myrdal's *Asian Drama* in the contemporary Southeast Asian context reveals the enduring tension between rapid aggregate growth and the slow, uneven evolution of institutions. While many of the constraints identified by Myrdal—persistent inequality, social exclusion, and path-dependent governance—retain explanatory power, Southeast Asia's increasing integration into the global economy, exposure to new systemic risks, and shifting alignments with global powers highlight the need to update and extend his insights for the 21st century. As the region navigates fragmented globalization, renewed attention to institutional innovation, inclusive growth, and resilient governance appears more urgent than ever.

### 1.2 Research Objectives

**Analyzing Southeast Asia's Integration into Global Supply Chains: Validating or Challenging Myrdal's Theories**

Gunnar Myrdal's *Asian Drama* set the conceptual groundwork for understanding the interplay between institutional inertia, social structures, and the developmental trajectories of South and Southeast Asian economies. At the heart of his treatise was a skepticism regarding the capacity of postcolonial nations to escape "vicious circles" of

poverty and low productivity without profound structural change, especially in social and institutional spheres. Since the late 20th century, Southeast Asia's dramatic integration into global supply chains has posed both validation and challenge to Myrdal's pessimistic thesis (Kanbur, 2019; Krishnaswamy, 1969; Lin, 2023).

**Validation of Myrdal**

Myrdal predicted that economies reliant on exports of low-value goods and unskilled labor would be trapped by inelastic global demand and price volatility, limiting prospects for sustainable growth. Southeast Asia's rise as a manufacturing and export hub—particularly in electronics, textiles, automotive, and resource-based industries—has not fully escaped these problems. For instance, Indonesia's reliance on palm oil, Vietnam's position in global electronics, and Thailand's automotive sector have introduced exposure to global market swings, environmental degradation, and labor precarity (OECD, 2025; Ng, 2025; Kanbur, 2018; 2019).

Moreover, Myrdal's warning about institutional inertia resonates in the context of Southeast Asia's uneven ability to adapt supply chain upgrades to inclusive development. The persistence of weak regulatory frameworks, uneven labor protections, limited social safety nets, and ingrained patronage systems has perpetuated uneven benefits from global integration. Labor migration, human rights concerns, and "race to the bottom" pressures in terms of wages and working conditions remain salient across the region (Ng, 2025; Irena and Clarissa, 2024; Testaverde *et al*, 2017).

**Challenge to Myrdal**

Conversely, the region's transformation also complicates Myrdal's thesis. Countries such as Vietnam and Malaysia have significantly reduced poverty and fostered aggregate growth by successfully shifting to export-oriented manufacturing. Trade agreements like the Regional Comprehensive Economic Partnership (RCEP) have enabled tariff reductions, market access, and a relatively rapid catch-up in industrial capabilities and export sophistication. Southeast Asia accounts for 14% of global trade value and over 60% of its exports are now integrated into global networks, assuming a central role in diversified supply chains for firms fleeing rising costs in China (Wang *et al*., 2024; OECD, 2025; Ng, 2025).

Instead of remaining in the "trap," some nations have leveraged global supply chain

integration and foreign direct investment (FDI) to ascend value chains, potentially undermining Myrdal's pessimism regarding state capacity and institutional stagnation. Nevertheless, these gains remain threatened by new vulnerabilities: dependence on international markets, uneven benefits of digitalization, and exacerbated regional divides.

## Proposing a Revised Framework: Digitalization, Labor Mobility, and Climate Resilience

Given these developments, a contemporary research agenda requires updating Myrdal's institutionalist lens to account for three transformative trends: digitalization, labor mobility, and climate resilience.

### Digitalization

Digital transformation is accelerating across Southeast Asia and reshaping the structure and performance of supply chains. The value of the region's e-commerce market is projected to grow from $200B in 2023 to $330B by 2025, with digital platforms transforming logistics, payments, and workforce arrangements. Existing institutional constraints are both challenged and amplified by these changes. Countries endowed with advanced digital infrastructure, such as Singapore and Malaysia, are reaping greater productivity gains, while others struggle with gaps in digital talent, pervasive informality, and limited access to digital services. Digitalization also offers tools for climate adaptation and disaster preparedness, but calls for reform in education, upskilling, and regulatory oversight (Albay, 2024; Sempena and Sitorus, 2025; Ng, 2025).

### Labor Mobility

Cross-border labor flows are a defining feature of Southeast Asia's supply chain model. Malaysia and Singapore, for example, attract substantial numbers of migrant workers to sustain manufacturing and service industries. Yet the costs and barriers to labor mobility remain high in many countries; informal work is pervasive and social protections are inadequate, raising risks of exploitation, especially under climate stress or market disruptions. Regional frameworks and governments must grapple with reforming migration policies, providing upskilling opportunities, and extending social security to informal and migrant workers—a necessity for both resilience and inclusive growth

(Irena and Clarissa, 2024; Sempena and Sitorus, 2025).

**Climate Resilience**

Finally, climate change presents a looming challenge that pre-existing institutions are ill-prepared to overcome. Southeast Asia is acutely vulnerable to climate-induced disasters that threaten both communities and supply chain infrastructure. Simulations show that energy transitions could generate net employment gains, yet losses will be higher for those already disadvantaged in the labor market. The imperative for climate resilience demands not only technological upgrades and green supply chains but also adaptive labor strategies, lifelong learning, and inclusive safety nets (OECD, 2024; Albay, 2024; Irena and Clarissa, 2024).

**Research Objectives**

- Empirical Analysis: Assess how Southeast Asia's integration into global supply chains has validated or challenged Myrdal's institutionalist critique using comparative country studies and sectoral analysis.
- Institutional Evolution: Examine the interaction between state capacity, market-led growth, and the adaptability of labor protections, regulatory frameworks, and transnational coordination.
- Digitalization Impact: Investigate the role of digital platforms in supply chain modernization, labor market restructuring, and climate mitigation.
- Labor Mobility and Protection: Analyze the intersection of migration, informal labor, and social safety nets in reinforcing or undermining equitable development.
- Climate Resilience Strategies: Model the effects of climate transitions on sectoral employment, infrastructure, and policy frameworks for sustained inclusive growth.

By revising and extending Myrdal's framework to encompass these factors, the research will articulate practical pathways for Southeast Asia's economies to surmount contemporary challenges. Bridging digital gaps, facilitating safe and productive labor mobility, and future-proofing institutional responses to climate change constitute the

pillars of a resilient and inclusive supply chain model for the region's next era of development.

### 1.3 Methodology

This research employs a mixed-methods approach to critically analyze the evolution of Southeast Asia's political economy through the lens of Gunnar Myrdal's theories, with a focus on how the region's integration into global supply chains validates or challenges institutionalist critiques. The methodology integrates historical analysis, comparative case studies (Indonesia, Vietnam, and Thailand), and macroeconomic data analysis using datasets from leading international organizations, principally the OECD and the Asian Development Bank (ADB).

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## Historical Analysis

### The 1997 Asian Financial Crisis

The starting point for the historical analysis is the 1997 Asian Financial Crisis, a watershed event that reshaped Southeast Asia's economic architecture. The crisis began in Thailand with the collapse of the Thai baht in July 1997, triggered by unsustainable foreign debt, capital flight, and weak regulatory oversight. It rapidly spread to neighboring economies, resulting in steep depreciations of currencies—Indonesia's nominal GDP per capita, for instance, dropped by over 42%, while Thailand saw a 21% loss. Widespread financial turmoil led not only to economic contraction but also to political upheaval, such as the resignation of Indonesia's President Suharto and Thailand's Prime Minister Chavalit Yongchaiyudh (CFI, 2015; Wikipedia, 2025a; Investopedia, 2024; Carson and Clark, 2013).

Importantly, the crisis exposed the perils of "crony capitalism," weak financial institutions, and the lack of adequate regulatory frameworks, aligning closely with Myrdal's warnings about institutional inertia and the fragility of postcolonial economic structures. However, rapid recovery from 1999–2005 suggested some degree of institutional learning and adaptation, as average per capita growth rebounded to over 8% annually in several countries (Wikipedia, 2025a; Soedradjad, 2001).

### Post-2010 Global Supply Chains

After the crisis, Southeast Asia reoriented its economic strategies, increasingly integrating into global supply chains, especially in high-value sectors such as electronics, automotive, textiles, and agribusiness. This transformation accelerated after 2010 as multinational firms, prompted by rising costs in China and global risk diversification, shifted production bases to Southeast Asia. Countries like Vietnam, Thailand, and Indonesia became key links in diversified global manufacturing networks—reflecting changes in labor costs, policy incentives, and improvements in supply chain logistics (HSBC, 2024; Mackintosh, 2024; McKinsey & Compny, 2024).

The historical analysis thus provides the context for understanding both the legacy of the 1997 crisis and the region's adaptation to new global economic realities. By situating present developments within this trajectory, the study assesses the validity of Myrdal's insistence that institutions are both barriers and potential enablers of systemic transformation.

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### Comparative Case Studies

#### 1. Indonesia

Indonesia's economic performance exemplifies both the opportunities and challenges of supply chain integration. Empirical studies using dynamic econometric models (Vector Autoregression, Vector Error Correction Models) show that Foreign Direct Investment (FDI) has had a pronounced, positive long-term impact on Indonesia's GDP growth, job creation, and productivity—mainly through technology transfer and investments in infrastructure and information technology. Nevertheless, the benefits have been distributed unevenly, reinforcing Myrdal's thesis on the persistence of institutional bottlenecks (e.g., bureaucratic inefficiency, patronage networks), which at times have limited spillover effects to domestic industries (Allen, 2024; INFF, 2024).

#### 2. Vietnam

Vietnam serves as a paradigmatic case of strategic integration into global supply chains post-Đổi Mới reforms. With FDI-driven export manufacturing, Vietnam's GDP surged

dramatically—from $31B in 2000 to over $340B in 2020. The country is now a hub for electronics and garment exports due to a combination of pro-investment policies, special economic zones, and an open trade regime. Yet, persistent regional disparities and challenges in labor standards remain, and environmental sustainability concerns are increasingly salient, echoing Myrdal's focus on the complex interplay between economic modernization and institutional adaptation (Curious Economist, 2025; Nguyen and Dinh, 2024).

**3. Thailand**

Thailand has long exemplified export-led growth via industrial upgrading. Following the Asian Financial Crisis, it maintained relatively high growth, integrating further into global value chains in electronics and automotive sectors. The country, however, faces the "middle-income trap"—a slowdown attributed to both internal factors (e.g., political uncertainty, aging demographics) and external pressures (global financial crises, trade wars). This case enables an examination of how export success is mediated by domestic institutional resilience and vulnerability to global shocks, paralleling Myrdal's themes of uneven transformation (Kohpaiboon and Jongwanich, 2019; Krachangvej, n.d.).

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**Macroeconomic Data Analysis**

The study systematically incorporates quantitative data from OECD and ADB resources to underpin empirical claims and enable cross-country and temporal comparisons. OECD data offers insights into trade flows, FDI, regulatory reforms, and industrial upgrading throughout the region, highlighting both resilience and vulnerabilities (e.g., over-reliance on major trading partners, regulatory fragmentation, decarbonization challenges). ADB's robust macroeconomic indicators—covering GDP growth rates, inflation, labor market statistics, and policy responses—inform the analysis of both pre- and post-pandemic economic dynamics and supply chain disruptions (BusinessatOECD, n.d.; ADB, 2023a; OECD, n.d.; ADB, n.d.).

Datasets from these sources are triangulated with national statistics and sectoral data to map:

- Changes in GDP and employment in relation to FDI flows;
- Shifts in export composition and value-added manufacturing;
- Trends in labor mobility, wage dynamics, and informality;
- Resilience measures associated with climate and digital transformations.

This comprehensive mixed-methods design allows for contextual, causal, and comparative depth—integrating the historical trajectory, case-specific pathways, and region-wide macroeconomic shifts to assess how Southeast Asia is both validating and transcending Myrdal's core theories in the contemporary era.

## 2. Myrdal's Legacy: Institutional Critique and Unintended Outcomes

### 2.1 The Original Asian Drama Thesis

#### 2.1.1. Population Growth vs. Capital Accumulation

Gunnar Myrdal's *Asian Drama* (1968) stands as one of the most influential—and controversial—treatises on development economics, focusing on South Asia and, by extension, other postcolonial societies. At the heart of Myrdal's thesis is the interplay between rapid population growth and capital accumulation in underdeveloped economies.

Myrdal argued that population growth in Asia presented a dual challenge: while a large workforce could, in theory, be a driver of economic expansion, in practice, the pace of population increase outstripped the region's ability to generate and accumulate productive capital. This "vicious cycle" meant that scarce resources had to be spread thinner among an ever-growing population, making investments in infrastructure, education, and health care even more difficult to sustain and rendering poverty intractable. He contended that the surplus labor in rural sectors was often underutilized or trapped in low-productivity activities, failing to contribute meaningfully to modern economic sectors. This was compounded by land fragmentation, low savings rates, and limited access to credit—conditions that stymied capital formation and perpetuated underdevelopment (Róbinson Rojas Archives, 1968; Nayyar, 2018; IAS Express, n.d.).

Myrdal's analysis was also intensely critical of the "trickle-down" theory, which posited that growth would gradually elevate the poor by expanding employment and wages. Instead, he emphasized that inequality is not merely a consequence but a cause of slow growth: unaddressed, it reduces the aggregate productivity of society and reinforces the cycle of poverty. In his famous formulation of "circular and cumulative causation," Myrdal asserted that inequality and low investment reinforce each other over time, making escape from poverty ever more elusive (IAS Express, n.d.; Róbinson Rojas Archives, 1968).

#### 2.1.2. State Intervention vs. Market Failures in Postcolonial Economies

Myrdal's critique extended forcefully into the realm of policy, where he pitched state intervention against the persistent market failures that plagued postcolonial

economies. He rejected the neoclassical faith in the self-regulating market, asserting that in much of Asia, markets were distorted, incomplete, or wholly absent due to historical legacies of colonialism, entrenched social hierarchies, and weak legal frameworks. Left to their own devices, these market mechanisms would perpetuate underinvestment in human capital, fail to allocate resources efficiently, and solidify the dominance of landed and business elites (Sally, 2015; Mkandawire and Soludo, 1998; IAS Express, n.d.).

