Does Smart Power of ASEAN Cooperation Influence Firm Value? Evidence from Geopolitical Perspective

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Abstract: This study examines the influence of the ASEAN cooperation on firm value. As far as the cooperation of the Association of Southeast Asian Nations (ASEAN) is concerned, one aspect of geopolitical mechanisms is ASEAN's smart power which combines hard and soft power. This smart power is considered an important mechanism for corporate strategies. Any changes in geopolitical decision between the ASEAN members will affect firm value especially firms segmented in the ASEAN countries. From a geopolitical perspective and by using data from public listed firms in Malaysia that were actively traded in ASEAN countries from 2009 to 2013, the study examined the influence of hard power indicated by military power, and soft power which refers to material resources and social power in terms of the relationship of political elites. The study found that the soft power of the ASEAN cooperation is positively associated with firm value. In contrast, the social power of political elites is negatively related to firm value, while the hard power fails to show any influence. Overall, the evidence suggests that corporate strategies should consider the benefit of ASEAN's material resources and the risk of forging relationships with political elites when designing market penetration strategies.

Keywords: Geopolitics; Firm Value; ASEAN Cooperation; Political Economy

JEL Classification: F23

1. Introduction

Southeast Asia has long been recognized as an important region in the world's politics. The diversity of culture, language, and landscape throughout the region coupled with its wealthy natural resources make Southeast Asia significant to the economic prosperity of major economic powers (such as the United States of America).

More recently, the US has shown interest in the Trans-Pacific Partnership (TPP)

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negotiation (Straits Times, 2014). The success of TPP will represent 40 percent of world GDP and one-third of total world trade. It is seen as a core political interest of the US to tap into Southeast Asian growth and enjoy the prosperity of the Asian market. As the world's second largest economy, China has also offered huge investment and trade opportunities to Southeast Asia countries. Besides the clashing interest between the US and China in the Southeast Asia region, the new model of Sino-Japan is another critical path to the Southeast Asia architecture (Straits Times, 2014). Both China and Japan have their own hierarchical worldviews, in that China provides market opportunities and Japan provides investment opportunities.

Given the major powers' political games, it is crucial for the unity of ASEAN (Association of Southeast Asian Nation) to strengthen the region as a new major power across the globe (Rajaratnam, 1992). Starting with the Bangkok Declaration in 1967, the establishment of ASEAN, and followed by Malaysia's first call for 'neutralization of Southeast Asia' as an initiate Zone of Peace, Freedom and Neutrality (ZOPFAN), formalized in the 1971 Kuala Lumpur Declaration, ASEAN remains a key multilateral mechanism to promote regional cooperation in Southeast Asia.

As a founding member of ASEAN, Malaysia has enjoyed substantial trade and investment flows. Based on an investment study in 2013, Malaysian companies had emerged as ASEAN leaders in several key sectors such as plantations, finance, and oil and gas (Yan, 2013). Malaysia's largest multinational companies have also provided unique investment opportunities for global investors to take advantage of ASEAN's growth. Any political decisions among ASEAN member countries and Asian major powers are important considerations at advancing national strategic interests. Many scholars in this area suggest that besides economic uncertainty, geopolitical uncertainty is a new important element to be taken into account in corporate decision making (e.g. Behrendt & Khanna, 2003; Reynaud & Vauday, 2009; Teixeira & Dias, 2013). To provide a fundamental understanding on geopolitical influence on businesses in Southeast Asia, we raised two research questions. Does the ASEAN cooperation influence firm value of public listed firms in Malaysia? Which geopolitical components are significantly related to firm value?

To answer the above questions, we have chosen Malaysia as our study setting as it is an active ASEAN member. Moreover, the distinctiveness of the Malaysian market, which is relationship-based as opposed to rule-based and the unique political structure with a multi-party system, may offer new interesting insights into the political economy as well as business and finance literature.

The remainder of the paper is organized as follows. In the next section, we review the theoretical background and existing empirical literature as a basis for research

hypothesis development. This is then followed by the elaboration of data and research method. Finally, we discuss the results and conclude the paper.

