JAPAN'S APPROACH TOWARD ASEAN AMID THE US-CHINA BIPOLARITY

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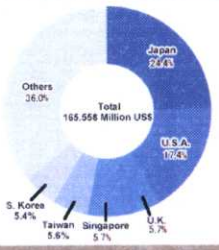
<Approval and apportionment basis>

*Apportionment refers to the value of approved investment projects being apportioned according to the ratio equity interest of the investors from different country of origins.

Source: ASEAN Secretariat

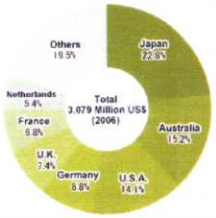


ODA Donors to ASEAN (2006)

Excluding Brunei and Singapore

*Total of bilateral ODA by 22 countries which are members of the Development Assistance Committee (DAC), OECD.

Source: OECD



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China

Asean Security Community in 2015: An elusive quest?

Personal thoughts (Revised)

BA HAMZAH[i]

Introduction

This paper focuses on the security community a.k.a political and security agenda of Asean. No comprehensive analysis of Asean is complete without examining the other two pillars in the Asean community; the economic and social- cultural agenda. They are interrelated and interconnected. While they are ***not*** separate parts of the Asean community make-up, the political-security component is the overarching structure- the glue that binds the other two.

The seed of *a* security community/security regime for Asean was planted ***formally*** in August 1967 at Bangkok, a decade after Karl Deutch published his treatise on political Community and the North Atlantic Area: International Organisation in light of Historical Experience (1957). In essence, Karl Deutch asserts that a pluralistic security community requires a sense of belonging, a common purpose and collective resolve to settle disputes within the community of states by peaceful means.

The Bangkok Declaration is unambiguous with its purpose to promote regional peace and stability. At Bangkok five states agreed "to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity" with non-interference in the internal affairs of member states as the basic premise of regional order. They also agreed that they would conduct relations among themselves by adhering to the principles of the United Nations Charter. Non-use of force as a state policy is one of them. The other is respect for territorial integrity and political independence of member states.

In hindsight, the Asean leaders did not label their regional enterprise as 'security community/regime' as we know today. To their credit, I believe, following the unfortunate incident of *Konfrontasi* between Indonesia and Malaysia, the five Asean leaders seized an opportunity to establish an inter-governmental organisation in 1967 to promote regional cooperation in security, cultural and economic matters. The elites must have realised that without cooperation there would no security or peace in the region. Academics have called this enterprise by different names: security community, security regime and most recently, Kei Koga used a less flattery- term of a Third World security-oriented-institution (SOI). Labels aside, I view the Asean enterprise is a variant of security community, a political community that strives to provide security to its members by agreeing not to use force against each other and to resolve disputes by peaceful means.

Forty-five years is a long period in the lifetime of any organisation. During this period (1967-2012), the Asean countries have been respectful of each other's territorial integrity and political independence. Faced with seemingly intractable crisis, which they could not solve themselves, for example, determining the ownership and sovereignty of disputed territories, four member states sought judgment from the International Court of Justice at the Hague to resolve their disputes.

During its lifetime, Asean has not used force against each other except in two border skirmishes in 2001 between Thailand and Burma and in 2011 between Thailand and Cambodia over the disputed land around the Temple Vihear Preah. To their credit, diplomatic relations between the parties remained intact during the border skirmishes. Worrisome as they were, these incidents were brief, localised, few and far in between.

There is very little evidence to suggest that the Asean leaders read Karl Deutch and were aware of the intellectual discourse on the utility of a regional security community. The Asean leaders were most likely guided by their own intellect, wisdom and understanding of the complexity of world politics as evident by the references to the work of the United Nations and its principles in the Bangkok Declaration. The UN Charter speaks of the desire to maintain peace and security and to that end "to take effective collective measures" to remove the threats to peace. Members of the UN are required to settle their differences by peaceful means and not to resort to the use of force in international relations.

In theory, that is how the concept of collective security ought to work. In practice, however, in an anarchical international system, states (especially stronger states) would assert their national interests, sometime by force. In some cases, states would cooperate with each other by establishing institutional mechanisms to promote the common goods.

The UN Charter and its experiment of collective security have preceded the Deutchian classical notion of security community by a few decades. One can even go back to 1918 when the League of Nations was formed to prevent war through a system of collective security. Here, I need to put a caveat: **I do not suggest for a moment any similarity between the collective security concept under the UN or LON with the political security community idea under Asean.** Except, to suggest, that all three organisations wish to eliminate the use of force (except in self -defence) and in the case of the former organisations, they both have failed to stop member states from using force as a national policy. This is also the challenge of implementing the security community/security regime concept in Asean.

What the five Asean political masters first put in the Bangkok Declaration (1967) and in 1976 Treaty of Amity at Bali were similar with the earlier experiments of limiting the use of force as the LON and the UN did as a national policy in international relations. A sequence of fundamental agreements/declarations/instruments, beginning with the 1967 Bangkok Declaration, which included the 1971 Zone of Peace, Freedom and Neutrality, the 1976 Treaty of Amity and Co-operation, the 2003 Bali Declaration of Concord 11, and the 2007 Asean Charter Asean have been agreed to in an apparent effort to institutionalise the political

security mechanism. The organisation has also developed a complex system of institutions and procedures to dissuade the members from undermining the common security good by force. This region –wide institutions have, in my view, secured international legitimacy for Asean.

State of Play

So much is for the genesis of the Asean security community process.

The purpose of this short survey is also to put to rest thoughts in certain quarters that the quest for a security community system in Asean is a recent product. The idea certainly did not surface after the 1997 financial crisis; in 1997, the idea of a security community was revisited. Thereafter, it was discussed and debated at various Asean summits and given more structural coherence. Credit for reenergising the idea must go to our colleagues from Indonesia.

Anyone who has studied the *travaux preparatoires* in Asean would know that all along the paramount purpose of Asean has been political. More importantly, the political elites are determined to create norms and rules that would precipitate in the long run into a security community mind-set vide the institutions which they have established in Asean. Some have argued that the top-down approach to security community is inadequate; an endurable security community or regime needs to be supplemented and reinforced by bottom-up approach, which essentially means it has to have the support (or buy-in) of the citizens. Allan Collins, for example, takes the view that that Asean needs to develop "new socialising norms...to include the active involvement of regional civil society organisations in order to bring plurality to Asean decision making" for the people to take the ownership of the "community building process." Others like Johan Savaramuttu have also expressed the same view for which I have no good reasons to disagree.

What is the state of play of the Asean security community enterprise now?

If we adopt a normative approach in our analysis of Asean, there is no doubt that the paramount purpose of Asean as a security community (or a variant of it) has seen some daylight. The fact we are now at peace with each other and more respectful of the sanctity of borders provides further evidence that the Asean experiment in establishing a *political community* has not been a futile exercise.

In 1987, the Group of 14 on Asean Economic Cooperation and Integration concluded that Asean has been successful as a political experiment. The Report notes with pride that "it is a measure of the success of Asean experiment that many have now forgotten that ours was once an area of turmoil, of mutual suspicion, of mutual hostility, of mutual dislike, even of mutual disinterest."

The Group of 14 was candid with its recommendation for greater integration in all sectors: political security, economic and social cultural; it warned that sustaining the political unity

has to be a constant struggle to achieve peace and security in the region. Since 1987, the Asean family has grown to ten states, marking another milestone in its political integration. It is difficult to ignore this achievement. Persuading some enemy states (Rizal Sukma, 2003) like Vietnam (1995), Laos (1997) and Cambodia (1999) to join Asean was not an easy task. Of course, many resisted the membership of Burma in Asean in 1997.

Asean has strengthened its institutions and worked hard to reinvent itself since the Group of 14 Report (1987). After the Asian financial crisis in 1997, Asean launched a number of initiatives to enhance regional security. Various instruments like the Asean Vision 2020 (1998), the Bali Concord 11 (2003), Hanoi Action of Plan and Vientiane Action Programme (2004) and the Asean Charter (2007) were introduced. Institutions like the Asean Regional Forum (1993) with members from the Asia-Pacific Region and the Asean Defence Ministers Meeting (2006) and the ADMMM-Plus (2010) were established to provide a forum to discuss common security problems. The latter two institutions were designed for military officers; hitherto, they have no formal regional platform (beyond bilateral mechanisms) to discuss their common security concerns.