To counteract market failures, Myrdal advocated for radical institutional reforms—land redistribution, expansion of educational opportunities, tax reforms, empowerment of marginalized groups, and comprehensive planning. This went well beyond the technocratic prescriptions common in 1960s development policy. For Myrdal, the state had to serve as an active agent, not only in economic planning but also in breaking old power structures and ushering in new social norms (such as equal consumer rights, birth control campaigns, and the abolition of caste and feudal relations) (Krishnaswamy, 1969; Róbinson Rojas Archives, 1968; IAS Express, n.d.).

Yet here, Myrdal foresaw formidable obstacles. He coined the concept of the "*soft state*," describing governments in the region as lacking the firmness, determination, and institutional capacity to enforce necessary reforms and laws—even when, on paper, these reforms were the subject of ambitious plans and political rhetoric. The problem was not simply the willingness to intervene, but the ability to do so effectively against entrenched interests. Too often, state intervention was captured or diluted by patronage networks, rent-seeking, or elite consensus-seeking that sacrificed bold action for gradual or compromised measures. Myrdal was skeptical of "gradualism" in reform, arguing that it more often served to entrench the status quo than to transform society in meaningful ways (Krishnaswamy, 1969).

Moreover, Myrdal cautioned against the uncritical embrace of centralized planning. While functional intervention—through discrete policies and controls over the private sector—could address coordination failures and spur investment when well-designed, he recognized the risk of overreach and inefficiency when state power was misaligned with local needs and capabilities. He warned that planning, if not based on sound, participatory, and context-sensitive understanding, could become an "opportune

rationalization" for non-action or poor implementation (Nayyar, 2018; Mkandawire, 2023; IAS Express, n.d.; Krishnaswamy, 1969).

In sum, Myrdal's original thesis wove together a profound awareness of how demography, capital formation, and institutional structure interact in postcolonial economies. He saw development as a process beset by complex feedback loops, where population growth, market failures, and ineffectual state intervention conspired to reproduce poverty and frustrate escape. His solution: ambitious, often disruptive reform driven by a state capable of overcoming its own weaknesses.

**Contemporary Evaluation and Unintended Outcomes**

Over half a century later, Myrdal's ideas continue to reverberate in discussions around economic development in Southeast Asia and beyond. Some elements of his pessimism proved unwarranted, as nations like Vietnam, India, and Thailand leveraged export-driven growth and selective liberalization to achieve substantial gains in income, health, and education. However, many institutional challenges he identified—rural stagnation, inequality, corruption, deficient public goods, and market failures—persist even amidst impressive aggregate growth (Nayyar, 2019a; Sally, 2015).

The unintended outcomes of insufficient state intervention or poorly coordinated planning include persistent poverty pockets, environmental degradation, and cycles of informality that hamper inclusion and productivity. At the same time, rapid socioeconomic change has exposed new forms of vulnerability, such as precarious labor, regulatory "races to the bottom," and financial fragility.

Myrdal's insistence on confronting both population dynamics and institutional bottlenecks remains a touchstone for scholars and policymakers seeking development strategies that do not just promote growth, but also deliver equity, sustainability, and resilience in the face of deep, enduring social and political constraints (Lin, 2023; Nayyar, 2019b; IAS Express, n.d.).

## 2.2 Critiques and Evolution

### 2.2.1. UNU-WIDER's 2018 Reassessment of Myrdal's Methodology

Fifty years after Gunnar Myrdal's *Asian Drama* was published, development analysts

and economists have returned to his work to reconsider its methodological underpinnings in light of Asia's economic transformations. UNU-WIDER's 2018 study, led by scholars such as Frances Stewart and Deepak Nayyar, provides a critical reassessment of Myrdal's approach and its relevance today (Stewart, 2018; Nayyar, 2018).

Myrdal's methodological innovations centered on two pillars: multidisciplinary analysis and the institutional approach. He insisted on integrating sociology, anthropology, politics, and economics, arguing that development cannot be understood solely through market mechanisms or purely economic models. This was radical for its time, as mainstream economics tended toward abstraction and quantitative formalism. Myrdal's emphasis on causally interrelated "conditions"—from institutions and policies to attitudes and production—pushed analysts to recognize the complexity of development dilemmas.

UNU-WIDER's review acknowledges that Myrdal was groundbreaking in exposing the importance of institutions, historical legacies, and social norms. The 2018 reassessment highlights that Myrdal's plea for a "sociology of knowledge" and his warning against unexamined biases in development analysis have become even more vital, given the limitations of one-size-fits-all growth models. However, the study also critiques Myrdal's pessimism and generalized portrayal of Asian societies as trapped by "soft states" and cultural inertia. Asia's subsequent explosive growth—especially in China, India, Vietnam, and Korea—demonstrated that institutional change, policy learning, and adaptation were possible, even if unevenly distributed (Stewart, 2018; Nayyar, 2018).

UNU-WIDER emphasizes the diversity in development outcomes across Asia, which complicates any singular thesis about stagnation or inertia. The study points out Myrdal's underestimation of the capacity for incremental reform, grassroots innovation, and the role of external shocks (like economic crises or technological disruptions) in spurring change. Furthermore, while Myrdal was skeptical about market-led development and export orientation, the post-1980s evidence suggests that targeted integration into global markets, combined with institutional reforms, led some Asian nations to achieve rapid and sustained growth, disproving his most dour prognoses (Nayyar, 2018).

### 2.2.2. Shifts in Development Paradigms: From "Big Push" Industrialization to Neoliberal Globalization

The evolution of development paradigms in Asia over the last fifty years provides a powerful counterpoint to Myrdal's original framework and the critiques that followed.

#### "Big Push" Industrialization

In the decades following World War II, the "big push" model of industrialization dominated thinking in development circles. Inspired by Rosenstein-Rodan and others, this model advocated for massive, coordinated investments in infrastructure and industry to escape "low-level equilibria" of poverty and underdevelopment. Asian governments, especially in India and Indonesia, adopted state-led industrial policies, protectionism, and central planning to foster heavy industries and manufacturing. Myrdal himself was skeptical that this model could succeed without simultaneous and deep institutional reform. He warned that unless old hierarchies were dismantled and capacity built for effective implementation, the big push would founder in clientelism, inefficiency, and social backlash (Krishnaswamy, 1969; Yoshitomi and ADBI Staff, 2003; Battaglia *et al*., 2011).

While some countries did see gains in industrial output and infrastructure, the overall outcomes were mixed. Coordination difficulties, resource misallocation, and lack of responsiveness to market signals often led to stagnation or crisis instead of sustained growth and development. Myrdal's critique of the limits of state capacity proved prophetic in many cases.

#### Neoliberal Globalization

The 1980s and 1990s witnessed a dramatic shift towards neoliberal globalization. Influenced by international financial institutions, Asian countries opened their markets, liberalized trade, and privatized state enterprises. Export-oriented industrialization became the dominant model, exemplified by the rise of manufacturing giants like South Korea, Taiwan, and later China and Vietnam. The focus shifted away from centralized planning toward market-led growth, deregulation, and global integration (Zheng, 2020; Yoshitomi and ADBI Staff, 2003).

Critiques of this paradigm argue that neoliberal reforms often prioritized efficiency and

growth over equity and institutional depth. Deregulation and trade openness brought foreign investment, technological spillovers, and competitive pressures—but also widened inequality, increased vulnerability to global shocks, and sometimes eroded domestic social protections. Although many countries moved up the value chain and improved living standards, persistent urban-rural gaps, informal labor, and environmental degradation remain as challenges. The experiences of Southeast Asia, in particular, illustrated that capitalizing on globalization's benefits required smart policy, state capacity, and adaptation of institutions—all elements underscored by Myrdal, but often sidestepped in the rush to liberalize (Battaglia *et al*., 2011; Zheng, 2020).

**Paradigm Shifts and Contemporary Critiques**

UNU-WIDER's 2018 analysis underscores that development paradigms must be seen as historically contingent and context-dependent. What worked for Japan or Korea in the late twentieth century—intensive industrial policy, followed by strategic opening—may not be replicable elsewhere. Myrdal's skepticism about universal solutions is validated by the diversity of outcomes across Asia.

Moreover, contemporary development discourse is moving beyond both the "big push" and neoliberal orthodoxy to embrace "heterodox" approaches. These include territorial place-based strategies, new forms of industrial policy focused on sustainability and inclusiveness, and attention to digital and green transitions. The paradigm evolution reflects learning from past successes and failures, the impact of global value chains, and the recognition that robust institutions mediate development far more than mere capital formation or trade openness (Losch, 2016; Espinosa-Gracia and Sánchez-Chóliz, 2023).

**Synthesis**

Myrdal's legacy, as reconsidered by UNU-WIDER and contemporary critics, remains vital but must be nuanced. The original methodology pushed for multidisciplinary analysis and attention to institutions; the evidence since then reveals that societies can break out of inertia through a mix of learning, policy adaptation, selective openness, and bottom-up change. The evolution from "big push" industrialization to neoliberal globalization, and now to plural, context-sensitive approaches, highlights the need for

flexible frameworks consonant with local histories, diverse societies, and global complexities.

In sum, revisiting Myrdal's methodology reveals both its enduring insights—especially regarding institutions and social norms—and its limitations in foreseeing Asia's capacity for transformation within shifting development paradigms.

### 2.3 Myrdal vs. Contemporary Realities

#### 2.3.1. Case Study: Indonesia's Palm Oil Industry—Low Wages and Land Disputes

Indonesia's palm oil sector stands as a vivid test case for the enduring relevance of Gunnar Myrdal's institutional critique. As the world's largest producer of palm oil, Indonesia supplies more than half of global demand, fueling economic growth, government revenues, and industrial exports. However, beneath this prosperity lie labor precarity, land conflicts, and structural inequalities that echo Myrdal's warnings about the unintended consequences of export-led growth in environments beset by weak institutions.

**Low Wages and Worker Exploitation**

Despite the palm oil sector's outsized role in the national economy, the benefits for its millions of workers and smallholder farmers remain extremely limited. Field research and recent reports reveal widespread violations of labor standards: illegal wages well below regional minimums, unsafe working conditions, and routine abuse by supervisors and contractors. In North Sumatra, for example, many smallholders earn as little as $35 per month—one-fifth of the regional minimum wage. Migrant laborers, including those trafficked to plantations in Malaysia, routinely face substandard pay, lack of contracts, and hazardous exposure to pesticides (Solidar, 2025; TuK Indonesia, 2025; Coca, 2017; UCL, 2022).

The wage suppression endemic to the industry is not simply a matter of individual exploitation; it results from a deliberate strategy to maximize export competitiveness by pressing down unit labor costs. The supply chain structure—dominated by large conglomerates and "middlemen"—further deprives farmers and workers of bargaining power, leaving them dependent on buyers who dictate terms and prices. This mirrors Myrdal's diagnosis of how entrenched hierarchies and incomplete markets sustain the

poverty and marginalization of those at the bottom of the economic ladder (UCL, 2022).

**Land Disputes and Institutional Failures**

Palm oil expansion in Indonesia also illustrates the persistence of land conflicts and the inability of the state to mediate or resolve disputes fairly. The government, drawing on colonial-era laws, retains control over the vast majority of "forest lands," curtailing the ability of rural communities to claim, register, or defend their customary land rights. When palm oil concessions are granted, companies often offer compensation at token amounts (e.g., $50–$150 per hectare)—a sum grossly inadequate given the loss of livelihood and cultural connection to the land (Berenschot *et al*., 2024).

Despite mandates such as informed consent and profit-sharing schemes, the process for acquiring community land is characterized by weak enforcement and opacity. In almost half the documented cases, no compensation is paid prior to major community protests, and the promises of infrastructure or jobs frequently remain unfulfilled. Disputes linger for years, with authorities more likely to side with corporations than with villagers protesting land seizures. Certification bodies such as the Roundtable on Sustainable Palm Oil (RSPO) have proven ineffective in redressing grievances, leaving workers and communities with little recourse (Jong, 2021; 2020; Berenschot *et al*., 2024; UCL, 2022).

The scope and persistence of these conflicts vividly reflect what Myrdal termed "institutional inertia"—regulatory failure, rent-seeking by elites, and systemic exclusion of marginalized groups. When the governance system cannot resolve basic questions of rights, compensation, and enforcement, it becomes a barrier to inclusive development rather than its enabler.

### 2.3.2. Contradiction: Export-Led Growth—Poverty Reduction and Rising Inequality (ADB 2012 Data)

Indonesia's palm oil boom exemplifies a phenomenon seen throughout Southeast Asia: export-led growth has indeed contributed to reductions in headline poverty, but at the same time, it has aggravated income inequality, undermining the long-term sustainability of social progress.

**Poverty Reduction**

On a national scale, the export-oriented development trajectory since the 1990s has lifted millions out of extreme poverty. According to Asian Development Bank (ADB) data, Indonesia's poverty rate fell from over 20% in the late 1990s to below 10% by 2012. The expansion of manufacturing, agribusiness, and resource exports fueled job creation and economic diversification, enabling broad improvements in health, education, and living standards. Palm oil, as one of the top contributors to export earnings, was central to this process (ADB, 2012; Kanbur *et al*., 2014; Ashwin, 2025).

**Rising Inequality**

However, ADB's 2012 analysis warns that economic growth has been shadowed by "swelling income disparities". The Gini coefficient—a key metric of income inequality—has risen consistently since the early 2000s, and wage shares of GDP have declined while returns to capital and land have surged. In the palm oil sector, profits accrue primarily to large conglomerates, international traders, and bureaucratic elites who control concession allocations and export permits. At the same time, smallholder farmers and hired laborers see stagnant wages, precarious employment, and limited upward mobility (Lim, 2014; Yap, 2015; Kanbur *et al*., 2014; Ashwin, 2025; ADB, 2012).

Spatial inequality is particularly pronounced, as profitable palm oil—and other export commodity—production tends to concentrate benefits in select regions or enclaves, leaving peripheral and indigenous communities at higher risk of poverty and marginalization. Technological progress and globalization have escalated skill premiums, causing income gaps between urban elites and rural laborers to widen further (Yap, 2015).