2. Geopolitics and Business in Malaysia

Geopolitics is a multidisciplinary approach that studies the geographical, political, historical, strategic, and economic state in terms of boundaries and international structures (Flint, 2006). A Swedish political scientist Rudolf Kjellén (1864–1922) defines geopolitics as the 'geographical organism or phenomenon of space' and relates the power of state territories as a subject of studies. Post World War II, with the emergence of a world-economic system, modern geopolitics pioneered by Taylor (1994) had introduced hegemonic states as a subject of study. Nowadays, when market competition becomes more complex, most geopolitical intellectuals discuss issues related to hegemonic power of multilateral institutions and its impact on regional economics, finance, and business (Cohen, 2008).

In order to understand the hegemonic power of ASEAN, we first relate the geopolitical phenomena with world system theory proposed by sociologist Immanuel Wallerstein in the 1970s. The theory suggests that the world is divided into core, semi-periphery, and periphery countries (Chirot & Hall, 1982). Core countries are dominant capitalist countries that have strong and independent military power, high technology of skill, and are capital intensive. The United States and Japan are examples of core countries. Periphery countries are commonly referred to as third-world countries and have less developed industries. They are low-skilled, highly labor-intensive, and dependent on core countries for capital aids. Within the ASEAN region, Cambodia is an example of a periphery country.

Semi periphery countries fall into the middle of the economic spectrum. They play a major role in mediating economic, political, and social activities that link core and peripheral areas. They are generally industrialized countries and allow for possibility of innovative technology and reformed social and organizational structure, which as a result, may lead the semi periphery countries to become core nations. Some ASEAN countries that fall into this category are Singapore, Indonesia, and Malaysia (Babones & Alvarez-Rivadulla, 2007).

To achieve the highest level in the world system hierarchy, Malaysia upholds its commitment to ASEAN cooperation. In today's globalization and as a small state, it is difficult for Malaysia to compete with giant countries in the global marketplace. Thus, the unity of ASEAN is the best opportunity for Malaysia to secure hegemonic power. As a multilateral institution, ASEAN members will adjust their own bargaining positions and invest some of their power resources for the development of ASEAN. This organization will then contribute to the smooth functioning of the global market system (Eichengreen, 1989); and at the same time,

provides benefits to foreign companies that invest in any one of the member countries.

While involving directly in the ASEAN market, we suggest that corporate strategies should calculate the capabilities of ASEAN's smart powers and how the power may affect firm value. Smart power is a geopolitical mechanism that combines hard and soft power of states or institutions (Wilson, 2008). Hard power refers to traditional power strategies that focus on military intervention, coercive diplomacy, and economic sanctions to enforce national interests; while soft power describes the intangible ways of obtaining hegemonic power (Nye 1990). Nye defined soft power as the capability in persuading, attracting, and appointing people to do what they do not want to do and these strategies are usually associated with natural resources, cultural attraction, ideology, and bilateral relations. Understanding the smart power of ASEAN is considered an important geopolitical mechanism for corporate strategies because it can provide a basic understanding of how ASEAN has navigated its geopolitical uncertainty. Any changes in political decisions between ASEAN members are expected to affect the value of firms especially those segmented throughout ASEAN countries. From the geopolitical perspective, the influence is examined in the context of Malaysian public listed firms.

3. Theory and Hypothesis Development

This study applied hegemonic stability theory initiated by Charles Kindleberger, an economic historian, as a basic theory for hypothesis development. Hegemonic stability theory explains the origin of conflicts and ways to minimize conflicts that may occur between countries or a single dominant power when pursuing a hegemonic position within the world's economic system (Snidal, 1985; Webb & Krasner,1989). The highest priority for a hegemonic country is the maximization of its economic gains.

To achieve this objective, most countries will foster ties with their major competitors and develop multilateral institutions. Through this institutional cooperation, countries have the opportunity to rule both economic and military power (Schubert, 2003). Businesses will gain benefit from this alliance. For example, they can minimize transaction costs, reduce policy uncertainty, and build consistent expectations for economic interactions. Hegemonic stability, however, is not easy to sustain because of the conflict of autonomy interest between institutional members, which may negatively impact business performance (Salehi, Ranjbari et al., 2014). Based on this underlying theory, we hypothesize the following:

H_1 ASEAN geopolitics does affect the value of public listed firms in Malaysia.

4. Method

This study used content analysis as the mode of data collection. We gathered financial information from the annual reports of active public listed firms in Bursa Malaysia from 2009 to 2013. We also used data from the World Development Indicators database, image data from multimedia photo gallery, and access from the Prime Minister's Office links within 2009 – 2013 to measure the smart power of the ASEAN cooperation.