Notwithstanding criticisms from some scholars in all the three areas: political security, economic integration and socio-cultural, Asean has, in my view, succeeded to establish a framework for an endurable security community to take place. If we view the security community as a *process* toward a greater form of political integration that should result in a more pluralistic security system, not necessarily in the classical Deutchschian notion of security community, Asean is today politically, economically and culturally much more integrated. Asean has established a strong identity -building along confidence-building structure towards a nascent, *de facto*, if not *de jure,* security community (Acharya). This to me is a success that Asean political elites can be proud of. Of course, I am aware of those who have criticised Acharya's classification as flawed.

Flawed or not, I believe Asean countries have attained a high level of political and security maturity that is akin to the concept of security community in international relations. To deny this is to ignore the close network of security related mechanisms/institutions within Asean. To suggest that the security maturity or consciousness is due to external forces is to discredit or downplay the Asean Way.

The provocative question remains. Can this nascent, *de facto* security community or security regime, SOI, or a security –state- of- mind among the member states of Asean endure? I am a firm believer in the resilience of Asean. I believe Asean can endure and capable of retaining its political security community programme, if it does not expect too much from its diverse members with different levels of economic and political development. Along the journey, Asean must deal with some of the challenges with pragmatism and not to put too much burden on the organisation itself.

The challenges

Predicting the future is always difficult. This is the first challenge. We are not in the same business of astrology or geomancy or *feng- shui*. Besides history never travels in a straight line; Asean has to deal with uncertainties and discontinuities along the journey.

The second challenge is the challenge of the uncertainties. How the region will deal the unexpected turn of geo-political events and other challenges? I have never doubted the good intention of Asean political masters to establish a security community system; the challenge is how to implement the notion of a security community in a diverse regional community without a single coherent political ideology that binds us like secular humanism in Europe, for example. Yet despite this drawback, no one can deny its achievements; if the leaders continue to co-operate, Asean can achieve more. The alternative is likely to return to a state of turmoil, war and hostilities of the past.

As a process, the security community agenda is novel, possible and practical. Given time and generational commitment as well as conviction, it is also plausible to develop new socialising norms to engage the civil societies for them to have a strong say and stake in the security enterprise. In three years' time, the region's quest for a security community system is not likely to be substantially more different from the present state of play. Nonetheless, in my view, it is not an elusive quest.

Like some, I am sceptical, that in 2015 Asean can achieve all the purposes contained in its 2007 Charter, for example, creating a single market, the protection of human rights, arms control, alleviate poverty, etc. Hopefully, the finished product should be a regional security architecture that accommodates a more civilised political system, a more predictable and friendly regional institution that promotes peace. Peace matters.

I would caution against any feeling of despair if we do not get there on time. Remember: Rome was not built in a day!!!

The third challenge is how to convert policy deficits into policy credits. I would consider the unresolved boundary problems between some Asean states as a policy deficit that needs resolution. Disputing states must summon enough moral courage to resolve their boundary problems. The record of Asean states on this topic is quite patchy. Since 1967, all Asean countries have negotiated their boundaries. When they were not able to resolve through negotiations, they went for judicial settlement as in the case between Indonesia and Malaysia over Ligitan and Sipadan (2002) and between Singapore and Malaysia over Pedra Branca (2008). Besides this, to maintain civility in bilateral relations, the leaders of Thailand, Vietnam and Malaysia have agreed to shelve their boundary disputes in the Gulf of Thailand in favour of joint development. Since 1979 Thailand and Malaysia have agreed to jointly develop a disputed area; the Malaysia-Thailand Joint Authority oversees the development over an area of 7,250 square kilometres in the Gulf of Thailand. In July 1982 Vietnam and Cambodia agreed to place an area in the Gulf of Thailand under a "joint utilisation scheme."

In June 1992, Malaysia and Vietnam agreed to establish a joint exploitation scheme in a "defined area" in the Gulf of Thailand. In 1999, Vietnam, Thailand and Malaysia agreed to jointly develop a small overlapping area in the Gulf of Thailand. Cynics should give credit to sates that have established joint development mechanisms. Despite this, there are a few more grey areas, which remain, unresolved, for example, in the Spratlys and in the Gulf of Thailand.

Not all the maritime boundary disputes have been resolved. For example, despite years of negotiations, Indonesia and Malaysia have not resolved their boundaries in the Celebes Sea; an area off Tg Datu, Sarawak and in the Strait of Malacca. There are two grey maritime areas to be resolved between Singapore and Malaysia: one, in the area off Pedra Branca and an area at the western entrance to the Strait of Singapore which also involves Indonesia. I am convinced that all parties could come to an amicable solution on their own without involving external parties in due course.

The fourth challenge is how to encourage Asean countries to settle the remaining territorial disputes amicably. The Europeans have the European Court of Justice. Asean member states have not made use of the dispute mechanisms under the 1976 of Amity. There were four occasions where the disputing states have referred their territorial disputes to the ICJ. There is an impression among many, which I share, that the present dispute settlement mechanisms in Asean are not popular with some states because they are political in nature. They lack legal credibility. Besides, their decisions can split the organisation as member states will have to "take sides" in any decision. This may not augur well with our culture. This explains the preference for established third party mechanisms like the ICJ or and ITLOS (International Tribunal on the Law of the Sea).I take the view that the forum is not important so long as states agree to settle their disputes by peaceful means and agree to abide by the decision as final as in ICJ and ITLOS.

The fifth challenge deals with the external power rivalries in the region. China, India and the US are likely to play important roles in Asean regional security. Their rivalries may put some Asean countries in awkward geo-political position as some may align with different rival powers. The rivalry in the South China Sea can be a real test for the efficacy of the Asean security community regime.

Concluding remarks

One can view the performance of Asean security community from many prisms. The realists, the liberals and the constructivists have their own supporters and distracters. Evidently, all the three schools of thought in international relations or perspectives have their own strengths and weaknesses; nonetheless, they are separately and severally useful in analysing the behaviour of states in the international system especially with regard to the purpose of having a security community regime/security community/a security-state- of - mind as a means of mitigating conflict.

In the last forty- five years of its existence, Asean has made remarkable progress in establishing the institutions (including a Charter) and norms for a security regime/community

to endure. Of course, as a living organisation, Asean states need to do more to strengthen the web of bilateral relationship in all the three pillars of the Asean community especially getting the buy-in from the civil societies of the enterprise. It is in this sense, that I believe the Asean quest for a security community regime, the first seed of it was planted in Bangkok, is not an elusive concept.

We should take note of the conflicting observations and commentaries from some quarters that Asean has not become a security community; only a security regime or at best a security oriented institution. Nevertheless, we also take note those that Asean today is a much safer and secured region than in the 1960s. To me, this is a security regime that Asean can be proud of.

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AEC 2015, ASEAN Connectivity & The way forward

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- AGENDA For "AEC 2015, ASEAN Connectivity & The way forward"

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1. Look back on ASEAN Integration
2. ASEAN Integration 2.0 – AEC 2015
3. ASEAN Competitiveness
4. ASEAN Connectivity to inclusive growth
5. The Final Frontier
6. The closing Thought

Table 1: Key ASEAN Integration events

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Date	Event
Aug 1967	ASEAN was established in Bangkok in the height of the Vietnam War by five original members: Indonesia, Malaysia, Philippines, Singapore & Thailand.
Feb. 1976	1st ASEAN Summit convenes in Bali, Indonesia.
1992	ASEAN Free Trade Agreement (FTA) signed.
July 1995	Vietnam joins ASEAN.
July 1997	Laos & Myanmar join ASEAN
Dec 1997	First ASEAN-China Summit convenes in Malaysia.
March 2000	Chang Mai initiative bilateral swap agreement signed.
Nov 2002	ASEAN-China FTA signed.
2003	9th ASEAN SUMMIT: ASEAN Leaders resolved for AEC.
Dec 2005	1st meeting for ASEAN + 6 (e.g. China, Japan, S. Korea, India, Australia & New Zealand)
Nov 2007	13th ASEAN Summit: ASEAN Charter signed.
Aug 2009	ASEAN-India FTA signed.
April 2011	ASEAN + 3 Macroeconomic Research Office (located in Singapore announced)

Source: ASEAN Website & Reuters. (June 2011)

Table 2: Key Elements of the ASEAN Community roadmap

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ASEAN Community Blueprint	Its Vision
1. For Economic – (AEC)	-Establish ASEAN as a single market & production base, a highly competitive economic region, a region of equitable economic development & a region fully integrated into the global economy.
2. For Political-Security	-Promote political development in adherence to the principles of democracy, the rule of law & good governance, respect for & promotion of human rights & fundamental freedoms
3. For Socio-Cultural	- To forge an ASEAN identity & harmonious society amongst the peoples of ASEAN.
4. Initiative for ASEAN Integration (IAI) Work Plan 2	-To promote, through mutual assistance, the narrowing of the development gap among ASEAN members states & between ASEAN & the rest of the world

Source: ASEAN Secretariat (June 2011)

The opportunity – increasing ASEAN's linkages by UBS 110624

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Table 1: Key economic data for ASEAN economies

Country	Land area km²	Population mln (2010)	Working age population growth % p.a. (2010-2015)	GDP (2010e) US$ bln	GDP per capita (2010) USD	PPP USD*	Exports to GDP (2010)	Current account to GDP (2010)	Investment share of GDP (2010)
Singapore	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brunei**	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vietnam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Laos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cambodia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Myanmar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASEAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: UBS, Asian CEIC Ltd. *PPP: purchasing power parity. **Brunei and Cambodia's working age population growth are as ages between 20-24 respectively. ***PPP USD refers to purchasing power parity GDP

The table also shows that population, the rate of investment and export exposure all differ markedly. Likewise, the cyclical position of the current account surpluses – the excess of domestic saving over investment – is diverse.