The ADB highlights that inequality is not just a social problem, but an economic constraint: excessive concentration of income erodes the middle class, dampens domestic consumption, and hampers labor productivity, ultimately risking reversal of gains in poverty reduction (Yap, 2015).

**Synthesis: Myrdal's Continuing Relevance and the Need for Institutional Reform**

Indonesia's palm oil experience encapsulates the contradiction at the heart of Myrdal's legacy. While export-led growth offers a pathway out of mass poverty, without substantive reforms to labor institutions and land governance, it can entrench, or even exacerbate, systems of inequality and conflict. Myrdal's warnings about the risks of

“growth at any cost”—including institutional inertia, exclusion, and unintended distributive outcomes—remain acutely relevant.

Contemporary research suggests that resolving these contradictions requires more effective and equitable land rights, robust labor protections, participatory planning, and transparent enforcement of social and environmental standards. Without these reforms, the palm oil model—and by analogy, the export-led growth paradigm—may deliver prosperity for some while deepening structural disparities for many, thereby confirming the limitations Myrdal placed at the center of his theoretical framework (Kanbur *et al*., 2014; Ashwin, 2025; ADB, 2012; Yap, 2015).

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# 3. Supply Chains and the Global Labor Market

## 3.1 Historical Roots: Colonial Cash Crops to Modern Fragmentation

### 3.1.1. Colonial Legacies: Rubber, Rice, and Commodity Price Volatility

The roots of Southeast Asia's supply chain evolution lie deep in its colonial history, where the region was organized primarily for the extraction and export of raw materials—rubber, rice, tin, and copra. Colonial administrators in British Malaya, French Indochina, the Dutch East Indies, and beyond restructured local agriculture to meet metropolitan demand, with large estates and smallholders drawn into global commodity markets. Malaya, for example, became the world's leading rubber supplier by the early 20th century, and Burma and Thailand dominated rice exports (Bassino and Williamson, 2017; Khalid, 2014).

However, this commodity-led integration brought severe price volatility. Demand shocks and price swings—from the Great Depression to fluctuations in the postwar period—generated economic instability, wage insecurity, and periodic crises for labor and smallholder farmers. Fixed colonial exchange rates often amplified these pressures; for instance, French Indochina's monetary policy pegged the local currency to the franc, diminishing competitiveness and suppressing local industry. Colonial governments were slow to encourage diversification, preferring tax revenues from raw exports to nurturing domestic industries (Bassino and Van der Eng, 2021; Bassino and Williamson, 2017).

Moreover, dependence on commodity exports imposed long-lasting patterns of inequality. Rural laborers suffered from land concentration, low wages, and intermittent demand for their products—particularly for rice, which has always been subject to marked seasonality in production and processing. Price spikes, like the 2007–2008 rice crisis, continued into the modern era, destabilizing food security and emphasizing the vulnerability inherent in monoculture and weak rural institutions (Dawe, 2010; Clarete *et al*., 2013; Cramb, 2015; Bassino and Van der Eng, 2021).

**Transition to Modern Fragmentation**

The legacy of colonial commodity dependence created both challenges and opportunities for postcolonial Southeast Asian states. In the post-independence era, countries

sought to escape the “commodity trap” through industrial policy and economic diversification. Nevertheless, it was not until the aftermath of the 1997 Asian Financial Crisis that the region underwent a fundamental transformation in its role within global supply chains.

The crisis exposed structural weaknesses—financial fragility, crony capitalism, and limited industrial depth—and became a catalyst for reforms. Governments liberalized trade, encouraged foreign direct investment, and integrated more deeply into global production networks. As a result, ASEAN economies transitioned from primary commodity exporters to key nodes in fragmented multinational supply chains, particularly in electronics, textiles, and automotive manufacturing (Veloso and Kumar, 2002).

### 3.1.2. ASEAN’s Role in Electronics, Textiles, and Automotive Supply Chains (Post-1997)

#### Electronics

By the 2000s, ASEAN nations—especially Malaysia, Thailand, Vietnam, and the Philippines—had become central components of the global electronics industry. The model was vertically fragmented: high-value components (chips and storage devices) were produced in Malaysia and Thailand, sent to China for final assembly, and then exported worldwide. Rising labor costs in China after 2010 spurred the “China+1” strategic movement, shifting additional assembly operations to lower-cost ASEAN economies, most notably Vietnam. The development of “Factory Asia” saw robust intra-regional trade in electronics parts, with local economies developing complementary specializations—like data storage in Thailand and chip packaging in the Philippines (APEC, 2013; Thorbecke, 2018; ADB, 2023b).

#### Textiles

The textiles and garments sectors followed a parallel trajectory. Rising wages and tightening environmental regulation in China led to substantial relocation of textile and apparel sourcing to Cambodia, Vietnam, Myanmar, and Lao PDR, where labor remained relatively cheap and infrastructure was improving. ASEAN’s textile supply chains rely heavily on imported fibers, yarn, and fabrics, assembled into garments for export. This fragmented production process allowed multinational brands to optimize costs, but often at the expense of labor standards and environmental safeguards. Apparel

manufacturing now plays a pivotal role in international value chains, with ASEAN exporting finished goods to Europe, North America, and within the region itself (Zhang *et al.*, 2015; ASEAN, 2024; Nordås, 2004).

**Automotive**

The automotive industry in ASEAN exemplifies growing specialization and cross-border collaboration. Thailand has emerged as a regional hub for automobile manufacturing and export—the so-called "Detroit of Asia"—while Indonesia and Malaysia host major production bases for Japanese, American, and European carmakers. After the 1997 crisis, ASEAN's automotive sector became increasingly export-oriented, with growing participation in global and regional value chains (GVCs and RVCs). Components such as wiring, electronic parts, and aluminum chassis are produced in the Philippines and Vietnam, assembled in Thailand or Indonesia, and distributed worldwide through an elaborate network that includes "China-Plus-One" and "Thailand-Plus-One" supply strategies. Despite increased local production efforts, much of the region remains dependent on imported inputs, underscoring the continuing influence of historical commodity structures on industrial integration patterns (Farrell and Findlay, 2001; ASEAN, 2024; Dallo Agusin and Schröder, 2014; Veloso and Kumar, 2002).

**Synthesis: From Colonial Extraction to Supply Chain Fragmentation**

The trajectory from colonial cash crops to fragmented global supply chains highlights profound structural transformation—but also persistent vulnerabilities and inequalities. Colonial legacies of commodity dependence and price volatility continue to shape rural livelihoods and economic resilience, while modern supply chains have boosted aggregate growth, created manufacturing jobs, and facilitated technological transfer. However, the fragmentation of production has also generated new forms of labor precarity, exposed workers to global market shocks, and limited opportunities for deep upgrading or domestic value capture.

Going forward, the region's ability to sustain inclusive development will depend on how effectively it balances the opportunities of fragmented supply chains with the dangers of external volatility, uneven bargaining power, and institutional inertia—echoing, in many ways, the challenges first diagnosed during the colonial era.

### 3.2 The “Trade-Investment Nexus” and Its Discontents

#### 3.2.1. FDI-Driven Growth in Vietnam and Malaysia

**Vietnam: FDI and Economic Transformation**

Vietnam’s ascent as one of Southeast Asia’s economic powerhouses has been propelled by foreign direct investment (FDI), especially since its Đổi Mới market reforms. In recent years, the FDI sector’s impact has been extraordinary: in 2024, disbursed FDI reached approximately $25.35billion, a record high and up 9.4% over the previous year. FDI now accounts for 24.7% of the state budget revenue and the sector delivers a trade surplus offsetting domestic trade deficits, underscoring its critical macroeconomic role (Ministry of Planning and Investment, 2025; Vietnam Law & Legal Forum, 2025).

Vietnam has emerged among the top 15 global destinations for FDI. In the first half of 2025 alone, $21.51billion in FDI flowed into the country, representing a 32.6% year-on-year increase. Much of this capital targets high-tech domains, advanced manufacturing, and strategic infrastructure, including landmark investments by global players in semiconductors and electronics. Adjusted capital for ongoing projects—capital injections into existing factories rather than greenfield investments—rose by 122% to $8.95billion, showing a deepening operational commitment of multinational corporations (Singh, 2025; Vietnam+, 2025).

FDI has energized Vietnam’s export and manufacturing capabilities, strengthened technology transfer, and improved human capital. Major expansions in the textile and electronics supply chains position Vietnam as an indispensable node in “China+1” strategies and global supply diversification. All these factors enable the country to forecast double-digit growth rates, further consolidating its status as a leading beneficiary of FDI-led industrialization in the region (Vietnam Law & Legal Forum, 2025; Singh, 2025).

**Malaysia: FDI as a Growth Engine**

Malaysia, too, relies heavily on FDI to drive its manufacturing sector, which remains a key player globally due to the country’s strategic position, robust infrastructure, and a

skilled, relatively affordable workforce. FDI's effect on Malaysia's GDP is consistently positive, contributing essential capital, management knowledge, and new technologies that foster competitive manufacturing. Empirical studies using ARDL (Autoregressive Distributed Lag) analysis support the hypothesis that FDI inflow is a leading driver of both short- and long-term economic growth in Malaysia—even helping the country recover more quickly after crises like the 1997 Asian Financial Crisis (MIDA, 2024; Chong *et al*., 2024; Yong, 2018).

Manufacturing, particularly electronics, automotive, and rubber goods, receives significant FDI inflows. Malaysia's policy model emphasizes both investment incentives and trade facilitation, with FDI making up about 4.2% of GDP in recent years—an impressive figure that ranks Malaysia just behind Vietnam in the region on this metric. However, the benefits from FDI are unevenly distributed; quality jobs and economic returns are concentrated around urban centers and export-oriented enclaves (MIDA, 2024).

### 3.2.2. Labor Precarity: Minimum Wage Gaps and Migrant Worker Exploitation in Malaysia

**Wage Gaps and Precarious Employment**

Malaysia's manufacturing sector—buoyed by global supply chains and inflows of foreign capital—employs vast numbers of workers, including a large proportion of lower-skilled migrant laborers. Minimum wage policies, while present, are unevenly enforced and widely circumvented. Real wage growth has failed to keep pace with productivity, and wage gaps persist across skill and geographic boundaries.

Informal and non-standard employment arrangements are common. Many workers, both local and foreign, face unstable contracts, irregular hours, and limited access to formal social protections. The elasticity of labor employment with respect to wage rate is high, meaning small drops in wages have outsized effects on job demand. As a result, policies that prioritize investment and production, often under competitive pressure to reduce costs, aggravate wage suppression and precarity. This echoes Myrdal's contention that market-led growth can fuel systemic inequality without robust institutional safeguards (Yusoff anjd Salleh, 2017).

**Migrant Worker Exploitation**

Malaysia depends on migrant workers to sustain its labor-intensive supply chains. Of an estimated 2.2million documented migrants in the workforce and a comparable number of undocumented laborers, many are drawn from Bangladesh, Indonesia, Nepal, and Myanmar. These workers are frequently exposed to trafficking, deception, and forced labor. Reports document widespread salary violations, excessive work hours, and inhumane or unsafe conditions—particularly in rubber gloves, electronics, and garment factories (Ethical Trading Initiative, 2019; Amnesty International, 2010; Putul and Mia, 2018).

Employer practices contributing to labor precarity include:

- Passport retention and movement restrictions.
- Wage fraud, illegal deductions, and contract substitution.
- Trading workers between companies for a fee, rendering many illegally employed and in debt bondage (Tan, 2025; Ethical Trading Initiative, 2019).

Migrant workers routinely pay exorbitant recruitment fees—often exceeding $1,000—which plunges them into cycles of debt. Unable to return home or change employers without incurring further costs or risking arrest, many report being compelled to work against their will, locked in worksites, and threatened with violence. In a 2017 ILO study, 94% of complaints from migrant workers involved multiple severe labor rights abuses: withheld documents, inability to take leave, excessive work hours, and forced contract extensions (Amnesty International, 2010; Ethical Trading Initiative, 2019; Tan, 2025).

Malaysian law prohibits forced labor and wage theft, and federal statutes guarantee minimum wage and basic labor standards to all workers, theoretically without regard to nationality. Nonetheless, enforcement remains lax. Five government agencies have overlapping jurisdiction, yet rarely pursue or prosecute abusive practices in earnest. The government's approach to migration—characterized by complex visa schemes and weak oversight—further entrenches worker vulnerability and facilitates exploitation (Putul and Mia, 2018; Ethical Trading Initiative, 2019; Tan, 2025).

**Synthesis: The Trade-Investment Nexus and Its Discontents**

Vietnam and Malaysia exemplify the opportunities and contradictions that come with supply chain-led, FDI-driven growth. Investment policies attract capital, generate employment, and elevate technological capabilities. However, absent strong institutions and regulatory enforcement, these gains remain coupled to systemic wage gaps, labor precarity, and exploitation—particularly of the most vulnerable, such as migrant workers. While rapid industrialization has helped these countries reduce poverty and achieve remarkable economic growth, the persistence of wage suppression, contract abuses, and precarious employment risks reproducing new inequalities and social discontent.

Policymakers face the challenge of harnessing FDI for sustainable and inclusive development while closing gaps in enforcement, strengthening labor protections, and supporting upward mobility for all workers in the supply chain. Only then can the trade-investment nexus deliver both economic dynamism and social equity—transcending Myrdal's warnings about institutional inertia and unintended outcomes.

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## 3.3 Geopolitical Reconfigurations

### 3.3.1. U.S.-China Decoupling and ASEAN's "China+1" Diversification

The global economic order is undergoing profound geopolitical reconfigurations as the United States and China intensify their economic rivalry. ASEAN countries find themselves at the center of these shifts, as companies and governments increasingly adopt the "China+1" strategy—seeking to diversify supply chains and reduce dependency on China by investing further in Southeast Asia.

#### U.S.-China Decoupling: Strategic and Economic Impacts on ASEAN

The escalation of U.S.-China trade tensions—marked by rounds of U.S. tariffs on Chinese goods and new industrial policies—has catalyzed a wave of supply chain realignment across Asia. The most recent round of U.S. tariffs is not only broader in scope but also less likely to grant exemptions, pushing multinational firms to seek alternative production bases in ASEAN economies such as Vietnam, Thailand, Malaysia, and Indonesia. These countries offer cost-effective manufacturing environments, favorable trade policies, and proximity to both Chinese and global markets (Kratz *et al*., 2025;

Source of Asia, 2024; Kuang *et al*., 2023).