4.1. Data sampling

We began the sampling procedure by excluding companies from the financial, banking, insurance, trust, closed-end funds, and securities sectors since these companies are subjected to different regulations compared with those of other industries. The data from mining, hotels, and IPC industries were also excluded because these companies are not fairly distributed across industries. The procedure ended up with 82 companies or 410-year observations over the period of 5 years.

4.2. Measurement of dependence variables

This study used Q ratio as a proxy for firm value following the method of Chung and Pruitt (1994) as follows:

$$Q_{it} = \frac{\sum MVE_{it} + PS_{it} + DEBT_{it}}{TA_{it}} \quad (1)$$

Where;

MVE_{it} = the market value of equity computed as price per share multiplied by the number of common shares outstanding.

PS_{it} = the liquidating value of preferred stock.

$DEBT_{it}$ = the value of short-term liabilities net of short-term assets plus the book value of long-term debt.

TA_{it} = the book value of total assets.

If the value of Q is greater than 1, it indicates that the firm has a market value that is greater than total assets. This means that the higher the value of Q, the higher the firm value.

4.3. Measurement of independent variables – The smart power ASEAN cooperation

To measure the smart power of the ASEAN cooperation, we based on the definition used by most scholars in this area such as Taylor (1994), Cohen (2003), Salehi, Ranjbari et al. (2014), in that smart power comprises hard and soft power. We use military power as a proxy for hard power strategies and both material resources and social power as proxies for soft power strategies.

4.3.1. Military power

Military power is a traditional geopolitical power. According to Venier (2004), any state that has a dominant maritime power exerts a significant political influence globally. Following past studies (see; Venier, 2004; Virmani, 2006; Reynaud & Vauday, 2009 and Armijo, Mühlich et al., 2014), this study used a number of military personnel and military expenditures as proxies to military power possessed by ASEAN. Data were obtained from the WDI for 2009-2013 and based on the weighted average basis by countries listed under the members of ASEAN.

4.3.2. Material resources

We followed Nye's (1990) soft power approach to explain the power of material resources of ASEAN and to define five sub dimensions of material resources as shown in Table 1. This table provides details of the proxies for material resources of the ASEAN cooperation based on the geopolitical capabilities index. These proxies are the most acceptable mechanisms among geopolitical scholars such as Armijo et al. (2014), Teixeira and Dias (2013), and Reynaud and Vauday (2009).

Table 1. Material resources of ASEAN cooperation

The sub dimensions of material resources (MR)	Indicator	Index	Article / source
1. Natural resources (NR)	Energy use	Comprehensive National Power Index (CNP)	
	Total natural resources rents	(CCI), (CINC), (CNP)	
	Nuclear energy	Nuclear Non Proliferation Treaty Index (NPT)	Nuclear Energetic Agency
2. Population Size (P)	Population Density Urban population	(CCI), (CINC), (CNP)	
3. Science and Technology	Research and development	(CNP)	

Capability (T) expenditure

Material resources are calculated as follows:

$$MR_{it} = NR_{it} + P_{it} + T_{it} \quad (2)$$

4.3.3. Social Power

Based on Flint (2006), social power is state power over social relations, social groups, social safety, ideology, and cultural. We limit our study to social relationship among political elites as a proxy for social power and to measure the uniqueness of the business culture in Malaysia, which is relationship-based between politicians and businesses. Political elite is measured as bilateral activities between the present Malaysian Prime Minister, Dato 'Sri Najib Bin Tun Haji Abdul Razak and the heads of all ASEAN countries.

We obtained the data from reports of the Prime Minister of Malaysia, which can be accessed via multimedia photo gallery of the Prime Minister's Office. We characterized the Prime Minister's bilateral activities into four different agendas:

i. A personal visit to the heads of state of all ASEAN countries to Malaysia.
ii. A personal visit of the Malaysian Prime Minister to ASEAN countries.
iii. Conferences or seminars in Malaysia attended by the heads of state of all ASEAN members.
iv. Conferences or seminars conducted in other ASEAN countries attended by the Prime Minister of Malaysia.

The value one (1) is allocated if the above criteria are matched, and zero (0) otherwise.