Top ten ASEAN trade by UBS 101112

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Table 8: Top ten ASEAN trade commodity groups, 2009

	Value			Share in total ASEAN trade		
	Exports	Imports	Total trade	Exports	Imports	Total trade
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Electric machinery, equipment and parts; sound equipment; television equipment	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mineral fuels, mineral oils & products of their distillation; bituminous substances; mineral wax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vehicles, other than railway or tramway rolling stock, parts and accessories	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plastics and articles thereof	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plastics, plastics and articles thereof; rubber, rubber articles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Organic chemicals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments/apparatus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mineral or chemical fuels and oils	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rubber and articles thereof	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Top ten commodities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: ASEAN Trade Database, www.asean.org, Data submission, annual statistics of Intl Trade, Member Countries' Statistics annual, UBS, and other relevant government statistics agencies

ASEAN's largest exports are manufactured products, not commodities.
Without doubt, commodities are a significant part of the ASEAN story but more important, and much less talked about, has been the growth in manufacturing and of manufacturing exports. This is particularly true of Malaysia, the Philippines & Thailand.

Top ten FDIs to ASEAN by UBS 101112 : Stakeholder Analysis

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Table 9: Top ten sources of foreign direct investment inflows to ASEAN, 2004-2009

	Value				Share in total inflows			
	2007	2008	2009	2007-2009	2007	2008	2009	2007-2009
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
European Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASEAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eastern Europe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Republic of Korea	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
China	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bermuda	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total top ten sources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total FDI inflows to ASEAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: ASEAN Foreign Direct Investment Statistics, Countries' Statistical Yearbook, data submission, policy notes, press releases of UN, US Bureau Labor Statistics, Statistics Canada, Eurostat, and various government agencies. Foreign Direct Investment Statistics

Already ASEAN countries attract more FDI from each other than they do from Japan.
As a proportion of total FDI, the biggest beneficiaries of this phenomenon have been Cambodia, Indonesia, Laos, Malaysia, and Thailand. By value, the biggest beneficiaries of FDI are the more mature economies: Indonesia, Malaysia, Singapore, and Thailand.
Of the CLMV countries, Vietnam really stands out.

- AGENDA For "AEC 2015, ASEAN Connectivity & The way forward"

Sasin

1. Look back on ASEAN Integration
2. ASEAN Integration 2.0 – AEC 2015
3. ASEAN Competitiveness
4. ASEAN Connectivity to inclusive growth
5. The Final Frontier
6. The closing Thought

ASEAN Integration 2.0

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- ASEAN Free Trade Agreement (AFTA) made the headline in 2010.
- ASEAN-FTAs (e.g. ASEAN-China, etc) have nominally came into force on Jan 1, 2010.
- ASEAN integration is continuing with its 10 nations members toward an ASEAN Economic Community (AEC) in 2015 as the 4th Pillar in the World.
- AEC will be sizable, the 6th largest economy globally.
- Against the current global backdrop of sovereign credit crises in Europe, "weak recovery" in US & possible hard land in China, signs of ASEAN integration are very positive to all investors and business community.

AEC 2015: Promises

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- ASEAN Economic Community (AEC) 2015 promises free movement of goods, services, investment & skilled labor. Cross border infrastructure investment is also to be facilitated.

- ASEAN Connectivity themes are

1) Progress toward a single market should promote growth & prosperity
2) Facilitation of an increasing integrated infrastructure platform will increase trade, investment & infra spending.
3) Reduction in cross border investment barriers should mean more merger & acquisitions (M&A).

AEC 2015 – a single market

Sasin

priority on integrating twelve sectors deemed likely to make ASEAN more competitive

(1) **Free flow of goods** – Significant liberalisation already undertaken under ASEAN Free Trade Agreement. Further reduction in tariffs to occur under Free Trade Agreement schedules. Elimination of non-tariff barriers to follow under the ASEAN Economic Community.

(2) **Free flow of services** – Foreign ownership limit to be raised to 70% across service sectors. Other trade restrictions to be reduced progressively.

- Rounds of liberalisation to be undertaken for selected national service sectors in 2012, 2014 and 2015. Liberalisation of financial sector to be based on national time frame.

***The 12 industries prioritized include agriculture, air travel/transport, automotives, e-ASEAN, electronics, fisheries, healthcare, rubber based products, textiles, tourism.

AEC 2015 – a single market

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(3) **Free flow of investments –** promote intra-ASEAN investment and liberalisation plus transparency of investment regimes. (MY& TH, MY & ID cases..)

(4) **Freer flow of capital –** achieve greater harmonisation of financial security rules; facilitate mutual recognition of market professionals; broaden investor base by managing withholding tax issues; and facilitate market driven efforts to establish exchange and debt market linkages.

(5) **Free flow of skilled labour –** improve availability of visas and employment passes for persons engaged in trade, investments and research. (TH cases)

Table 3: Growth implications of the ASEAN Economic Community

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Factor of Production	Implication of AEC	Beneficiaries
Labor	No increase in overall labor supply. Increased movement of skilled workers could limit cost pressures from skilled labor shortage in parts of ASEAN	All, except Singapore where inward migration of skilled labor have been already relatively easy until recently after the last 2011 election.
Investment	Cross border infrastructure projects could lift investment spending	With limited available funds to be allocated from ASEAN, only cash surplus nations should benefit. The likely cases are Singapore, Malaysia & Thailand. Not the low income economies.
Efficiency/Productivity	Reduced barriers to investment, lower cost of cross border trade, larger consumer market, economies of scale	Less developed economies stand to benefit more from increased openness. But the benefits of the scale may go to the larger companies...M&A

Source: UBS 110624

AEC 2015: Fact

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- ASEAN's economy is still small in comparison to US, EU & China, but in aggregate its economy & population compared favarorably with Brazil, Russia and India. (A-BRIC theme)
- For many centuries seen as sources of communities for consumption elsewhere, the formation of ASEAN have been only decades, not yet seen source of demand... About to change?

Aggregating ASEAN's economy

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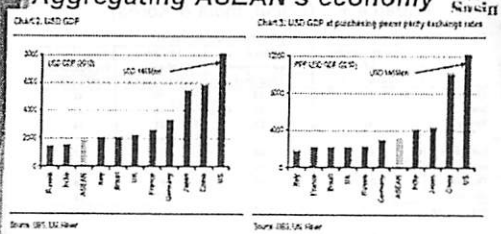

As of 2014, if ASEAN were a single economy, it would be the world's 9th the largest in US dollar GDP terms, 6th largest if the euro area is taken as a single block (Chart 2). Adjusted for relative prices to even out differences in purchasing power – because a dollar of income tends to buy more in Mindano, Philippines than Minnesota, USA – the ASEAN economy becomes the 5th largest economy (4th if the euro area is taken as a single block – Chart 3).

USD GDP over time

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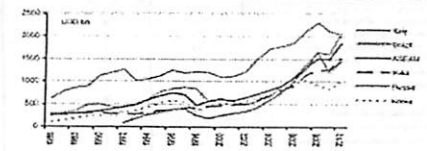
Chart 4: USD GDP over time



After a period of US dollar GDP contraction following the Asian Financial Crisis in 1997-1998, ASEAN's economy in aggregate expanded strongly during the latter part of the 2000s. Barely registering a contraction in 2009 and recording a lively expansion in 2010 after the Global Financial Crisis, ASEAN US dollar GDP has recently outpaced that of Russia and Korea.