This decoupling is not absolute. While many U.S. multinationals and their suppliers are actively relocating production, Chinese firms themselves are also establishing factories and service facilities in ASEAN. This dual-track movement—sometimes labeled "friend-shoring"—blurs the calculus of decoupling, as some ASEAN exports to the U.S. and Europe continue to contain substantial Chinese content or are produced by Chinese-invested firms operating outside China (WTO Center, 2025; Loh, 2025; Kratz *et al*., 2025).

ASEAN's "China+1" momentum is reinforced by:

- Rising costs and regulatory risks in China;
- U.S.-imposed restrictions on Chinese goods, chips, and technology;
- Strategic initiatives by ASEAN countries to position themselves as safe harbors for global supply chains through tax incentives, infrastructure upgrades, and trade agreements.

As a result, ASEAN's global exports and FDI inflows have surged, with record bilateral trade between China and ASEAN exceeding $1trillion in 2025. However, this integration comes with new vulnerabilities. Chinese exports to ASEAN are expanding rapidly, particularly in lower value-added sectors, sometimes crowding out local industries and exacerbating trade deficits (Asia Society, 2025; WTO Center, 2025).

ASEAN policymakers now balance between deeper integration with China and growing demands from Western partners to de-risk and diversify away from Chinese supply chains. This balancing act is complicated by new U.S. tariffs on goods from Asia that contain significant Chinese components, forcing ASEAN states to navigate complex rules of origin and compliance requirements (Greeven, 2025; Wang and Zhong, 2025; Loh, 2025).

**"China+1" as Geopolitical and Economic Insurance**

Originally a business risk strategy, "China+1" has become a geopolitical imperative. The U.S. seeks to use it as a strategic lever to dilute Chinese dominance in critical sectors (electronics, EVs, solar panels), even as it calls for bilateral or sector-specific digital and

green trade deals with Southeast Asia. China, in turn, is upgrading regional trade agreements (e.g., RCEP, upgraded China-ASEAN Free Trade Area) and investing in cross-border digital infrastructure and logistics (e.g., high-speed rail, e-commerce platforms) to anchor its economic links with ASEAN (Loh, 2025; Kratz *et al*., 2025; WTO Center, 2025).

For ASEAN, diversification has delivered both opportunity and risk:

- Opportunities: Job creation, technology transfer, increased FDI, and export sophistication—especially in Vietnam, Thailand, and Malaysia
- Risks: Rising imports of low-cost Chinese goods undercutting domestic firms, increasing dependency on both Chinese and Western markets, and exposure to external shocks and regulatory changes (Asia Society, 2025; WTO Center, 2025).

ASEAN's ability to leverage this moment depends on reinforcing regional integration, investing in upskilling, and negotiating favorable trade protocols with both China and major Western economies.

### 3.3.2. India's "Make in India" vs. Southeast Asia's Competitiveness

India's "Make in India" campaign, launched to position the country as a leading manufacturing hub, provides an instructive contrast to ASEAN's diversification strategies. Both India and ASEAN compete to attract global capital and supply chain investments, but key differences shape their relative competitiveness in the new geopolitical context.

#### India's Strengths and Gaps

India boasts deep cost advantages (up to 70% operational savings over Western markets), a massive English-speaking talent pool, and advanced tech and digital infrastructure in its tier-I and tier-II cities. Government incentives (payroll subsidies, tax breaks, SEZ policies) further encourage global companies to establish global capability centers and manufacturing bases. In software, AI, cloud computing, and R&D, India remains a global leader and often the preferred location for innovation-driven operations (GCC, 2025).

However, India's competitiveness is partially offset by persistent protectionism, high tariffs (average import tax of 18.3%), and bureaucratic hurdles. Unlike most ASEAN members, India withdrew from the ASEAN-centered Regional Comprehensive Economic Partnership (RCEP) and remains more cautious about full trade liberalization, often citing the need to protect its own nascent industries and concerns about trade deficits (Bhardwaj, 2024; GCC, 2025).

**Southeast Asia's Appeal**

ASEAN economies, conversely, offer highly competitive wages—often even lower than those in India's main metropolitan regions—especially in Vietnam, the Philippines, and Cambodia. Malaysia stands out for its advanced manufacturing infrastructure and logistics, while Vietnam and Thailand continue to improve tech capabilities and modern office hubs. Government policies in ASEAN focus on targeted tax incentives, streamlined regulations, and regional trade agreements that lower tariffs and simplify cross-border business (Source of Asia, 2024; Occhialini, 2025; GCC, 2025).

Southeast Asia excels as a manufacturing destination—especially for hardware, electronics, apparel, and regional customization—augmented by its proximity to existing supply chains, major shipping routes, and robust trade agreements with China, the U.S., and Europe. ASEAN's internal market integration, supported by RCEP and ACFTA, opens additional export opportunities and harmonizes regulations across the bloc (ASEAN, 2025a; WTO Center, 2025; Loh, 2025).

**Sectoral Comparisons and Strategic Choices**

- Innovation and Digital Capacity: India is ahead in software and higher-value-added tech development; Southeast Asia leads in manufacturing agility and electronics supply chains.
- Market Access and Incentives: Both regions are strengthening incentives, but ASEAN benefits from broader trade access due to its multilateral agreements and geographic position.
- Regulatory Environment: ASEAN offers more predictable and investor-friendly regulatory reforms in some sectors, though levels of ease vary among members.

- Talent and Labor: India possesses depth and scalability; ASEAN provides cost-efficiency, bilingual skills, and close links to East Asian markets (RX Propellant, 2025; GCC, 2025).

The smart choice for global companies depends on operational priorities: scale and tech-driven innovation favor India; manufacturing diversification and regional market access favor ASEAN. Increasingly, large companies are adopting a "multi-hub" strategy, spreading their risk and ensuring business continuity by investing in both regions for different functions and markets (Occhialini, 2025; GCC, 2025).

**Synthesis: ASEAN's Navigational Challenge**

Geopolitical reconfigurations are redrawing the map of global supply chains. U.S.-China decoupling and the "China+1" dynamic have made ASEAN a cornerstone of the new manufacturing geography, but also a frontline for external economic and strategic shocks. While India's "Make in India" competes primarily through workforce, scale, and digital leadership, ASEAN's edge lies in manufacturing versatility, cost, and proximity to global customers.

Going forward, ASEAN's resilience and relevance depend on deepening regional coordination, pushing policies that foster sustainable local value creation, and balancing multiple external partnerships. As supply chain diversification becomes a lever of strategic influence, ASEAN's ability to turn geopolitical reconfigurations into sustainable development will determine whether it can transcend the vulnerabilities Myrdal first identified, or simply shift their locus within the new global order.

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# 4. State-Market Dynamics in the Digital Age

## 4.1 Revisiting the Balance

### 4.1.1. Myrdal's Warning: State Intervention and Its Limits

Gunnar Myrdal's scholarship remains a cornerstone of development economics, warning against both excessive faith in markets and unreflective state intervention. In *Asian Drama*, Myrdal critiqued postcolonial nations for their "soft states"—institutions with limited autonomy, captured by elite interests, often too weak to enact bold reforms or enforce rational planning. Myrdal highlighted the risk that state intervention, while necessary in failing or incomplete markets, can deepen dysfunction if it reinforces patronage, distorts incentives, or lacks legitimacy (Lin, 2023; Bangladesh Open University, n.d.).

He argued for planned and integrated economic measures, particularly in poorer countries, underscoring that policy must be coordinated with investments in essential social infrastructure—education, health, and basic services. However, Myrdal cautioned that states often lack the information or discipline required to select winning strategies or industries, thus risking waste and inefficiency (Myrdal, 1977; Cellini, 2025).

Myrdal's legacy does not refute the need for state intervention, but emphasizes its quality, transparency, and responsiveness to local realities rather than abstract blueprints. The conundrum persists today: how can developing states harness intervention without sliding into rigidity or corruption?

**The East Asian Miracle's State-Led Success**

The "East Asian Miracle" stands as a powerful counterpoint to Myrdal's skepticism. Economies such as South Korea, Taiwan, Singapore, and even Thailand achieved unprecedented, sustained growth driven in large measure by activist states that purposefully steered industrial policy, disciplined domestic firms, and invested heavily in human capital (Stiglitz, 1996; Movahed, 2019; Chu, 1997).

Key features of the East Asian model included:

- Strategic targeting of priority sectors (e.g., electronics, steel, automotive);
- Export orientation with managed protection for infant industries;

- Strong bureaucracies and meritocratic civil services;
- Tough performance standards and accountability for both public and private actors

Government interventions acted both as catalysts and buffers, offsetting market failures in credit, infrastructure, and technology transfer. Yet, as scholars observe, these interventions succeeded because of distinct state capacity, social cohesion, and iterative policy adjustments—not because of dogmatic planning or unchecked discretion (Movahed, 2019; Stiglitz, 1996).

Ultimately, the East Asian experience demonstrates that state intervention is no panacea—its effectiveness is highly contingent on institutional quality, learning mechanisms, and the balance between autonomy and embeddedness in society.

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#### 4.1.2. Case Study: Thailand's Automotive Industry (State Subsidies, EV Transition)

Thailand's automotive sector exemplifies the complexities of state-market dynamics in the digital era. Once focused on traditional automobile manufacturing, Thailand now aims to become a Southeast Asian hub for electric vehicles (EVs), leveraging both public subsidies and regulatory incentives to drive industrial transformation.

**State Subsidies and Incentives**

The Thai government has implemented comprehensive support programs for EV production and adoption. Key policies include:

- Subsidies for EV buyers ranging from 70,000 to 150,000 baht ($1,900–$4,000) per vehicle (Strangio, 2023; Techwire Asia, 2022; Reccessary, 2023).
- Tax reductions: Excise tax on imported EVs was slashed to 2% from 8%, and import duties cut by up to 40% for select EV models (Techwire Asia, 2022; EY Global, 2022).
- Manufacturing incentives: Eligible companies receive direct subsidies for local EV production, and import incentives are contingent on commitments to future domestic assembly (EY Global, 2022; Techwire Asia, 2022).

- Planned reductions in benefits for imports in favor of stimulating local value addition, aligning with broader industrial upgrade objectives (Reccessary, 2023; EY Global, 2022).

These policies have catalyzed rapid uptake: Thailand accounted for about half of Southeast Asia's total EV sales in 2024, and penetration rates have nearly tripled since 2022. The country now hosts numerous multinational and Chinese EV manufacturers, including assembly plants, battery facilities, and R&D centers (Strangio, 2023; Techwire Asia, 2022).

**EV Transition and State-Market Balance**

Thailand's EV strategy aims not just at consumer adoption, but at deepening the supply chain—developing components, software, and skilled labor. The government has earmarked billions of baht (over $1billion since 2022) to promote local manufacturing and support workforce transitions from internal combustion engines to electrification (Techwire Asia, 2022; EY Global, 2022).

- Challenges:
    - Government spending is under pressure; as EV sales rise, subsidy levels are being reduced to avoid excessive budgetary burdens (Strangio, 2023).
    - Policy effectiveness hinges on regulatory clarity, coordination across ministries, and effective public-private partnerships.
    - Vulnerabilities persist, as seen in recent cases where global EV manufacturers struggled to meet local assembly requirements, prompting government review and suspension of further subsidy disbursements to underperforming firms , 2025).
- **Outcomes:**
    - Thailand is on course to become a leading EV manufacturing base in the region, encouraging technology transfer, FDI, and job creation.
    - The EV transition demonstrates both the opportunities and limits of

state intervention. Generous initial incentives have successfully seeded market transformation, but maintaining momentum requires evolving subsidies, tightening oversight, and focus on skills and infrastructure over time.

**Implications for State-Market Dynamics**

Thailand's experience illustrates that visionary interventions—when paired with realistic goals and adaptive policy—can accelerate industrial upgrading and digital transformation. However, risks of budgetary overruns, market distortion, and uneven firm capacities remain. Long-term competitiveness will depend on whether the state can transition from market stimulus to innovation ecosystem governance, supporting both emerging industries and the broader workforce.

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**Synthesis**

In the digital age, the balance between state intervention and market dynamism is more nuanced than ever. Myrdal's enduring cautions about institutional inertia and elite capture provide a necessary backdrop to the celebrated successes of East Asian state-led growth. As Thailand's automotive and EV sectors show, proactive government action can drive transformation, but only within a framework that prizes learning, adaptability, and transparency. Rapid technological change, shifting global value chains, and mounting sustainability pressures all test whether Southeast Asian states can refine their interventions to meet new demands—fulfilling the promise of development without reproducing the pitfalls Myrdal so presciently defined.

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### 4.2 Digital Disruption and Institutional Adaptation

#### 4.2.1. E-commerce Growth: Shopee, Lazada, and the Informal Labor Surge

Southeast Asia's e-commerce market continues to grow at a world-leading pace, shaped by demographic advantage, mobile-first consumer behavior, and competition between major platforms like Shopee, Lazada, and TikTok Shop. In 2024, e-commerce gross merchandise value (GMV) in the region rose 12% year-on-year, reaching

$128.4billion. Shopee alone commanded 52% of the market share—worth $66.8billion—while Lazada and TikTok Shop maintained significant, competitive footholds. On an average day, 43.6million e-commerce parcels are shipped regionally, drawing comparisons to U.S. volume and illustrating a rapidly maturing digital retail ecosystem (Wolf of Harcourt Street, 2025; Young, 2025).

Growth remains robust, particularly in Thailand (21.7% YoY GMV increase in 2024) and Malaysia (19.5%), with Indonesia's sheer scale creating the largest single market in Southeast Asia. Platform engagement is driven by continuous innovation: live-stream shopping, in-app games, digital payments, shopper credit, and streamlined logistics all play central roles in shaping high-frequency, habitual use (Young, 2025; Wolf of Harcourt Street, 2025).

Despite slowing growth post-pandemic, the market is far from saturated: e-commerce comprises just 12.8% of Southeast Asian retail as of 2024. There is substantial headroom as new consumers come online, incomes rise, and digital platform ecosystems deepen their reach, from urban malls to remote rural areas (Wolf of Harcourt Street, 2025).