In order to analyze the influence of the ASEAN cooperation on firm value, we matched the country's geopolitical score with firm segmentation scores. We assumed that, holding firms that have their segmentation in ASEAN countries will be more affected compared to firms that that have no segmentation in ASEAN countries. A dummy variable of one (1) is used if a firm locates its segment in ASEAN countries, and 0 if otherwise. Thus, the formula for ASEAN smart power is:

$$Gp_{it} = \frac{\sum (d_{it} * sp_{it})}{C_{it}} \quad (3)$$

Where;

Gp_{it} is the potential of ASEAN smart power to impact firm i in year t. sp_{it} is the smart power score, d_{it}, is the segmentation score, and C_{it} is the total number of ASEAN members.

4.3.4. Control variables

To control firm characteristics, we followed several variables which were widely used in earlier studies (e.g. Berger & Ofek, 1995; Brick & Chidambaran, 2010). The control variables are:

$$f\ (\text{CONTROL}) = \beta_0 + \beta_1 \text{TOA} + \beta_2\ \text{ROA} + \beta_3 \text{LOA} + \varepsilon \quad (4)$$

Where;

Firm size (TOA) = logarithm of total assets

Profitability (ROA) = EBIT/total assets

Leverage (LOA) = total debt/total assets

4.4. Data Analysis

Descriptive and regression analyses were performed on the data. The equation for the regression analysis is:

$$Q_{it} = MP_{it} + MR_{it} + SP_{it} + \varepsilon \quad (5)$$

Where;

Q_{it} = Firm value

MP_{it} = Military power

MR_{it} = Material resources

SP_{it} = Social power

ε = Error term

5. Results

5.1. Descriptive analysis

The descriptive statistics of the smart power of the ASEAN cooperation and firm value are shown in Table 2. Q ratio has a negative mean score of 0.085. The mean scores of military power, material resources, and social power are positive at 0.513, 0.428, and 15.400, respectively. The sub dimension of science and technology capability of material resources shows the highest score of 0.490; whereas, the sub dimension of a personal visit of the heads of all ASEAN countries to Malaysia under social power shows the highest mean score of 4.600. The descriptive results raises the question of whether the smart power of the ASEAN cooperation has a negative influence on the value of Malaysian public listed firms. This evidence has an interesting implication requiring further regression analysis.

Table 2. Descriptive statistics

Variables	Mean score
Dependence variables:	
Q ratio	-0.085
Independence variables:	
Military power (MP)	0.513
Material resources (MR)	0.428
Natural resources (NR)	0.406
Population size (P)	0.389
Science and technology capability (T)	0.490
Social power (SR)	15.400
A personal visit of the heads all ASEAN countries to Malaysia (PH)	4.600
A personal visit of the Prime Minister of Malaysia to ASEAN countries (PM)	4.000
Conferences or seminars in Malaysia, attended by the heads all ASEAN countries (CH)	2.000
Conferences or seminars conducting in other ASEAN countries, attended by the Prime Minister of Malaysia (CM)	4.200
Control variables:	
Firm size (TOA)	8.861
Profitability (ROA)	0.010
Leverage (LOA)	0.529

5.2. Regression Analysis

This section shows how the smart power of the ASEAN cooperation affects firm value. Q ratio was used as a proxy for firm value. We developed a panel regression model and the statistics were adjusted for heteroskedasticity analysis. The analysis began with pooled OLS regression and fixed-effects model. We conducted a poolability test to ensure good and reliable estimates of the parameters of the model. The results of the fixed-effects model show that all αi are zero, which means that the OLS estimator is biased and inconsistent. Thus, the null hypothesis is rejected, while the presence of individual effects is accepted. The Hausman test (see Figure 1) was then conducted to verify the presence of correlations between the unobservable heterogeneity and explanatory variables.

	Coefficients (b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
MilitaryPo~r	.2273027	.0238083	.2034944	.3727091
MaterialRe~s	.5681628	-.0770633	.6452261	.1535423
SocialPower	-.0009321	-.0003496	-.0005826	.
toa	-.2489857	-.1378878	-.1110979	.0155948
roa	.0812524	.0649911	.0162613	.
loa	.5312949	.5633141	-.0320192	.0054113

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 44.09
Prob>chi2 = 0.0000
(V_b-V_B is not positive definite)

Figure 1. Hausman test

Based on the results of the Hausman Test shown by Figure 1, the probability is less than 0.05. The null hypothesis is therefore rejected, and the fixed-effects regression model is continued. Figure 2 shows the results of Fixed-Effects (within) Regression Model.