AEC 2015: Headwinds

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- Linkages between ASEAN economies are less significant than with the rest of the world. Hence, it is still exposed to global headwinds.
- To be more efficient using ASEAN's existing pools of capital & labor deepens its economic integration & promote growth, but domestic politics are in the ways.
- ASEAN as a whole appears actually losing its competiveness.

ASEAN linkages

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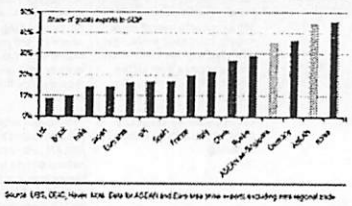
Chart 16: ASEAN has a high export to GDP ratio



Source: IMF, OECD, Haver Anal. Data for ASEAN and Euro Area show exports excluding intra-regional trade

Internal versus external linkages

In fact, amongst the world's largest economies, aggregate ASEAN would be one of the most internationally exposed in terms of exports as a share of GDP. This is the case even if one adjusts for the double counting that might be implied by Singapore's position as an entrepôt for the region.

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Overall WEF GCI 2010-2011 for Asean 4 + 3 (China, India & Korea)

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Figure 1. Overall Global Competitiveness Index Rankings, the Latest

	Overall Ranking GCI 2010-2011	Basic Requirements 2010-2011	Efficiency Enhancers 2010-2011	Innovation & Sophistication 2010-2011
China	27	30	29	31
India	51	51	38	42
Korea	22	23	22	18
Indonesia	44	60	51	37
Malaysia	26	39	24	25
Thailand	38	48	39	49
Vietnam	59	74	57	53
Asean4 Ave	41.75	53.75	42.75	41.00
Philippines	85	99	78	75
Singapore	3	2	1	10

Source: Global Competitiveness Reports, 2008-2009 up to 2010-2011.

Selected Competiveness Report 2010-2011 for Asean 4 from WEF

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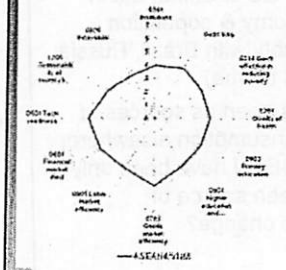

- ASEAN 4 = MYS(26th), IDN(44th), THA(38th), VNM(59th)
- PHL (85th) was left behind.
- ASEAN 4 has its weakness in health, education & innovation
- ASEAN has its strength in goods & labor market along with tech readiness & fin mkt devt
- ASEAN market integration offer trade & investment opportunity
- ASEAN 4 have done *fairly* on poverty reduction and sustainability of country's development
- Comment: Thailand slipping ?

Competitiveness Profile of ASEAN Region 2010

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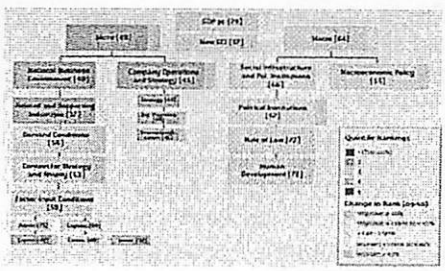

Source: WEF Executive Survey (2009, 2010) & ASEAN Competitiveness Report (2010)

Table 4.1 Company Sophistication in ASEAN

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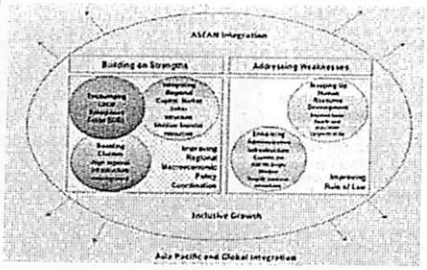
Indicator	2010 rank	Change from 2009
Strategy and operational effectiveness	44	-4
Capacity for innovation	37	-1
Company spending on R&D	40	-4
Extent of marketing	41	-2
Firm-level technology absorption	41	-4
Production process sophistication	48	-14
Value chain breadth	53	-7
Nature of competitive advantage	54	1
Degree of customer orientation	58	-8
Internationalization of firms	45	-5
Prevalence of foreign technology licensing	38	-7
Control of international distribution	39	5
Extent of regional sales	53	-3
Breadth of international markets	56	-12
Organizational practices	48	-14
Willingness to delegate authority	46	-16
Extent of incentive compensation	49	-16
Reliance on professional management	53	-9
Extent of staff training	55	-16

Source: WEF Executive Survey (2009, 2010) & ASEAN Competitiveness Report (2010)

Fig. 5.3: ASEAN Competitiveness Agenda

Sasin



ASEAN Competitiveness Report (NUS 2010, p 107)

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6. The closing Thought

ASEAN Economic Community – Competitiveness through connectivity

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- ASEAN is also intending to provide regional guidelines on competition policy and intellectual property policy and has adopted a **Masterplan on Connectivity.**
- This Masterplan, to be implemented over the period 2011-2015, is to enhance the development of physical infrastructure, institutional connectivity and connectivity between people.
- The co-ordinating committee for the Masterplan held its inaugural meeting in April 2011 and there will be an ASEAN investment fund officially launched later this year by ASEAN finance ministers.

ASEAN Economic Community – Competitiveness through connectivity

Sasin

- The ASEAN Investment Fund, which is in the process of being established, is expected to have initial capital of USD 500-800m.
- This is far short of the budget deployed by ASEAN governments and well short of the USD 80bn deployed by the European Commission for the enhancement of growth and employment within the EU.
- Ultimately, much larger funds will be required; the ADB calculates that the capital requirement for a better ASEAN transportation network could reach US$596 billion during the period 2006-2015.

Trans-ASEAN Highway/ Railway Network, Power Grid, Gaspiple lines

Sasin

- Previously ongoing projects incorporated into the connectivity plan include an ASEAN Highway Network – due from completion in 2015 – and the Singapore-Vietnam-Kunming (China) rail link –due for completion in 2020.
- Outside the ASEAN framework but potentially to be incorporated, is a Chinese backed plan for a Kunming-Laos-Bangkok railroad5.
- However, all plans remain subject to missing links. Separately work is also in progress on the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline.
- Both programs are to promote connections for electricity and gas networks between member states

Greater Mekong Subregion (GMS) logistic plan

Source: State Railway of Thailand

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Dawei Project (ITD)- Burma: Threat or Opportunities by Bangkokpost (Jan 7, 2012)

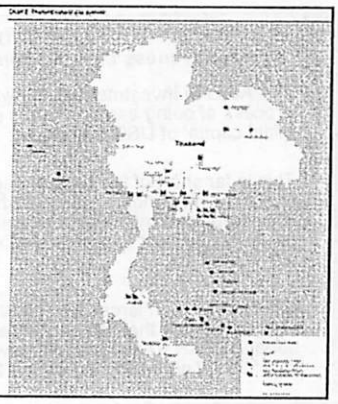
Sasin

- Dawei is about 300km from the Thai border province of Kanchanaburi.

- Part of the industrial development plan is to build a land transport link with Thailand and other mainland Southeast Asian countries, making it a key industrial site and port for the region.

- The project is part of the Southern Economic Corridor under the Greater Mekong Subregion initiative.

Chart c Thailand natural gas system by UBS 1202



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6. The Closing Remarks

Closing Remarks:
AEC is about the Journey, not 2015

Sasin

- H.E. Dr. Surin, ASEAN Sec-Gec comments recently that 2015 would not be an absolute cut off date (for ASEAN Community) and that the community was a work in progress simply represents the underlying reality not a sign of fragility in the project.
- ASEAN is already benefiting from the process of integration by improving allocation of resources and increase investment & income in the region.
- AEC roadmap is not directed toward regional integration to the exclusion of the rest of the world…Outward looking.
- AEC matters because it boosts ASEAN competiveness.
- AEC is not EU. There is no monetary union in sight.

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END

I love emails.
Please, kindly send me comments to
Pongsak@Hoontrakul.com.

Appendix I: Top-3 areas of relative strength Across ASEAN Nations

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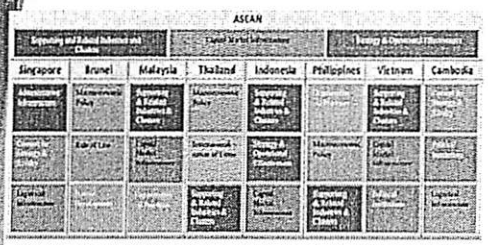

The top strengths for ASEAN are in the sub-areas of supporting and related industries and clusters, capital market infrastructure and strategy and operational effectiveness.