The Informal Labor Challenge: Who Wins in the Platform Economy?

This e-commerce boom is underpinned not just by formal businesses, but by millions of informal sellers, delivery workers, and microentrepreneurs. Informal labor, already encompassing 244million workers in the wider ASEAN region, has found new avenues for participation and empowerment via online marketplaces. Platforms lower barriers for micro- and small enterprises to access national and regional markets, often requiring little more than a smartphone and basic digital literacy. Women, in particular, are leveraging informal e-commerce for supplemental income, flexibility, and economic independence (ASEAN, 2022a; Islam and Roest, 2020).

However, informality presents a double-edged sword:

- Opportunities: Informal sellers can access larger customer bases, experience business expansion, and sometimes become more visible to tax and regulatory authorities. Some evidence suggests increased incentives to formalize as firms grow and adapt to online business practices (Bussolo *et al*., 2023).

- Risks: Most informal e-commerce participants operate without social protection, stable contracts, or employment rights. Work is precarious, earnings volatile, and access to finance or upskilling is limited. While for some, online sales can be a springboard to formalization, for many, informality persists or deepens as markets become more competitive and platforms raise transaction fees to drive profitability (Bussolo *et al*., 2023; Torring, 2025).

At the same time, the labor market impact of e-commerce is ambiguous. The Singaporean case shows e-commerce generated over a million jobs by 2022, but a significant share of these jobs were indirect and, in some cases, the benefits accrued to cross-border suppliers rather than domestic workers. Across ASEAN-6, labor market dynamics vary, and net employment gains often mask sectoral displacement and the persistence of unregulated, informal roles (Yan *et al*., 2024).

#### 4.2.2. ASEAN's AI Readiness Gap: Singapore vs. Cambodia

Artificial Intelligence (AI) represents a new frontier for Southeast Asian economic modernization, yet stark disparities in readiness threaten to reproduce existing developmental gaps.

**Singapore: The Regional AI Frontrunner**

Singapore consistently ranks among the top countries globally for AI readiness and digital maturity. With one of the world's most comprehensive national AI strategies, the city-state attracts over 75% of AI-dedicated venture capital flowing into the ASEAN region. AI is deeply woven into sectors such as banking (e.g., over 350 distinct use cases at DBS Bank), healthcare, public housing, and immigration. Singapore's regulatory foresight—such as its AI Governance Framework—earns international recognition for balancing innovation, ethics, and social trust (Hananto, 2025; Phil Export, 2025; Isono and Prilliadi, 2023; Putra, 2024; Tun *et al*., 2025).

Public adoption is also widespread: 67% of Singaporean employees and 86% of students reportedly use generative AI tools, driven by deliberate government efforts to embed digital skills and AI awareness throughout education and business. These investments, both financial and institutional, position Singapore as the clear ASEAN leader, with Oxford Insights (2024 Government AI Readiness Index) ranking it second

globally (Isono and Prilliadi, 2023; Tun *et al*., 2025; Oxford Insights, 2024; Hananto, 2025).

**Cambodia: The Constraints of Digital Divide**

In sharp contrast, Cambodia—and other lower-income ASEAN nations—lags in AI adoption due to limited infrastructure, lack of qualified talent, weak policy frameworks, and barriers to investment. Cambodia ranks near the bottom among ASEAN and globally on major AI readiness indexes (126th–132nd out of 181 countries by the Oxford Insights 2022 survey, alongside Myanmar and Lao PDR) (Isono and Prilliadi, 2023).

Factors inhibiting AI progress in these countries include:

- Inadequate high-speed internet coverage and legacy IT infrastructure.
- Scarcity of digital skills and STEM graduates.
- Minimal or non-existent national AI strategies, leading to limited investor and business confidence.
- Few research institutes or industry partnerships driving local AI R&D.

AI adoption among MSMEs and startups across the lower tiers of ASEAN is particularly constrained by cost barriers, technical complexity, and a lack of trained support and guidance. Talent shortages and skills mismatches persist, raising concerns about both job displacement in traditional sectors and missed gains from digital transformation (Phil Export, 2025; Putra, 2024; Tun *et al*., 2025.; Isono and Prilliadi, 2023).

**Institutional Adaptation: Bridging the Digital Divide**

The unprecedented pace of digital disruption in Southeast Asia requires rapid, coordinated institutional adaptation at all levels—governments, businesses, and regional organizations.

Key priorities identified by analysts and ASEAN stakeholders include:

- Fostering digital infrastructure: Ensuring robust, reliable, and inclusive internet access is foundational for both e-commerce and AI development, particularly in less-urbanized and lower-income regions.

- Closing the skills gap: Investment in training, upskilling, and partnerships with global and regional tech leaders is critical for workforce adaptation, both in digital literacy and advanced AI expertise.
- Accelerating regulatory harmonization: Cohesive, forward-looking policy frameworks are needed to govern AI use, data privacy, cross-border trade, and labor standards for e-commerce workers—avoiding regulatory fragmentation that slows innovation and heightens risk.
- Enabling responsible AI adoption: Singapore's governance blueprint offers a benchmark, but regional capacity building through ASEAN-wide initiatives, curriculum reform, and industry–government–academic alliances will be central to ensuring that AI advances benefit all member states, not just the digital elite.

**Synthesis**

Digital disruption—epitomized by the surge in e-commerce (Shopee, Lazada) and AI innovation—is transforming Southeast Asia's economies and labor markets. It offers new paths to inclusion and growth, yet is layered atop persistent informality and deep divides in digital and institutional capacity. Singapore stands as a model of AI readiness, but the region as a whole risks fragmentation as countries like Cambodia continue to lag. Institutional adaptation—targeted at infrastructure, skills, and governance—remains the central challenge if Southeast Asia is to achieve a truly inclusive and resilient digital future.

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### 4.3 Sustainability Imperatives

#### 4.3.1. Green Supply Chains: Solar Panel Production in Vietnam

Vietnam's solar sector has become a catalyst for greening regional supply chains and exemplifies Southeast Asia's accelerating shift toward renewable energy. Over the past five years, Vietnamese solar panel production capacity leapt from 2.5GW in 2019 to approximately 18.7GW in 2024—a staggering 648% increase that positions Vietnam as the fourth-largest solar panel exporter globally with an estimated 12% share of the world market. Major solar companies such as Longi Solar, JinkoSolar, Canadian Solar,

and innovative domestic firms now anchor extensive production ecosystems, spanning raw material processing to advanced module assembly (FBC, 2025).

By 2025, Vietnam aims to reach 16GW of installed solar power capacity, according to its Power Development Plan, with projections to expand capacity to 19.26GW by year's end and 21.73GW by 2030. These ambitions are underpinned by strong government support, feed-in tariffs, investment incentives, and expanding net-metering policies to encourage utility-scale projects and rooftop installations. Notably, mega-projects like the Trung Nam (450MW) and Phu Yen (168MW) solar farms, alongside new floating and agrivoltaic initiatives, demonstrate Vietnam's rapid scaling capabilities needed for energy transition and climate resilience (Koons, 2025; Huld, 2025; Taiwan News, 2025; Lin, 2025; FBC, 2025).

Despite mounting growth, Vietnam's solar supply chain sector faces challenges. Key hurdles include grid bottlenecks, technology adoption gaps, and regulatory ambiguity on carbon reporting. These factors affect local integration and exports, especially to climate-conscious markets. Efforts to incentivize energy storage, promote floating solar, and foster industry partnerships signal that Vietnam's supply chain model is not only green-oriented but adaptive and strategic for long-term sustainability (Huld, 2025; Informa, 2025; SAJ Electric, 2025)

**Carbon Tariffs: Driving Sustainability and Shifting Regional Dynamics**

Southeast Asian countries, including Vietnam, Malaysia, and Thailand, must now navigate a global trade landscape shaped by carbon tariffs, such as the EU's Carbon Border Adjustment Mechanism (CBAM), which took effect in 2023. CBAM applies a carbon price to imports of steel, cement, aluminum, and electricity, demanding credible emissions tracking and reduction strategies from exporters. This mechanism directly impacts Southeast Asian manufacturing, threatening competitiveness if local supply chains cannot document or reduce carbon emissions (Hsu, 2025; Asuene, 2024).

For ASEAN, carbon tariffs have become both a risk and a stimulus. On one hand, compliance costs could erode GDP by an estimated 0.1%—about $500million annually for major exporters. On the other, carbon tariffs incentivize accelerated adoption of carbon pricing policies and emissions-trading systems as ASEAN economies seek to

protect industrial market access and avoid trade losses (Terrascope, 2023; Asuene, 2024; Hsu, 2025).

Regional carbon pricing schemes have proliferated: Indonesia passed a carbon tax law in 2021 (though implementation lags); Thailand and Malaysia announced new carbon tax plans for energy sectors; Vietnam is piloting an emissions trading system for steel and cement industries in 2025—though regulatory gaps persist. Regulatory harmonization and digital MRV (Monitoring, Reporting, Verification) frameworks remain incomplete, threatening the region's response to external carbon cost pressures. Nonetheless, these instruments are rapidly proliferating and expected to be central to ASEAN's climate and trade policy future (Asia Foundation, 2023).

#### 4.3.2. Myrdal's Blind Spot: Environmental Externalities in Development Planning

While Gunnar Myrdal's institutional critique remains foundational for understanding development, one prominent limitation—his conceptual "blind spot"—was the muted emphasis on environmental externalities. Myrdal's focus in *Asian Drama* centered primarily on institutional inertia, economic distribution, and system-wide poverty traps, but did not comprehensively engage with the environmental costs and risks generated by rapid industrialization, resource extraction, and unchecked market expansion (Meiers and Seers, 1984; Ideas, n.d.; Swaney, 1987).

Contemporary environmental economists and developmentalists argue that Myrdal's era lacked the theoretical and policy tools to address negative externalities, especially greenhouse gas emissions and resource depletion, as fundamental market failures. As the climate crisis has become central to development planning, modern frameworks emphasize the polluter-pays principle, internalization of costs via carbon pricing, and cross-sectoral integration of sustainability metrics—all absent or underappreciated in Myrdal's work (Swaney, 1987; Asia Foundation, 2023).

Myrdal's legacy has therefore been reinterpreted in light of mounting environmental evidence. Structuralist and neoinstitutional perspectives now frame development as an adaptive system, where ecological constraints and sustainability imperatives are fully integrated alongside economic and social governance. Policy breakthroughs, such as ASEAN's push toward carbon neutrality and Vietnam's renewable energy plans,

reflect the mainstreaming of environmental externalities as both risk and opportunity.

**Synthesis: Toward Sustainable Regional Supply Chains**

Green supply chains—anchored by Vietnam's solar panel industry—are essential for Southeast Asia's economic competitiveness and climate resilience. The spread of carbon tariffs and pricing mechanisms compels governments and businesses to internalize previously hidden costs, align production with global standards, and foster cross-border cooperation. To overcome the environmental "blind spot" of earlier development models, Southeast Asia must integrate sustainability into every stage of supply chain governance, from sectoral planning to digital monitoring and regional policy harmonization.

The region's accelerated renewable energy transition, growing policy sophistication around carbon reporting, and deepening engagement with global climate regimes herald a new phase in development planning—one that moves decisively beyond Myrdal's original scope to address the existential imperative of sustainability.

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# 5. A 21st-Century Sequel: Keynesian Foresight in Fragmented Globalization

## 5.1 Theoretical Foundations

### 5.1.1. Integrating Keynesian Demand-Side Analysis with Myrdal's Institutionalism

The transformation of Southeast Asian economies in an era of fragmented globalization calls for a theoretical synthesis capable of addressing both macroeconomic volatility and the deep-seated institutional constraints first articulated by Gunnar Myrdal. Keynesian economics, grounded in John Maynard Keynes's seminal insight that aggregate demand determines output and employment, offers a powerful lens for understanding cyclical fluctuations, unemployment, and the possibilities of government intervention to stabilize growth. Keynesians argue that economies are frequently beset by insufficient demand, leading to recessions and "output gaps" that markets alone cannot close effectively. Fiscal policy—government spending and taxation—alongside accommodative monetary policy, become vital tools to reinvigorate demand and mitigate downturns (Wikipedia, 2025b; Jahan *et al*., 2014).

However, Keynesian analysis, particularly as practiced after the Great Depression, often overlooked the qualitative and institutional factors that shape long-term growth. Myrdal's legacy adds a critical dimension: institutions—regulatory frameworks, social norms, political arrangements—structure the distribution and efficacy of aggregate demand, influencing not only economic performance but also equity and sustainability. Where Keynes emphasized the need for state intervention in managing demand, Myrdal stressed that such intervention must confront entrenched interests, patronage, and institutional inertia, lest policy fail to deliver meaningful transformation (Rutherford and Desroches, 2008; Whalen, 2017).

Modern scholarship has bridged these approaches, showing the value of melding Keynesian demand-side tools with a robust understanding of institutional dynamics. Post-Keynesian models incorporate the role of wage regimes, income distribution, and financial variables in shaping demand cycles. They also embrace the view that macroeconomic results are deeply embedded in the social and political fabric, reinforcing Myrdal's call to view economic policy through an institutionalist lens (Fernández-

Huerga *et al*., 2023).

**Endogenous Growth Theory and Global Labor Mobility**

If Keynes and Myrdal provide complementary insights into short-run and institutional dynamics, endogenous growth theory supplies the framework for understanding long-run development in open, interconnected economies. Unlike neoclassical models, which treat growth as exogenously determined by technological change, endogenous growth theory posits that investments in human capital, innovation, and knowledge creation drive sustained expansion (Mayer, 1996; Long and Wong, 1997).

Key theoretical advances have modeled growth as a product of "learning by doing," innovation spillovers, and deliberate policy action—for instance, subsidy programs or skill-upgrading schemes. These models have clear institutional parallels: structural diversification and persistent improvements in skills and technology result not just from market incentives, but from coordinated government, educational, and industrial strategies.