Fixed-effects (within) regression — Number of obs = 410
Group variable: no — Number of groups = 82

R-sq: within = 0.8141 — Obs per group: min = 5
between = 0.1444 — avg = 5.0
overall = 0.2357 — max = 5

F(6,322) = 234.96
corr(u_i, Xb) = -0.7468 — Prob > F = 0.0000

Q	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
MilitaryPower	.2273027	.3888927	0.58	0.559	-.5377887	.9923941
MaterialResou~s	.5681628	.1921523	2.96	0.003	.1901304	.9461953
SocialPower	-.0009321	.000834	-1.12	0.265	-.0025728	.0007086
toa	-.2489857	.0197165	-12.63	0.000	-.2877751	-.2101964
roa	.0812524	.0160622	5.06	0.000	.0496524	.1128524
loa	.5312949	.0259185	20.50	0.000	.4803039	.5822859
_cons	1.493474	.2223812	6.72	0.000	1.055971	1.930978
sigma_u	.26901489					
sigma_e	.06167935					
rho	.95005678	(fraction of variance due to u_i)				

F test that all u_i=0: F(81, 322) = 17.80 — Prob > F = 0.0000

Figure 2. Fixed-effects (within) regression model

The estimated standard deviation of α_i (sigma_u) is 0.269. The value is larger than the standard deviation of ε_{it} (sigma_e) which is 0.062. This finding suggests that the individual-specific component of the error is more important than the idiosyncratic error. The standard error component model assumes that the regression disturbances are homoskedastic.

To ensure the validity of the statistical results, a modified Wald test was conducted for the group-wise heteroskedasticity in the Fixed Effects Model. The serial correlation was also tested using the xtserial command implemented by David Drukker. The results ($p < 0.05$) indicate that the null hypothesis of homoskedasticity is rejected. The probability of serial correlation for our model is F= 0.0000, which indicates that the errors are auto correlated.

For the two problems of heteroskedasticity and serial correlation, the xtscc command implemented by Daniel Hoechle was used to adjust the standard errors of the coefficient estimates for possible dependence in the residuals because the xtscc, fe performs fixed-effects (within) regression with Driscoll and Kraay standard errors. The error structure has been assumed to be heteroskedastic, auto correlated up to some lag, and correlated between groups. Figure 3 shows the results of fixed-effects (within) regression with Driscoll and Kraay standard errors.