Source: World Bank (2009, 2010) & ASEAN Competitiveness Report (NUS 2010, p103)

Appendix I: Top-3 areas of relative weakness Across ASEAN Nations

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Source: World Bank (2009, 2010) & ASEAN Competitiveness Report (NUS 2010, p103)

AEC Timeline by Phatra 111215 – Free Flow of Goods & Services

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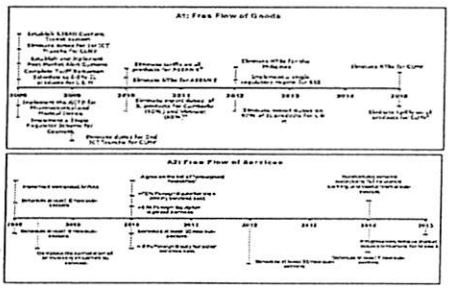
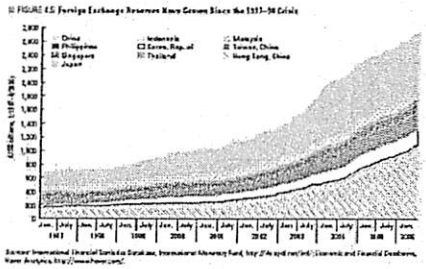


Appendix III: FX Reserves in E. Asia have grown since the 1997 crisis

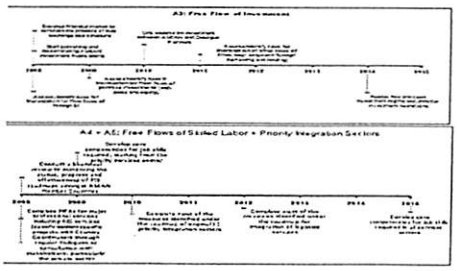
Sasin



Source: "An East Asian Renaissance: Ideas for Growth" by WB 2007

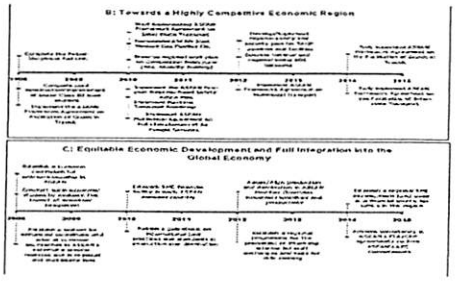
AEC Timeline by Phatra 111215 – Free Flow of Investment & Skill Labour

Sasin



AEC Timeline by Phatra 111215 – Free Flow of Compitiveness & Equitable Econ Dev't

Sasin

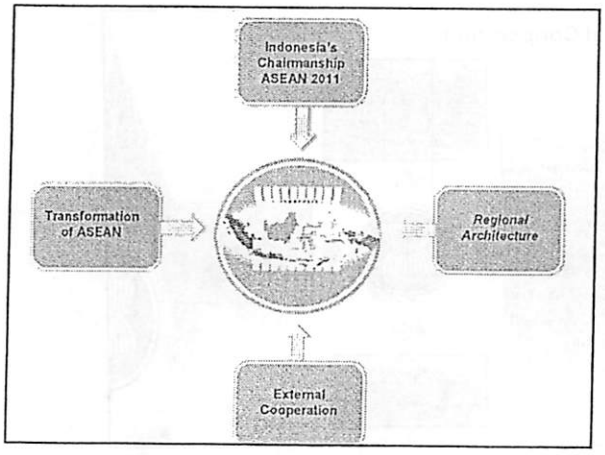


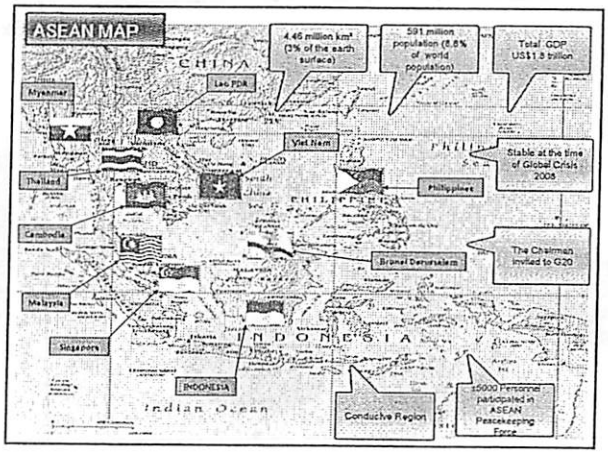
ASEAN: THE WAY FORWARD

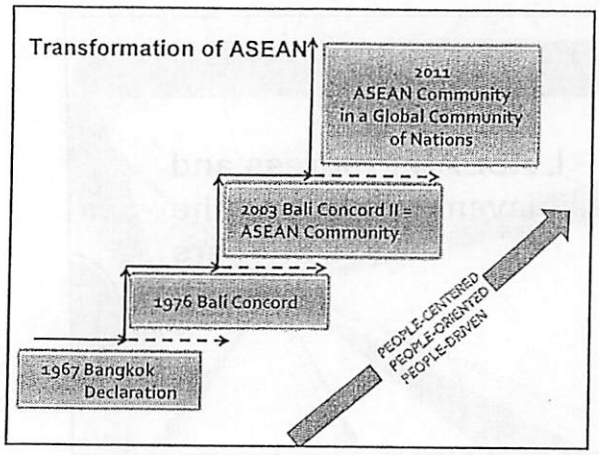
PEOPLE-CENTERED ASEAN

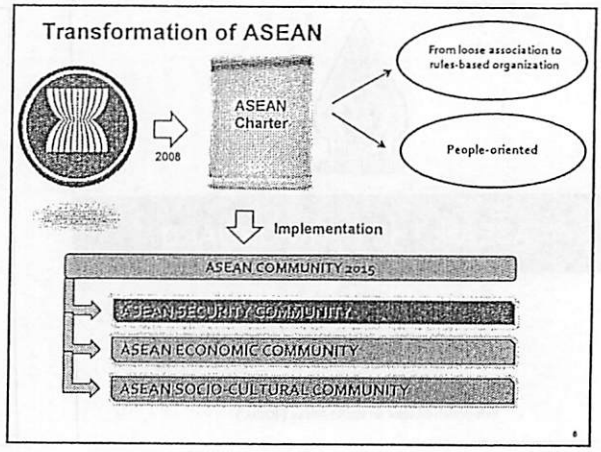
Ibrahim Yusuf
Chairman of the Executive Board of
Indonesian Council on World Affairs (ICWA)

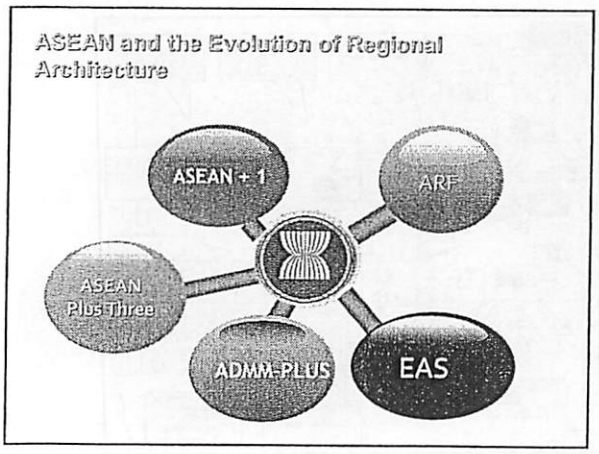
I. ASEAN Progress and Achievements During the Last 44 Years

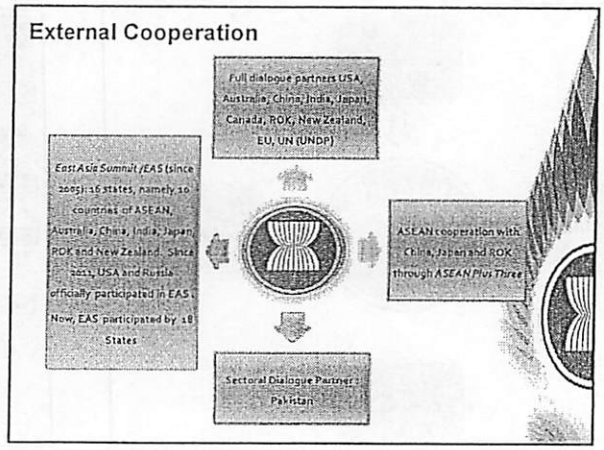




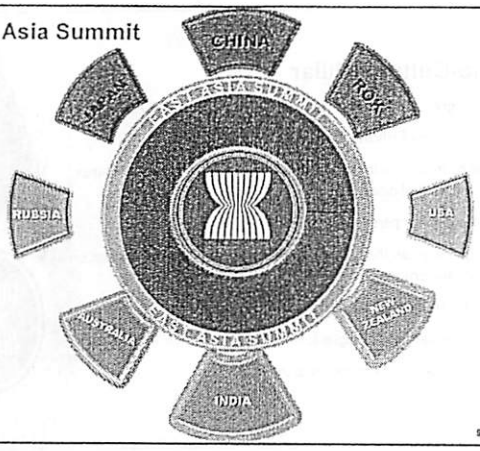

Transformation of ASEAN
2011
ASEAN Community in a Global Community of Nations
2003 Bali Concord II = ASEAN Community
1976 Bali Concord
1967 Bangkok Declaration
PEOPLE-CENTERED
PEOPLE-ORIENTED
PEOPLE-DRIVEN