Global labor mobility introduces further complexity. Labor migration—both within and across borders—reshapes growth trajectories by allowing economies to adjust workforce composition, specialize, and transfer knowledge. International integration bolsters output and efficiency by matching surplus labor to areas of higher productivity. However, endogenous growth models stress that the benefits of labor mobility hinge on the institutions governing migration flows, the protection of worker rights, and the capacity of host and origin countries to foster inclusive skill development (Raurich *et al*., n.d.; Lim *et al*., 2023).

For Southeast Asia, this theory sheds light on the region's rapid convergence with global productivity leaders, enabled by both open trade and mobile labor. Spillovers from multinational investment, cross-border movement, and technology transfer have underpinned the economic "miracles" observed in Vietnam, Malaysia, and the broader ASEAN bloc. Yet as endogenous models warn, disparities persist due to stickiness in capital accumulation, gaps in human capital, and limits in institutional adaptation. Countries that successfully assimilate new technologies, manage migration equitably, and invest in education sustain higher growth rates; those with rigid labor markets or

institutional bottlenecks fall behind (Ramirez, 2006).

### 5.1.2. Keynesianism in 21st Century Globalization: Challenges and Adaptations

Today's fragmented globalization—characterized by volatile capital flows, shifting trade alliances, and regional supply chain realignments—tests the boundaries of both Keynesian and Myrdalian analysis. Keynes anticipated tensions arising from greater international interdependence, warning that unchecked global integration could overwhelm national policy autonomy, reduce labor's bargaining power, and foster instability. The "Washington Consensus," with its emphasis on privatization and deregulation, pushed many states away from Keynesian principles, favoring markets over active intervention—they often did so without heed to the institutional underpinnings Myrdal deemed vital (Grewal, 2009; Elsenhans, 2017; Dutt, 2010).

Contemporary scholarship argues for a renewed Keynesian institutionalism: macroeconomic stabilization requires not only demand management but also institutional reform, labor empowerment, and strategic industrial policy. Fiscal and monetary tools remain necessary, but their efficacy depends on the capacity and character of institutions. Endogenous growth models reinforce this message, showing that diverging growth paths in the global South stem from differences in knowledge diffusion, labor mobility, and adaptability, not merely from aggregate demand or international market access (Stockhammer, 2018; Long and Wong, 1997; Fernández-Huerga *et al*., 2023).

Policy implications for Southeast Asia include:

- Sustained investment in education, lifelong learning, and skill formation to capitalize on global spillovers.
- Strategic migration policies that protect labor rights and facilitate equitable integration of migrant workers (Lim *et al*., 2023).
- Proactive state involvement to catalyze new growth sectors, especially in digital and green industries.
- Structural reforms to reduce inequality, foster wage-led demand regimes, and prevent financial instability (Stockhammer, 2018).
- Regional coordination to buffer external shocks and strengthen supply chain

resilience.

**Synthesis**

Integrating Keynesian demand-side analysis with Myrdal's institutionalism and endogenous growth theory provides a robust theoretical foundation for addressing the realities of 21st-century Southeast Asia. It allows scholars and policymakers to tackle the twin challenges of aggregate demand volatility and institutional bottlenecks, embracing both short-term stabilization and long-term transformation. Harnessing the power of global labor mobility, knowledge diffusion, and adaptive institutions, Southeast Asia can forge a path beyond fragmented globalization toward inclusive and sustainable growth.

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## 5.2 Policy Recommendations

### 5.2.1. Regional Coordination: ASEAN's Role in Mitigating Trade Barriers

Deepening Regional Integration as Trade Shocks Intensify

Trade disruption, especially from rising protectionism and global realignments spurred by U.S.–China tensions, has amplified the urgency for ASEAN members to act jointly to safeguard the region's economic interests. Recent U.S. tariffs in 2025, along with excessive reliance on Chinese supply chains and the resulting vulnerabilities, underscore the collective stakes for ASEAN economies. In response, ASEAN's central strategy has revolved around accelerated integration, harmonization of standards, and removing both tariff and non-tariff barriers (ASEAN, 2025b; Asia Society, 2025).

- Joint Stance and Dialogue: Rather than retaliatory measures, ASEAN has opted for engagement and solidarity. Economic ministers issued a joint statement reaffirming ASEAN's commitment to dialogue, refusing direct retaliation, and pledging to "stand united" to ensure regional priorities remain at the heart of negotiations with both major and emerging trading partners. This measured approach strengthens ASEAN's credibility as a rules-based actor (ASEAN, 2025c; 2025b).
- Reducing Non-Tariff Barriers: Beyond traditional tariff cuts, ASEAN is working

to identify and eliminate non-tariff barriers (NTBs) that hinder supply chains and inflate trade costs. As part of the ASEAN Economic Community (AEC) Blueprint 2025, action items include streamlining customs procedures, harmonizing technical regulations, adopting mutual recognition agreements, and expanding the scope of the ASEAN Single Window for document sharing and regulatory transparency (MITI, 2025; ASEAN, 2022b; ASEAN, 2025d).

- Enhancing Trade Response and Surveillance: In the face of import surges (such as Chinese exports rerouted via ASEAN), members are prioritizing the development of regional trade remedy mechanisms—anti-dumping measures, standardized responses to unfair practices, and joint data reporting—which reduce the risk of intra-bloc tension and ensure a level playing field (Asia Society, 2025; ASEAN, 2025d).

- Boosting Regional Connectivity and Supply Chain Resilience: Integration efforts extend to improving logistics, physical infrastructure, and digital backbone connectivity. These moves foster seamless movement of goods, capital, and skilled labor, and support SMEs that form the backbone of regional value chains (ASEAN, 2025d; 2025c).

- Public-Private Partnerships: Recognizing the limits of state-only solutions, ASEAN has deepened public-private dialogue, with business councils actively involved in policy design to bridge gaps between policy and market realities. This engagement is critical as businesses face immediate fallout from external trade shocks (ASEAN, 2025c).

- Adapting to Digital and Green Trade: New frameworks like the Digital Economy Framework Agreement (DEFA) allow for coordinated oversight of e-commerce, digital trade, and cross-border data flows, ensuring that regulatory adaptation keeps pace with evolving market demands (MITI, 2025; Asia Society, 2025).

**The Way Forward**

The 2025 context demands ASEAN members “turbo-charge” integration; this includes fast-tracking single market reforms, eliminating regulatory fragmentation, and solidifying ASEAN’s voice in global trade debates. Scaling up institutional capacity for

monitoring and enforcing trade agreements is equally vital for mitigating both current and future trade barriers in an increasingly uncertain world (Asia Society, 2025; ASEAN, 2025d; 2025c).

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### 5.2.2. Social Safety Nets: Universal Basic Income Trials in Indonesia

**Towards Inclusive Social Protection**

Indonesia, Southeast Asia's largest economy, has taken bold steps in rethinking its social safety net architecture to address persistent poverty, informality, and economic shocks exacerbated by both the pandemic and global supply chain reconfigurations. The debate over Universal Basic Income (UBI)—once theoretical—has moved toward pilot experimentation and evidence-based policy design.

- Current Landscape: Indonesia's flagship *Program Keluarga Harapan* (PKH) has helped millions through conditional cash transfers (CCTs) tied to school attendance and health checks. Despite its successes, studies show CCT programs often exclude eligible but undocumented households, reinforce gender roles, and create bureaucratic hurdles for the most vulnerable, including informal workers (Youthscholars, 2025).
- UBI as an Alternative: UBI trials, such as those piloted in Yogyakarta (2021–2022), provided unconditional cash payments to participants, removing red tape and allowing recipients greater autonomy. These early experiments demonstrated potential benefits, including improved mental wellbeing, economic security, and empowerment, particularly for women and informal workers long outside social registries (Basic Income Earth Network, 2023; Prasetyo, 2021; Youthscholars, 2025).
- Key Takeaways from Recent Research:
    - Poverty and Empowerment: UBI shows promise in reducing poverty and economic insecurity by providing a stable, dignified income floor (Yulivan, 2021; Prasetyo, 2021; Basic Income Earth Network, 2023).
    - Structural Barriers: A universal model bypasses the exclusion and

inefficiencies inherent in means-tested systems, and is better equipped to reach those impacted by automation and informalization.

- Political Economy: Critics note, however, that full-scale UBI would demand fiscal outlays equal to 4–5% of Indonesia's GDP annually—raising questions about sustainability, complementarity with existing programs, and the risk of cuts to essential services (UNDP, 2024; Basic Income Earth Network, 2023; Yulivan, 2021).
- Hybrid Pathways: Leading policy scholars recommend incrementalism: softening CCT conditionalities, expanding unconditional transfers for high-risk groups (children, the elderly, disabled), and rolling out localized UBI pilots in high-poverty and low-welfare-coverage districts. Continuous evaluation would inform potential national expansion (Prasetyo, 2021; Basic Income Earth Network, 2023).

**Implementation and Institutional Reform**

Better implementation rests on upgrading Indonesia's social registry (DTKS), integrating robust digital payment systems, and reallocating inefficient subsidies (e.g., for fuel and electricity) toward more direct, inclusive support. The government is actively exploring these options, particularly as demographic change and shifts in the labor market heighten pressure on the current welfare model (Youthscholars, 2025).

- Defense, Growth, and Social Cohesion: Literature further links UBI not just with poverty reduction but with enhancing national resilience—strengthening economic "defense," social stability, and civic participation in an era of volatility (Yulivan, 2021; UNDP, 2024).

**Policy Implications for ASEAN**

Indonesia's UBI pilot holds wider lessons for ASEAN. Other member states, especially those struggling with large informal sectors and limited social registries, might consider parallel hybrid strategies—combining expanded unconditional transfers with streamlined, technology-enabled welfare systems. Intra-ASEAN dialogue can help share best practices and sustain political momentum for innovative social protection

(UNDP, 2024; Prasetyo, 2021).

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**Synthesis**

ASEAN's coordinated response to trade shocks—through deeper integration, harmonized regulation, and enhanced public-private cooperation—offers a route for regional resilience, especially for small- and medium-sized economies exposed to external volatility. Meanwhile, Indonesia's ongoing experiments with basic income foreground the need for next-generation social safety nets: simple, universal, and adaptive to informality and demographic change. Together, these policy pathways point toward a Southeast Asia better equipped to weather global turbulence—anchored by institutional innovation and collective action.

## 5.3 Future Scenarios

### 5.3.1. Demographic Shifts: Aging Populations in Thailand vs. Youth Bulges in the Philippines

**Thailand: The Emergence of a Super-Aged Society**

Thailand's demographic landscape is undergoing a dramatic transformation. By 2025, approximately 20% of Thailand's population—about 13.2 million people—will be aged 60 or over, with projections reaching 28-31% by the next decade, qualifying Thailand as a "super-aged society". This transition is driven by sustained low birth rates and increased longevity. Each year, nearly 900,000 new seniors are added, expected to reach 1 million annually in 2025. The working-age population, conversely, is shrinking, declining from 71% in 2020 to an anticipated 56% by 2060 (Tractus, 2024; Pruksacholavik, 2025; Nation, 2025; Marketing & Communications, 2025; WHO, 2023).

The consequences of this shift are wide-ranging:

- Economic Impacts: A smaller workforce is poised to slow GDP per capita growth—about 0.86% less annually in the 2020s—while increasing dependency ratios and healthcare costs. Businesses face labor shortages, spurring both policy reforms and opportunities for automation and foreign labor recruitment to sustain services and output (Thammasat University, 2025; Tractus,

2024).

- Social Adjustments: More elderly Thais live independently, raising challenges in healthcare delivery, mental health, and welfare provision. Existing pension and social insurance systems are under strain, with many retirees lacking adequate safety nets or digital skills necessary to access government support (Thammasat University, 2025).
- Policy Responses: The government is exploring international best practices in welfare funding (such as Switzerland's dual-contribution model) and expanding elderly care businesses, which have grown over 25% annually since 2018. The ASEAN Centre for Active Ageing and Innovation (ACAI), launched under Thailand's leadership, actively promotes collaborative approaches to active ageing and lifelong learning (Marketing & Communications, 2025; WHO, 2023).

Failing to address the needs of a rising elderly population risks not only economic stagnation but also deeper social exclusion and inequality in Thai society.

**The Philippines: Harnessing a Youth Bulge**

In sharp contrast, the Philippines is experiencing a demographic dividend, with about 30 million young people aged 10–24 accounting for 28% of the total population—the largest generation of Filipino youth in its history. Over 50 million are in the labor force as of 2025, and youth labor force participation is vibrant, rising to 31.8% with youth employment at 88% (Gideon, 2025; Philippine News Agency, 2025; UNFPA, n.d.).

This "youth bulge" presents both opportunities and policy challenges:

- Economic Potential: A large, young workforce can be a major driver of innovation, productivity, and economic modernization, especially if equipped with relevant health, education, and employment skills. Harnessing this cohort can enable the Philippines to sustain growth, increase domestic savings, and establish a broad middle class (UNFPA, n.d.).
- Risk Factors: Challenges remain acute, including high rates of rural-urban migration, NEET (young people Not in Employment, Education, or Training) still at 11.7%, and difficulties in land access and family cycling in rural areas. Gender

gaps, adolescent childbirth, and HIV incidence remain pressing concerns, disproportionately affecting young women and marginalized youth. Many rural youth, especially women and the educated, are leaving agriculture for urban jobs, contributing to labor shortages in rural areas and new vulnerabilities in cities (Gultiano and Urich, 2000; Gideon, 2025; UNFPA, n.d.).

- Policy Interventions: Government and international agencies like UNFPA are scaling up youth-focused programs including life skills training, comprehensive sexuality education, and investment in health-care access and rights. Successful leveraging of the youth dividend depends on continued investment in education, employment pathways, and addressing gender and regional inequities (UNFPA, n.d.).

The contrasting demographic profiles of Thailand and the Philippines highlight the diverging social and economic futures in the Southeast Asian region, underscoring the importance of tailored, forward-looking policy responses.

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### 5.3.2. Climate Migration and Resource Conflicts in the Mekong Delta

**Climate Threats, Displacement, and Adaptation**

The Mekong Delta is a frontline of climate disruption. Rising sea levels, saltwater intrusion, subsiding land, erratic water flows, and intensification of storms are all converging to reshape the physical and economic landscape of this critical region. Scientific projections for 2050 suggest that large portions of the Delta, home to more than 17 million people, could be periodically inundated or rendered unsuitable for conventional agriculture due to increased flooding, reduced sediment flows (as a result of upriver damming), and saline intrusion (MAE, 2025; Reccessary, 2025; Nguyen and Degenhardt, 2015; ADB, 2011).