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Regression with Driscoll-Kraay standard errors   Number of obs     =       410
Method: Fixed-effects regression                 Number of groups  =        82
Group variable (i): no                           F(  6,     4)     =  12307.12
maximum lag: 2                                   Prob > F          =    0.0000
                                                 within R-squared  =    0.8141
```

Q	Drisc/Kraay Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
MilitaryPower	.2273027	.2417435	0.94	0.400	-.4438849	.8984903
MeterialResou~s	.5681628	.2331074	2.44	0.071	-.079047	1.215373
SocialPower	-.0009321	.0003915	-2.38	0.076	-.002019	.0001548
toa	-.2489857	.0473933	-5.25	0.006	-.3805707	-.1174007
roa	.0812524	.0218992	3.71	0.021	.0204505	.1420542
loa	.5312949	.0354002	15.01	0.000	.4330081	.6295817
_cons	1.493474	.3375496	4.42	0.011	.5562863	2.430662

Figure 3. Fixed- effect (within) regression with Driscoll and Kraay standard errors

Based on the results, we derived an econometric model of the smart power of ASEAN geopolitics and firm value as follows:

$$Q_{it} = 1.493 + 0.568MR_{it} - 0.001SP_{it} – 0.249TOA_{it} + 0.081ROA_{it} + 0.531LOA_{it} \quad (6)$$

The equation model value shows that material resources (MR) displayed positive and low estimated coefficients of 0.568 at significance level of $p < 0.10$. The social power (SR) is negatively correlated with firm value at the significance level of

10% with the coefficient value of 0.001. As a proxy for hard power of ASEAN geopolitics, military power fails to exhibit any significant relationship with firm value. Overall, the results support the hypothesis that ASEAN geopolitics has an influence on firm value, but only its soft power.

5.3. Robustness check

Our main analysis using Q ratio as a measure for firm value shows that the soft power of ASEAN geopolitics influences firm value at low significant results of 10%. To confirm our model, we checked the robustness of our results by using an alternative measure of firm value. We used value added intellectual coefficient ($VAIC^{TM}$) model developed by Pulic (1998), a model commonly used in estimating non-financial value of firms. $VAIC^{TM}$ is the composite sum of three indicators formally termed as follows:

Capital employed efficiency (CEE) – indicator of the value added efficiency of capital employed.

Human capital efficiency (HCE) – indicator of the value added efficiency of human capital.

Structural capital efficiency (SCE) – indicator of the value added efficiency of structural capital.

$VAIC^{TM}$ is calculated by the following equation:

$$VAIC^{TM} = CEE + HCE + SCE \quad (7)$$

Where;

$VAIC^{TM} = ICE + CEE$

ICE = HCE + SCE

HCE = Value added (VA) / Human capital (HC)

SCE = Structural capital (SC) / Value added (VA)

CEE = Value added (VA) / Capital employed (CE)

VA = Operating profit (OP) + Employee cost (EC) + Depreciation (D) + Amortization (A)

HC = Total investment for salary and wages for firm i

SC = VA – HC

CE = book value of the net assets for firm i

Different control variables were used to examine the relationship between the smart power of the ASEAN cooperation and VAIC, thereby ensuring the precision of the results. The control variables used are firm size (logarithm of total assets),

returns on equity (EBIT/total shareholders' equity), leverage (total debt/total assets), dividend yield (cash dividends paid/total shareholder equity), and R&D sensitivity (dummy variables).

The same procedure was used to run the regression analysis. Figure 4 shows that material resources and social power are significantly related to non-financial value of a firm (VAIC) at 1% to 5% significant levels, respectively. The results show similar patterns with the earlier reported results with Q measure for firm value.

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Regression with Driscoll-Kraay standard errors   Number of obs     =       410
Method: Fixed-effects regression                 Number of groups  =        82
Group variable (i): no                           F(  8,     4)     =    366.16
maximum lag: 2                                   Prob > F          =    0.0000
                                                 within R-squared  =    0.1214
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vaic	Drisc/Kraay Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
MilitaryPower	-1.157873	2.177001	-0.53	0.623	-7.202198	4.886451
MaterialResou~s	22.45794	7.284764	3.08	0.037	2.232191	42.68368
SocialPower	-.0459182	.0089937	-5.11	0.007	-.0708887	-.0209476
toa	-.9719057	1.003588	-0.97	0.388	-3.758312	1.814501
roe	1.419098	.3656011	3.88	0.018	.4040261	2.434169
divyield	-5.598025	.7683934	-7.29	0.002	-7.731427	-3.464623
rdsensitivity	-2.440911	.5737105	-4.25	0.013	-4.033787	-.8480353
loa	-5.413783	.3015288	-17.95	0.000	-6.250961	-4.576605
_cons	6.601068	7.148622	0.92	0.408	-13.24669	26.44882

Figure 4. Robustness check - the influence of ASEAN cooperation on VAIC

6. Discussion and Conclusion

The objective of this study is to examine the relationship between ASEAN geopolitics and the value of public listed firms in Malaysia. Our results show that ASEAN geopolitics does to some extent influence the value of public listed firms in Malaysia. However, only the soft power of ASEAN geopolitics, namely material resources and social power exert a significant influence on firm value. The hard power of ASEAN geopolitics on the other hand does not correlate with firm value. Based on these findings, we suggest that corporate strategies should exploit the soft power of the ASEAN cooperation as an important mechanism for corporate decision making. Specifically, they have to utilize the benefits of material resources and be aware of social power risks. We recommend that the Malaysian government reviews bilateral activities of political elites for the benefit of Malaysian public listed companies which are actively traded in ASEAN countries. Finally, we suggest that the government reviews the extent of military power of the ASEAN cooperation in order to benefit the firms. This is because according to

Nossel (2004), soft power or military power per se, is not the best strategy for achieving hegemonic power, but the combination of those powers is the most important strategy in the geopolitical agenda.

This study makes several noteworthy contributions to geopolitics and finance literature. Firstly, it introduces the combination of geopolitics and finance disciplines in one study. This new method should be used widely in future research. Secondly, the empirical findings of this study provide a new understanding of the effects of the ASEAN cooperation on the value of Malaysian public listed firms. Finally, we provide panel data analysis of five years, which is able to analyze the geopolitical condition and firm performance during Dato 'Sri Najib Bin Tun Haji Abdul Razak service as the Prime Minister of Malaysia. However, our study is not without its limits. In this study, we did not measure the direct impact of the ASEAN cooperation on firm segmentation value. Thus, it is recommended this limitation be addressed in any future research.

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