Transformation of ASEAN
2008
ASEAN Charter
From loose association to rules-based organization
People-oriented
Implementation
ASEAN COMMUNITY 2015
ASEAN SECURITY COMMUNITY
ASEAN ECONOMIC COMMUNITY
ASEAN SOCIO-CULTURAL COMMUNITY


ASEAN and the Evolution of Regional Architecture
ASEAN + 1
ARF
ASEAN Plus Three
ADMM-PLUS
EAS


External Cooperation
Full dialogue partners USA, Australia, China, India, Japan, Canada, ROK, New Zealand, EU, UN (UNDP)
East Asia Sumnit /EAS (since 2005): 16 states, namely 10 countries of ASEAN, Australia, China, India, Japan, ROK and New Zealand. Since 2011, USA and Russia officially participated in EAS. Now, EAS participated by 18 States
ASEAN cooperation with China, Japan and ROK through ASEAN Plus Three
Sectoral Dialogue Partner: Pakistan

East Asia Summit



9

Indonesia's Chairmanship of ASEAN 2011

10 Main Areas of 18th ASEAN Summit's Outcomes

1. ASEAN Connectivity
2. Food and Energy Security
3. Conflict Management in the Region
4. Regional Architecture and the Role of ASEAN
5. People-centered ASEAN
6. Disaster Management
7. Sub-regional Cooperation
8. East Asia Summit
9. The request of Timor Leste to become the member of ASEAN.
10. Democratization and Political Reconciliation in Myanmar

Priority 1: Significant Progress in Building ASEAN Community

- Political-Security Pillar
  1. The Development of Southeast Asian Nuclear Weapon Free Zone
  2. Strengthen ASEAN Capacity in Managing the Conflict
  3. Political development in Myanmar
  4. Promoting transparency in defense policy
  5. ASEAN cooperation in the defense industry
  6. Peace-keeping center networks
  7. Initiation of Visa Exemption for all ASEAN States
  8. Biennual Review of the Blueprint of ADSC

- **Economic Pillar**

The Equitable Economic Development

1. Small and Medium-sized Enterprises development and the narrowing of development gaps amongst and with ASEAN Member Stats.
2. Better Access of ASEAN SMEs to technology, market, and especially financing through financing inclusion programs.
3. To develop a Framework/Guiding Principles for Equitable Economic Development.

Socio-Cultural Pillar

1. The Agreement on common cultural identity of ASEAN
2. Eradication of HIV/AIDS
3. The coordination in the distribution of humanitarian assistance during natural disaster
4. Protection for persons with disability
5. Cooperation on the promotion and the protection of women's rights and empowerment
6. The Protection of migrant workers
7. The Eradication of dengue fever
8. The Formation of new sectoral institutions

Priority 2: The Conducive Region for the Acceleration of Development in ASEAN Countries

- **Progress in Geo-strategic Area**
  1. Follow up of DOC on South China SEA
  2. Conducive Condition in KOREAN Peninsula
  3. Increasing Support of TAC by External Regional States
  4. The request of Timor Leste to be a member of ASEAN
- **Framework of East Asia Summit**
  1. General Principles of EAS
  2. The Support of the Participating Countries of EAS to ASEAN Connectivity
  3. Cooperation in the Handling of Natural Disaster in the Framework of EAS
  4. The First Informal Meeting of Ministers of Education of EAS

Frameworks of ASEAN+1 and ASEAN+3

- Food Security
- The Renewal and Enhancement of Cooperation in general
  - ASEAN-Japan
  - ASEAN-USA
- The Promotion of Economic and Trade Cooperation
  - ASEAN-China
  - ASEAN-ROK
- Enhancing Functional Cooperation
  - The Agreement on Forestry Cooperation between ASEAN-ROK
  - MOU between ASEAN-CHINA in the field of health

Priority 3: ASEAN Community in a Global Community of Nations

- **Common platform on global issues**

  Endorsement on the discussion on ASEAN common platform on Global Issues (*ASEAN Community in a Global Community of Nations* or *Bali Concord III*)

- **Early-harvest documents**

  1. The agreement on the preparation of Declaration of Strategic Partnership between ASEAN-UN on the occasion of the *4th ASEAN-UN Summit* in Bali, November 2011.
  2. *ASEAN Roadmap for the Attainment of MDGs*
  3. *ASEAN Leaders' Statement on Climate Change to COP 17 and CMP7*
  4. *ASEAN Architecture for Economic Cooperation and Integration*

II. PEOPLE-CENTERED ASEAN

BACKGROUND

1. Article 1.13 of the ASEAN Charter that was ratified by ten member states in 2008 – one of the purpose of ASEAN is to "*promote a people-oriented ASEAN in which all sectors of society are encouraged to participate in, and benefit from, the process of ASEAN integration and community building*"
2. ASEAN Social-Cultural Community Blueprint on Building ASEAN Identity Point E.4 Concerning Engagement with Community:
   - The Strategic Objective is to inculcate an ASEAN Identity and building a people-oriented ASEAN where people are at the centre of community building through the participation of all sectors of society

The Actions:

i. Engage ASEAN-affliated non-govermental organizations in ASEAN Community Building Process.

ii. Convene the ASEAN Social Forum and the ASEAN Civil Society Conference on an annual basis to explore the best means for effective dialogue, consultations and cooperation between ASEAN and Civil Society.

iii. Explore the establishment of an ASEAN volunteers program, to be composed of young professionals with focus on supporting rural development and assisting communities to help themselves by 2009.

iv. Support youth volunteers undertaking emergency on humanitarion missions by giving them recognition and;

v. Share public information on network and database of ASEAN for a greater flow of useful information in the region.

3. Chair's Statement of the 18th ASEAN Summit, Jakarta 7-8 May 2011 On Socio-Cultural Community
   - Engagement and Participation of the People among others stipulated at para 5,6: the acknowledgement of the importance of the participation of civil society in the attainment of the ASEAN Community by 2015.
   - Pledged to promote constructive dialogue and establish stronger partnership and active collaboration with civil society in various sector of cooperation.

The Evolution of People's Engagement

1. Since 1972, ASEAN created a Chamber of Commerce and Industry to be a channel for business community's concerns and inputs on various regional economic issues to the ASEAN and its member goverment
2. Since 1988, ASEAN has been engaging with ISIS, Institutes for Strategic and International Studies in facilitating solutions for ASEAN governments.
3. In 2003, the ASEAN Business Advisory Council / ABAC offered an official linkage for private sector feedback and guidance to boost ASEAN's efforts towards economic integration and to identify priority areas for consideration by ASEAN leaders.

4. In 2005, during the 11th ASEAN Summit in Shah Alam, Malaysia, the ASEAN Chair (Malaysia) introduced the ASEAN Civil Society Conference (ACSC) as a venue for civil society to get organized and build unity among them.

   This event becomes the annual gathering of civil society in ASEAN which its location follows the chairmanship of ASEAN.

   (2nd ACSC, Cebu, Philippines, 2006;
   3rd ACSC, Singapore, 2007;
   4th and 5th ACSC, Bangkok and Cha-Am, Thailand, 2009;
   6th ACSC / ASEAN Peoples' Forum, Hanoi, Vietnam, 2010;
   7th ACSC / ASEAN Peoples' Forum, Jakarta, Indonesia, 2011)

5. The common features from having the ACSC / ASEAN People's Forum for 7 years/times, it is noted that:
   a) It is organized as parallel process to ASEAN summit,
   b) Includes the interface with the ASEAN Head of States
   c) Has been shifted from State-led process to civil society-led process
   d) It is an open process to all civil society organizations
   e) Country and thematic workshops will be organized prior to the ACSC
   f) It resulted to recommendation to address regional issues for ASEAN Leaders

Trends and Challenges

1. The Trends
   - Today the number of civil society organizations in ten ASEAN member states continues to grow in terms of quantity and quality.
   - One of the effective ways to improve the interaction of people to people in ASEAN is through linking country (national) and thematic workshop with regional event like ACSC/APF.