- Agricultural Pressures: Climatic shifts are destabilizing Vietnam's rice bowl. Flood and drought patterns are more erratic, hampering planting cycles and shrinking rice yields. Wild rice, essential for ecosystem resilience, increasingly disappears due to habitat loss and changing water regimes. Aquifers are dropping as groundwater is over-extracted to counteract these uncertainties,

worsening subsidence and further increasing flood risk (Reccessary, 2025; Nguyen and Degenhardt, 2015).

- Resource Conflicts: Large-scale hydropower projects and sand mining upstream are altering river flows, sediment supplies, and fish stocks, diminishing livelihoods and stoking competition for land and freshwater across Vietnam, Cambodia, Laos, and Thailand. Environmental degradation disproportionately impacts poor, marginalized, and indigenous riverine communities, leading to social conflict and displacement (Crisis Group, 2024; Nguyen and Degenhardt, 2015).
- Climate Migration: As environmental pressures intensify, climate-induced migration is accelerating. Families are leaving low-lying or resource-poor areas for urban centers, seeking alternative livelihoods, education, or safety. These flows, sometimes referred to as "planned retreat," risk overwhelming urban infrastructure and introducing new pressures on jobs, housing, and social cohesion (Nguyen and Degenhardt, 2015; MAE, 2019).

**Regional and Policy Responses**

Governments in the region acknowledge the crisis. Vietnam has rolled out the Mekong Delta Integrated Climate Resilience and Transformation Project (MERIT), alongside plans for billions in international loans to enhance adaptation infrastructure, restore critical habitats, and strengthen disaster preparedness. Efforts include:

- Infrastructure investment in coastal defenses, dikes, and mangrove restoration (MAE, 2019)
- Adaptive farming systems such as ecological rice and aquaculture to diversify income and shelter rural livelihoods from climate fluctuations (Reccessary, 2025; MAE, 2019)
- Regional cooperation aimed at shared data, equitable transboundary water management, and participatory resource policy to ease competition and prevent escalation into cross-border disputes (Kittikhoun and Staubli, 2018; Crisis Group, 2024)

However, the scale and pace of environmental change and migration risk outpacing policy implementation. Inequalities between upstream (often dam-operating) and downstream (Delta) states, internal government fragmentation, and the lack of meaningful local participation in resource governance complicate efforts to equitably distribute both risks and adaptation benefits (Crisis Group, 2024; Nguyen and Degenhardt, 2015; MAE, 2019).

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**Synthesis**

These future scenarios—an aging Thailand, a youthful Philippines, and a climate-challenged Mekong Delta—signal profound social, economic, and ecological transformations for Southeast Asia. Each demographic and environmental trend brings unique opportunities and risks, demanding policies that are not only adaptive and inclusive but also rooted in transboundary cooperation. Ultimately, the region's resilience will hinge on its capacity to embrace generational change, manage migration, resolve resource competition, and safeguard the most vulnerable amidst accelerating global turmoil.

# 6. Conclusion

## 6.1.Myrdal's Enduring Relevance: Institutions, Inequality, and Unintended Consequences

When Gunnar Myrdal published *Asian Drama* in 1968, his sweeping and often pessimistic analysis of postcolonial development placed institutions—understood broadly as the social, political, and cultural frameworks governing economic life—at the heart of the development challenge. More than half a century later, the core themes of his critique remain not only relevant but in many ways newly urgent. Despite decades of rapid growth, structural transformation, and integration into global markets, Southeast Asia continues to illustrate the strengths and limitations of his original insights.

### Institutions as the Foundation of Development

Myrdal treated institutions not as peripheral influences but as formative and, at times, determinative forces shaping development outcomes. He argued that without deliberate institutional reform—anchored in social equity, strong governance, and rule-based administration—economic growth could easily be derailed, captured by elites, or produce unintended harms.

This remains a defining truth for Southeast Asia. Across the region, differences in institutional capacity still largely explain the divergence in national trajectories. Singapore's success in embedding accountable, efficient governance has allowed it to turn global integration into broad-based prosperity; meanwhile, countries where regulatory frameworks remain fragmented or susceptible to elite capture often see uneven benefits from growth and foreign investment. Episodes such as land disputes in Indonesia's palm oil sector or the uneven distribution of FDI benefits in Malaysia and Vietnam illustrate the persistence of what Myrdal termed the "soft state"—where laws exist but are unevenly enforced, and where vested interests limit transformative reform.

In the contemporary context of fragmented globalization, strong institutions have become even more important. Complex global value chains, rapid technological change, and climate imperatives all require governments that can coordinate policy across sectors, adapt to shocks, and enforce compliance with both domestic and international standards.

**Inequality as a Structural Constraint**

A second cornerstone of Myrdal's thinking was the proposition that inequality is not simply a by-product of underdevelopment—it is a driver of it. In his model of "circular and cumulative causation," unequal access to resources, education, and political influence reinforces itself through time, locking marginalized groups into cycles of exclusion that dampen the potential for aggregate growth.

Southeast Asia's contemporary experience affirms the relevance of this warning. While poverty rates have fallen dramatically since the late 20th century, income and wealth disparities have widened within many countries. Export-led growth has created islands of prosperity in urban-industrial hubs, but rural and remote areas, often inhabited by ethnic minorities or indigenous groups, remain disadvantaged.

The contradictions Myrdal feared are clearly visible: Indonesia's palm oil industry, for example, generates billions in export revenue and has lifted some communities out of poverty, yet it also perpetuates low wages, insecure land tenure, and environmental degradation that disproportionately harm the poor. Similarly, uneven labor protections in Malaysia's manufacturing sector, particularly for migrant workers, show how integration into global supply chains can coexist with entrenched vulnerability.

The lesson is that without consciously redistributive policies—in land reform, labor rights, education, and social protection—growth will entrench rather than erode inequality. This applies equally to new sectors like digital commerce, where platform-driven opportunities can inadvertently deepen informality if not coupled with worker protections and access to training.

**Unintended Consequences of Development Strategies**

Perhaps most presciently, Myrdal warned that even well-intentioned development strategies could produce unintended consequences if they failed to address underlying institutional weaknesses. His skepticism toward "big push" industrialization was grounded in the observation that without governance capable of resisting capture and enforcing performance, state-led investment could reproduce inefficiency or corruption.

The region's experience since the Asian Financial Crisis underscores this point. Efforts to attract FDI have delivered technology, jobs, and export diversification, but without robust institutions, they have also created dependency on volatile external markets, tolerated exploitative labor arrangements, and at times heightened exposure to geopolitical pressures. The U.S.–China decoupling and resulting supply chain reconfigurations—while opening new opportunities for ASEAN manufacturing—have also increased vulnerability to geopolitical shocks and market concentration risks.

Similarly, the embrace of digitalization and e-commerce has expanded opportunities for SMEs and informal entrepreneurs, but also introduced platform monopolies, algorithmic dependency, and precarious gig labor. In environmental policy, Vietnam's rapid rise as a solar panel exporter is exemplary, but the lack of parallel investment in grid infrastructure and resource governance risks undercutting long-term sustainability. These are the kinds of unintended dynamics Myrdal urged policymakers to anticipate and address.

**Extending Myrdal's Framework to 21st-Century Challenges**

The 21st-century context demands extending Myrdal's framework in several key directions. First is the integration of environmental sustainability into the core of development planning—a dimension largely absent from *Asian Drama*. Climate change, biodiversity loss, and resource depletion are now central constraints on growth, requiring institutional capacity for environmental governance akin to that once reserved for economic policy.

Second is the explicit incorporation of technological change and digital governance. Digital disruption shapes everything from labor markets to trade rules, and without proactive regulation, it can amplify the very inequalities Myrdal identified. Building digital skills, ensuring equitable access to infrastructure, and regulating AI and platform economies are now central development priorities.

Third is the recognition of heightened interdependence in a fragmented global economy. Regional coordination—through ASEAN—is not simply desirable but essential in managing trade disruptions, supply chain diversification, migration governance, and cross-border environmental risks such as those facing the Mekong Delta. Myrdal's call

for regional cooperation remains salient, but the scope must now extend beyond economic harmonization to encompass climate resilience, digital integration, and social protection systems.

**Conclusion: Myrdal's Enduring Relevance**

Myrdal's enduring relevance lies in his insistence that development is fundamentally a question of *how* societies are organized—how power is distributed, how institutions function, and how inclusive growth is in both design and outcome. Southeast Asia's post-1997 growth story shows that dynamic markets and integration into the world economy can deliver rapid transformation, but without institutional strengthening, rising inequalities, environmental degradation, and governance gaps remain recurring obstacles.

The paradox of the region's success is that it has both validated and challenged Myrdal's analysis: validated in the persistence of structural inequality and institutional inertia, challenged in the capacity of some states to achieve transformational growth against his more pessimistic predictions. Yet as new disruptions—from technological change to climate instability—reshape the development landscape, the need to combine economic dynamism with institutional robustness is more acute than ever.

For Southeast Asia, the way forward will require embracing a development model that internalizes Myrdal's central warnings: growth without equity is fragile, institutions matter as much as markets, and unintended consequences are inevitable without anticipatory, adaptive governance. In short, Myrdal's work remains a vital guide—not as a fixed blueprint, but as a living framework for navigating the region's complex path toward inclusive, sustainable, and resilient development.

### 6.2. Call for Interdisciplinary Frameworks Blending Political Economy, Ecology, and Digital Governance

Southeast Asia's development story is increasingly shaped by complexities that defy narrow disciplinary boundaries. The rise of fragmented globalization, the intensification of environmental crises, and the disruptive advent of digital technologies have generated challenges and opportunities that traditional frameworks—focused exclusively on economics, politics, or environmental science—struggle to address in

isolation. As Myrdal's institutional critique endures, the imperative now is to construct interdisciplinary approaches that fuse the insights of *political economy*, *ecology*, and *digital governance* to guide the region through its next era of transformation.

**Why Interdisciplinary Frameworks Are Needed**

Single-discipline models of development have repeatedly proven insufficient for capturing the tangled realities of Southeast Asia. Economic strategies based solely on market mechanisms or state planning often neglect the social and ecological costs that arise from rapid industrialization or aggressive export expansion. Conversely, environmental approaches focused only on biodiversity or climate risks may fail to address the underlying structures of power and resource distribution that drive unsustainable practices. Emerging digital governance, meanwhile, shapes and is shaped by both economic and environmental contexts—algorithms influence access to markets and information, while also driving demand for energy and raw materials.

As the region faces:

- Accelerating climate disruption (e.g. Mekong Delta resource conflicts and migration),
- Persistent structural inequality (labor market precarity, wage gaps, marginalization of rural and indigenous communities),
- The uneven impacts of digital transformation (fragmented AI readiness, e-commerce-driven informality),

…a siloed response risks not only inefficacy but the reproduction of precisely the unintended consequences Myrdal warned against. Cross-sectoral integration—bringing together economic logic, ecological constraint, and digital governance—is essential for sustainable, inclusive progress.

**Core Elements of an Interdisciplinary Framework**

1. Political Economy

This dimension anchors an understanding of how power, institutions, and market forces shape resource allocation, policy choices, and social outcomes. It asks not only

who benefits from growth, but how rules, regulations, and social structures facilitate or hinder equitable development. Integrating political economy—through analysis of labor regimes, supply chain governance, regulatory reform, and social safety nets—ensures that interventions are rooted in local realities, responsive to elite capture, and adaptive amidst shifting global alignments.

2. Ecology and Environmental Systems

Interdisciplinary work must foreground ecological systems—not as externalities, but as coequal with social and economic objectives. Sustainable development planning requires integrating climate resilience, resource conservation, and biodiversity into every stage of policy and practice. Tools like ecosystem services valuation, climate risk modeling, and participatory environmental governance enable policymaking that recognizes nature as both asset and constraint. Aligning industrial and agricultural policy with sustainability goals—such as green supply chains, renewables, and disaster adaptation—transforms environmental imperatives from constraints to sources of innovation and renewal.

3. Digital Governance

The digital revolution is reordering economic, social, and political landscapes in Southeast Asia. Digital governance—encompassing platform regulation, AI strategy, data protection, and cyber-infrastructure—must be woven into both economic and ecological domains. Ensuring that digital transformation broadens rather than narrows opportunity demands sound institutions for managing digital inclusion, platform competition, and the ethical use of AI. Moreover, digital tools can enable new forms of environmental monitoring, participatory decision-making, and cross-border coordination, reinforcing adaptability and transparency in governance.

**Practical Pathways Toward Integration**

- Policy Collaboration: Multistakeholder platforms (involving governments, private sector, NGOs, and local communities) should design and implement policies that jointly target economic, social, and ecological goals. For example, supply chain modernization programs should include labor rights enforcement, carbon reporting, and digital infrastructure upgrades simultaneously.

- Research Methodologies: Universities and think tanks can drive interdisciplinary innovation through transdisciplinary research, bringing together economists, ecologists, technologists, and social scientists to model feedback loops, scenario plan, and pilot adaptive interventions. Mixed-method approaches blending quantitative analysis, fieldwork, and digital data mining allow for deeper understanding of regional dynamics.
- Education and Capacity Building: Curricula at all levels should reflect the interconnectedness of development challenges. Professional training for policymakers, business leaders, and civil society should emphasize cross-disciplinary skills—systems thinking, data literacy, political analysis, and ecological awareness—equipping actors to respond holistically.
- Regional Coordination via ASEAN: ASEAN is uniquely positioned to pilot interdisciplinary frameworks at scale. Through mechanisms such as the ASEAN Economic Community, the Mekong River Commission, and new digital economy agreements, it can foster integrated policies that address supply chain resilience, social protection, green transition, and digital harmonization in tandem.

**The Benefits of Interdisciplinary Approaches**

Such blending enables governments and societies to:

- Anticipate and mitigate unintended consequences (as Myrdal prescribed) before they undermine progress.
- Balance growth and equity, recognizing that economic dynamism must be coupled with robust institutions and sustainable resource stewardship.
- Respond to emergent threats—climate migration, digital divides, and supply chain volatility—with adaptive, inclusive strategies rather than reactive or piecemeal fixes.
- Foster innovation, leveraging cross-sectoral synergies for new technologies, business models, and governance reforms.
- Enhance resilience, ensuring that shocks originating in the ecological or digital spheres do not cascade unchecked into economic or social crises.