2. The Challenges

   Expanding the participation of different stakeholders and theme of substantive discussion. The focus of discussion in the process of community building should include also the role of SMEs and cooperative movement, the involvement of religious organizations academia and youths, university students as the future leaders.

   The approach of multitracks diplomacy or multichannels at regional level could be applied with the expansion of the participants of variety of stakeholders.

3. The idea of establishing the Community Forum for each pillar to encourage the engagement, participation and contribution by various stakeholders and constituents could be considered.
4. The ASEAN government officials involvement and the people's awareness should be increased.

   Coordination and communication strategy is required to create greater people's awareness.

   The need to enhance the capacity of the ASEAN Secretariat with the necessary resources not only it would be able to cope with the external dynamics and to support enhanced ASEAN integration but also coordinating and communicating with expanded civil society and other stakeholers.

   In view of the increasing responsibilities and tasks of ASEAN Secretariat, an Indonesian scholar proposed to formulate ASEAN Secretariat into ASEAN Commission.

5. Financial resources, expertise, research and capacity building for community building are the real challenges:

   Engagement of the private sector to support the activities of civil society in the field of CSR (Corporate Social Responsibility) as the resource mobilisation should be taken. Reference could be made to relevant international standards and guides such as ISO2600 title "Guidelines on Social Responsibility"

   In the blueprint, it has been mentioned on the need to develop a model public policy on CSR or legal instrument for reference of ASEAN member states.

Thank You

THE ASEAN WAY -
Conflict Avoidance or Conflict Resolution? -

Its Future in the Community

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Abstract

Critics have described the ASEAN Way as a conflict-avoidance rather than a conflict-resolution mechanism. In its application however it has succeeded in pooling the group's wisdom to mediate and negotiate the different conflict situations involving ASEAN member countries over the years. Yet for it to continue playing a normative role in the future, forty-five or so years after the ASEAN was formed, the ASEAN Way has to respond to changes in the political, security and socio-economic environment in the region marked by the growing influence of China and the return of the United States to Southeast Asia. For this the ASEAN Way has to address the thick and thin issues of nationalism and regionalism, overcome the impediments posed by the weaker member states upon the strong democracies of the ASEAN and survive as the Community by involving more of its people in conflict-resolution efforts.

Keywords: ASEAN Way, conflicts, normative, changes, China, United States, weak states, strong democracies, Community, people

Introduction

Forty-five years after the formation of ASEAN in 1967, the regional grouping that now has ten members, is surviving under the weight of two contrasting but related trends. First, since 1992, the lure of the new regionalist wave of states professing to follow the trend, led by Singapore, Malaysia, Indonesia and Thailand, multipolar in character and vowing every other states by their comprehensiveness in approach and very much globalist in policies began to make an impact on developments in the region (Rajaratnam, 1992). Alongside this, the second group consisting of the CLMV countries of Kampuchea, Laos, Myanmar and Vietnam, continues to exist on the basis of their strong nationalistic fervour and the search for an identity within ASEAN through self-reliance and the AEAN Way as a normative framework for their actions and policies (Acharya, 1998). As stated by Roberts, 2010, the situation pits the so-called weaker states against the strong democracies, leaving however countries like the Philippines and Brunei right in the middle as these could not fit into any of the groupings above.

On another level in terms of political culture the differences between the two groups can be likened to a thick and thin political behavior that is on one side, internally homogeneous and stable and externally carrying a "we" and "they" label consciously in their attitudes (Eckstein,1988) and on the other, assuming a culture that is dynamic, diverse and constructivist

(Inglehart, 1988). The result has been a development that is not inclined towards integration but a division in ASEAN. In short we are seeing 'cracks' in the ASEAN Way if left unaddressed will definitely lead to a slowdown in the movement towards the ASEAN Community. This scenario has been envisioned by two British scholars, Besley and Persson, 2011.

Of late the negative situation has been compounded by the rising influence of both the United States and China. The experience of the ASEAN Way will not be useful in this instance. But what had been undertaken by ASEAN vis-à-vis China especially in the negotiations for the cooperation in the resolution of issues concerning the South China Sea had indeed been a significant breakthrough in lowering tensions in the area. The ASEAN states do have a choice however: attend to the cracks in the spirit of shoring up the ASEAN Way, deal with the impediments posed by the dilemma of the weak states versus strong democracies as soon as possible and decide on the way out of the US and China 'encirclement'. The only choice opened to ASEAN is to opt for the ASEAN Way Plus.

This paper will evaluate the experience of how ASEAN has resolved conflicts between and among member countries and suggest ways of enhancing conflict resolution approaches within ASEAN and with the external powers, the United States and China.

The ASEAN Way and Conflict Resolution Experience

At its inception ASEAN was faced with the need to resolve a conflict borne out of two different state-eco systems in Southeast Asia, Indonesia, gained independence after a violent struggle with the Netherlands in 1945 and Malaya, a British colony that obtained its Independence from a Constitutionalist mode in 1957. Between them the two countries pursued varying directions, Malaysia, formed after 1963 opted for a "diplomacy of accommodation" (Antolik, 1990) and Indonesia in Non-alignment. "Konfrantasi" was launched after the new Malaysia was put together. Other conflicts soon followed as listed in the Table below.

Chronology of conflicts

- Political-Security

1966	Konfrontasi	Malaysia-Indonesia	Rapprochement
1968	Corregidor Affair Sabah Claim	Malaysia-Philippines	Mediation
1975	2nd Indochina War	ASEAN-Vietnam	Accommodation
1985	Vietnam-Cambodia	ASEAN	Good offices
1997	Myanmar	ASEAN	Non-intervention
1999	East Timor	ASEAN	ASEAN Way
2002	South China Sea	ASEAN-China	Joint action
2003	Aceh	ASEAN	Observers
2010	Thailand-Cambodia Preah Vihear	ASEAN	Dialogue

Chronology.....

- Socio-economic

1997	Haze	Malaysia-Indonesia	Consultation
1997-98	Asian Financial Crisis	ASEAN	Joint action
Various Years	Maritime Space Disputes		Quiet
	ASEAN member countries		Diplomacy
Various Years	Trans-border crimes		)
	Migrant labour		) Negotiation
	ASEAN member countries		)

In essence the practice of the ASEAN Way as a conflict resolution mechanism can be understood in three ways: its main aspects, its essential characteristics and its principles. To add to the range of its important aspects we have to mention the following that has been specified by Boyce, 1973, summitry, musyawarah, use of special agents, informality in approaches, ad-hoc basis of decision-making, the insistence of not being hampered by legalities, generally accepting the need for mediation and finally resort to diplomacy. In terms of its essential elements there are the following: all member countries will negotiate as equals, quiet persuasions is preferred, frequent use of consultation and going for consensus-building, and adherence to a shared responsibility in all decisions made. Generally the ASEAN Way operates on the recognized universal principles of non-interference, non-intervention and the non-use of force in matters relating to all manner of conflicts (Severino, 2000, 2006)

Taken in its widest possible context, the experience of the ASEAN Way has taught us that it is aimed at conflict avoidance rather than conflict resolution (Amer, 1999). The application of direct and indirect measures of diplomacy, dialogue, restraints and pressures has alleviated to a certain extent the escalation of conflicts among member countries since 1967 (Acharya, 2000, 2001).

Problems Within

In total a closer reading of the political and security situation in the region will reveal that there are already cracks seen in the working of the ASEAN Way. This can be attributed to three developments, two strongly related to structural and institutional problems and the other closely allied to the issues of capacity building and values and attitudes.