**Moving Forward: A Framework for Southeast Asia's Future**

The road ahead for Southeast Asia will demand governance arrangements and policy mindsets grounded in the recognition that *everything is connected*: labor markets with environmental sustainability; economic competitiveness with digital and data security; migration and demographic shifts with climate adaptation and food security. Only an interdisciplinary approach—one that continually redraws boundaries between economic, ecological, and technological domains—can rise to the complexity Myrdal so clearly diagnosed.

In conclusion, Southeast Asia's most urgent development imperative may not be to choose between markets and states, growth and equity, or technology and nature, but to construct systems and institutions able to navigate—and harmonize—their inevitable interplay. The region must craft new paradigms of political economy, environmental stewardship, and digital governance that operate not in parallel, but as part of a dynamic whole. This, more than any single technical solution, is the lesson Myrdal's enduring legacy compels us to embrace for a resilient and inclusive future.

# Appendices

## Appendix A: Comparative GDP Growth (1997–2025)

This appendix provides an illustrative table of annual GDP growth rates (%) for three major Southeast Asian economies—Indonesia, Vietnam, and Thailand—from the aftermath of the 1997 Asian Financial Crisis to projected and recent figures for 2025. The data reflects both periods of crisis and strong recovery, capturing the region's resilience and transformation.

**Comparative Annual GDP Growth (%) by Key Years**

| Country | 1997 | 2000 | 2010 | 2015 | 2020 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| Indonesia | -13.6 | 4.3 | 6.2 | 4.8 | -2.1 | 5.0 | 5.1 | 5.0 |
| Vietnam | 6.0 | 6.8 | 6.4 | 6.7 | 2.9 | 7.1 | 6.1 | 6.5 |
| Thailand | -12.5 | 4.5 | 7.8 | 3.2 | -6.1 | 1.9 | 2.3 | 3.0 |

Key Trends and Notes

- Indonesia: Suffered a sharp contraction in 1997 due to the Asian Financial Crisis, followed by a rapid recovery and stable growth exceeding 5% in most post-2000 years. The COVID-19 pandemic led to a brief downturn in 2020, with strong recovery momentum evident from 2021 onwards (Indonesia-Investments, 2025; Global Economy, 2025a; World Bank, 2025a).
- Vietnam: Maintained robust growth throughout this period, largely insulated from regional crises, emphasizing its export-oriented reform and market liberalization. It posted impressive recoveries and continued to outperform regional peers during global shocks (Inoriza, 2025; Wikipedia, 2025c; World Economics, 2025a; Kelmer, 2025).
- Thailand: Experienced severe economic contraction in 1997 and 2020 (Asian Financial Crisis and COVID-19, respectively), with consistently moderate growth in later years. Recent projections indicate a resilient, though slow-paced, recovery through 2025 (Global Economy, 2025b; World Economics,

2025b; Wikipedia, 2025d; World Bank, 2025b).

This comparative overview demonstrates how each country has navigated recurrent global and regional shocks, with Vietnam showing strong catch-up growth, Indonesia achieving sustained improvements post-crisis, and Thailand weathering volatility but trending towards stabilization.

Sources: Data compiled from World Bank, IMF, official national statistics, and recent economic projections (Wikipedia, 2025c; Global Economy, 2025a; World Economics, 2025b; World Bank, 2025a; World Economics, 2025a; Wikipedia, 2025d; Kelmer, 2025).

**Appendix B: Supply Chain Maps (2000 vs. 2025)**

This appendix presents a comparative narrative mapping of Southeast Asia's supply chain evolution from 2000 to 2025, highlighting structural changes, regional integration, and the shifting role of key economies and industries. Where possible, the discussion outlines sectoral flows, country hubs, and the geographic dispersal of value-added segments within the region's global and regional value chains (GVCs and RVCs).

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**Supply Chain Structure in 2000**

Key Features:

- Dominant Sectors: Textiles and apparel, basic electronics components, natural resource processing (e.g., palm oil, rubber, rice), automotive assembly.
- Production Geography: Core manufacturing activities were heavily concentrated in Thailand (automotive), Malaysia (electronics/semiconductors, rubber goods), and Indonesia (resource processing, low value-add manufacturing). Vietnam and Cambodia were emerging as apparel assembly points, mainly reliant on imported yarn and fabric.
- Chain Configuration:
    - Electronics: Design and high-tech production primarily in Japan, Korea, and Taiwan. Malaysia functioned as a key hub for chip packaging and testing; Thailand specialized in consumer electronics assembly.

Finished products were exported mostly to the U.S., EU, and Japan.

    - Textiles & Apparel: ASEAN countries imported most upstream inputs (fibers, fabrics) from China, South Korea, and Taiwan; cutting and sewing occurred in Vietnam, Cambodia, and Indonesia. Exports targeted Western markets via intermediary traders in Hong Kong and Singapore.
    - Automotive: Final vehicle assembly in Thailand and Indonesia, but with imported parts from Japan. Intra-ASEAN parts trade limited; little regional integration in design or R&D.
- Regionalization: Supply chains mainly linked to extra-regional GVCs (Asia–North America/EU). Intraregional production sharing, labor mobility, and harmonized standards were limited.

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**Supply Chain Structure in 2025**

Key Features:

- Dominant Sectors: Electronics (including semiconductors, smartphones, and EV batteries), green energy technology (solar panels, wind components), apparel and footwear, and advanced automotive (esp. electric vehicles).
- Production Geography:
    - Vietnam is now a major electronics and solar panel exporter, surpassing Malaysia in assembly and module production.
    - Thailand retains leadership in automotive, intensifying its EV focus and integrating regional suppliers.
    - Malaysia specializes in semiconductors and high-value electronics, driven by large FDI inflows and technology transfer.
    - Indonesia remains crucial for resource extraction (palm oil, nickel for EVs), and is increasingly tied into upstream battery supply chains.
    - Cambodia and Myanmar continue to serve as cost-competitive

assembly hubs for apparel, albeit under competitive and regulatory pressures.

- Chain Configuration:
    - Electronics: A dense network of cross-border parts and component flows within ASEAN—Vietnam, Malaysia, Thailand, and the Philippines exchange chips, sensors, displays, and sub-assemblies. Regional firms increasingly supply not just China but also India and the EU; U.S. and Japanese companies pursue “China+1” sourcing within the region.
    - Automotive (EV): Multinational producers operate “multi-hub” assembly: battery raw materials from Indonesia and the Philippines, cell/module production in Malaysia and Thailand, vehicle assembly and finishing in Thailand and Vietnam. Supply chain decoupling from China is only partial—Chinese firms have built or acquired facilities across ASEAN to hedge tariffs and diversify risk.
    - Green Supply Chains: Vietnam has become an anchor for global solar panel production, exporting to the EU and U.S. in the wake of carbon tariffs and Chinese overcapacity. Regulatory compliance, carbon tracking, and digital logistics systems link supply chain nodes more tightly than ever.
    - Textiles & Apparel: More intra-ASEAN fiber and fabric production, but value remains largely in upstream exporters (China, Korea). Final garment assembly and quality control increasingly adopt digital tracking and sustainable certification.
- Regionalization: Highly regionalized supply chains—ASEAN countries trade more inputs and intermediate goods with each other, facilitated by RCEP, ACFTA, and Digital Economy agreements. Cross-border investment in logistics, ports, and digital infrastructure supports integration; regional standards (e.g., for carbon, labor, and e-commerce) are progressively harmonized.

**Comparative Map Descriptions**

| Year | Supply Chain Structure | Major Hubs & Flows | Value Added Segments | Integration Level |
|---|---|---|---|---|
| 2000 | Resource & low value-added manufacturing; basic electronics and apparel | Malaysia (semis), Thailand (autos), Vietnam/Cambodia (garments), Indonesia (resources) | Upstream value in E. Asia; ASEAN mainly assembly/export | Limited intrare-gional trade; GVC-driven inte-gration |
| 2025 | Advanced manu-facturing, digital-enabled logistics, green technology, EVs; dense RVCs | Vietnam (electronics/solar), Malaysia (semis/AI), Thai-land (autos/EVs), Indonesia (resources/batteries), Cambodia (apparel) | More value cap-ture in ASEAN (assembly, mid-tech, green), though high value remains external | High intraregional flows; digital & regulatory inte-gration; sectoral clusters & multi-hub strategies |

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**Key Trends from 2000 to 2025**

- Shift from low- to mid/high-value activities: ASEAN increasingly participates in value-added segments (e.g., EVs, AI chips, green tech), though design and core IP often remain external.
- Rise of regional supply chains: Input and component trade among ASEAN members has become substantial, reducing exposure to single-country de-pendencies and aligning with “China+1” and “multi-hub” strategies.
- Green and digital transformation: New regulatory and market drivers (carbon tariffs, digital standards) reconfigure supply chains—Vietnam’s solar panel in-dustry and regional carbon accounting signal a new phase.
- Institutional and governance upgrades: ASEAN-wide initiatives now coordinate logistics, customs, skills, and sustainability practices, increasing overall supply

chain resilience and responsiveness to shocks.

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Note:

While visual maps cannot be rendered directly here, the above matrix and narrative synthesis reflect consensus findings from official ASEAN statistics, World Bank/IMF databases, and sectoral supply chain analyses. These depictions serve as textual "maps" of structure, linkages, and flows across the region for 2000 versus 2025.

**Appendix C: Case Study Data on Palm Oil Wages in Indonesia**

This appendix presents a detailed overview of wage conditions for workers in Indonesia's palm oil sector, drawing on recent research, statistical surveys, and labor reports. The table below synthesizes key indicators for both permanent and casual workers, highlighting wage levels, gender disparities, employment contract issues, and prevalent labor rights violations.

**Comparative Palm Oil Wage Data (2023–2025)**

| **Aspect** | **Details** | **Source** |
|---|---|---|
| Average Monthly Wage (Agricultural Workers, 2024) | 2.4 million Indonesian rupiah (approx. $146 USD) | Statista (2025) |
| Typical Monthly Income of Permanent Palm Oil Workers | ~ Rp 3,366,667 per month (approx. $206 USD), plus allowances | Afwan *et al*. (2023) |
| Daily Wage of Casual Palm Oil Workers | Approx. Rp 116,000 per day (approx. $7 USD) | Afwan *et al*. (2023) |
| Living Wage vs. Minimum Wage Issues | Wages and minimum wages often fall below Living Wage standards (labour groups and RSPO reports) | BASF *et al*. (2025); RSPO (2023) |
| Percentage of Workers Paid | Over 50% of workers reportedly paid below the | BASF *et al*. |

| Aspect | Details | Source |
|---|---|---|
| Below Minimum Wage | legal minimum wage | (2025) |
| Gender-based Wage Disparities | Female workers earn less than male workers, especially in spraying roles (fertilizer/pesticide) | BASF *et al*. (2025) |
| Formal Employment Contracts | Fewer than 50% of workers have formal employment contracts | BASF *et al*. (2025); Earthworm (2025) |
| Labor Rights Violations | Wage theft, lack of overtime pay, deductions for sick days | Jong (2020) |
| Forced Labor Indicators | Coercion, debt bondage, involuntary overtime found in many cases | Fair Labor Association (2018) |
| Work Conditions | Exposure to hazardous chemicals, long hours, unsafe environments | Jong (2020) |

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Notable Patterns and Challenges

- Low Wage Levels: Average monthly wages for permanent plantation workers (Rp 3,366,667, or ~$206 USD) are modest but often supplemented by minor allowances. Casual laborers typically earn around Rp 116,000/day (~$7 USD), with irregular work patterns resulting in unstable income (Afwan *et al*., 2023; Statista, 2025).
- Living Wage Gap: More than half of the workforce is paid below the statutory minimum wage, and almost all wages fall beneath benchmarks for a local living wage. This gap persists despite record exports and foreign exchange contributions from the sector (BASF *et al*., 2025; RSPO, 2023).
- Contractual Insecurity: Fewer than half of palm oil workers have formal

employment contracts, leaving them vulnerable to arbitrary wage deductions, wage theft, lack of paid leave, and restricted access to social protections (Earthworm, 2025; BASF *et al*., 2025).

- Gender Disparity and Informality: Female workers, especially those engaged in spraying pesticides or fertilizers, consistently earn less than their male counterparts. Labor informality and gender discrimination remain systemic issues across plantations (BASF *et al*., 2025).
- Labor Rights and Forced Labor: Indicators of forced labor, such as involuntary overtime, debt bondage, and recruitment through labor brokers, are frequently reported. Physical risk (hazardous chemical exposure, lack of protective equipment) elevates health and safety concerns, and wage theft is widespread (Fair Labor Association, 2022; Jong, 2020).
- Child and Family Labor: Some studies document the indirect involvement of family members, including children, in meeting harvesting quotas to supplement low incomes (Jong, 2020; Tereposky, 2020).
- Recent Efforts: In response to persistent violations, associations like GAPKI and civil society organizations have launched guidelines to improve labor contracts, increase transparency, and align practices with labor law reforms—though implementation of reforms lags in many regions (Earthworm, 2025).

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**Summary Table**

| **Type of Worker** | **Typical Wage (2023/24)** | **Contract Coverage** | **Additional Notes** |
|---|---|---|---|
| Permanent Plantation | Rp 3,366,667/mo (~$206) | <50% | Allowances: ~Rp 70,000/mo (~$4), annual: ~Rp 6.7mil |
| Casual Laborer | Rp 116,000/day (~$7) | <50% | No allowances; 188 avg. working days/year |

| Type of Worker | Typical Wage (2023/24) | Contract Coverage | Additional Notes |
|---|---|---|---|
| Sector Average | 2.4 million IDR/month | <50% | Average for agricultural workers (Statista, 2024) |

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This case study underscores the complexity and fragility of wage and labor rights systems in Indonesia's palm oil sector. Effective policy interventions must address contract formalization, wage standards, gender equity, and enforcement of labor protections to ensure that economic growth leads to genuine improvement in worker welfare.

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