Thick and Thin ASEAN Way

The two versions have been introduced by Geertz, 1973, as culture-based concepts and function as stated by Lucien Pye, 1965, as means to compare political systems in the world as well as to understand political behavior and change as a whole. As elaborated by Eckstein, 1988, a thick culture is exogenous, holistic and internally homogeneous. There is also evident in the countries of thick culture, a distinct feeling of "we", as against the other or the 'they'. Countries in this category are usually stable since they handle change very slowly. In the thin culture countries, the way of life is dynamic, constructivist and diverse (Inglehart, 1988). A further elaboration of their behavior characteristics has been provided by Roberts, 2010 in his study of the pitfalls of institution-building and factors that are ranged against this in the future ASEAN Community. Roberts argued that thick and thin states are akin to the array of weak states and strong democracies in ASEAN. The former are distinguishable by their distinctly high foreign policy profile and the ever ready spirit of lifting their state sovereignty to the level of ASEAN. They are also very nationalistic in their political and cultural behaviour. Mainly the countries that can be grouped under this category include the CLMV countries. In the case of the thin states with their established democracies, they are more ready to go for the support of mutual sovereignty and can be called the 'new regionalist' as well. The countries named in this group are Singapore, Malaysia, Thailand and Indonesia. Among the present ten ASEAN countries, only the Philippines and Brunei could not be put into any of these two categories for reasons of political and historical development. They could belong to either one depending on whether they profess a nationalistic or new regionalist stance at any particular time period.

Weak States and Strong Democracies

From the perspective of institution building (Roberts, 2010) and the sustainability of democratic processes (Besley and Persson, 2011), another classification of states within the ASEAN can be identified. In the former we have the case of weaker states and strong democracies in ASEAN which we have agreed, practiced the ASEAN Way, in a manner that could be thick and thin depending on several essential characteristics. In the latter case from the 'pillars of prosperity' study assumption we can also perceive the structure of fragile states, similar to the idea of weak states and the common-interest states that are quite similar to the democracies that Roberts referred to above. Both these writers believed that ASEAN must face up to this dilemma or else their actions may negate moves towards the Community. They feared the weak or fragile states may pull down the strong democracies and ASEAN's future will be in jeopardy.

Current ASEAN WAY Scenario and Lessons Learnt

Consequent to the discussion above the ASEAN Way presents itself in a "two-sides of-a-coin" scenario that is both forward and backward-looking. Cracks are already visible on how to proceed along the road towards Community. Based on the thick and thin political culture argument ASEAN is split in the middle with the nationalists on one side and the new regionalists on the other. It is forward-looking in that the CLMV countries will have to play a game of catching up. There is therefore hope here that the enhanced Community will somehow act to pull along the disadvantaged group along with them. However if we were to follow the backward-looking scenario right to the end we will see a situation as stated above, where the weaker states will bring down the so-called "Other" with them and this will not help future progress towards Community.

Work remains to be done by ASEAN as its members ponder the lessons learnt from the operations of the ASEAN Way. It has to be remembered that ASEAN was born out of conflicts and any moves to strengthen the cohesion between members will be a welcomed initial action. The ASEAN Way, while it has been "enabled" by the codification of its norms and practices in the ASEAN Charter, will still need to be modified into a dynamic and effective conflict-resolution instrument. It needs to be accepted as well as such by the larger external Community of countries that are in themselves external powers in their own rights but not necessarily united by the common purpose of working for the interests of the ASEAN.

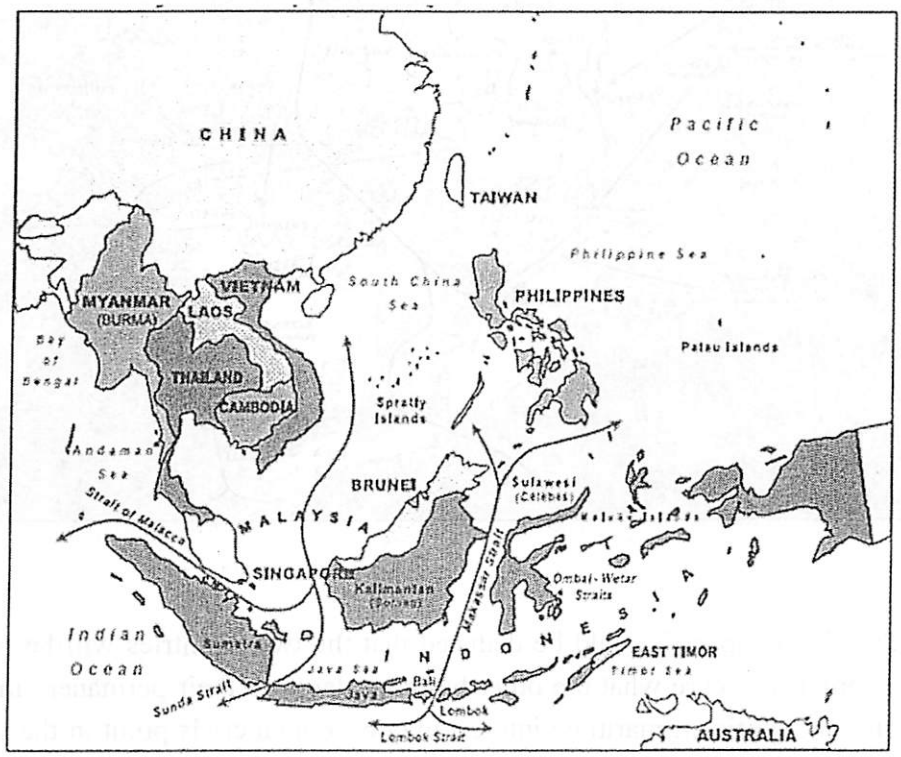
The United States, China and ASEAN: a new Triangular Relationship

Of late the posturing of their future interests in the region has made the ASEAN a little more wary of the true intenti0ons of both the United States and China towards the region. As traditional external powers both these countries have their interests already carved out in the past. The interests of the United States can be summed up as follows: promotion of stability and balance of power and keeping the region free of the dominance of a regional hegemon; finding partners to combat terrorism; preventing its exclusion from the region; ensuring freedom of navigation and the protection of sea lanes and her trade and investment and finally, the promotion of democracy, rule of law, human rights and religious freedom. China's objectives in ASEAN can be enumerated as follows: maintaining a stable political and security environment for her continued economic growth, expanding trade routes and gaining access to regional energy sources and raw materials; developing new trade relationships for economic and political purposes and generally enhancing her influence in the region to combat fears of strategic encirclement.

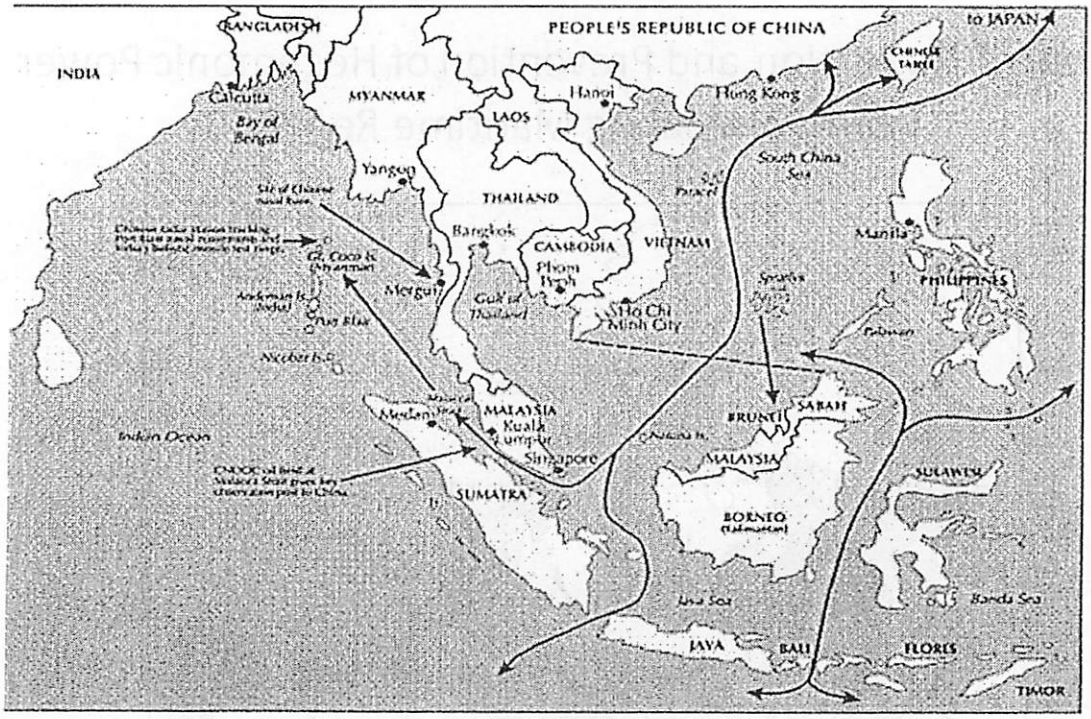
In comparison we can see a wide range of interests identified for the two countries. But what becomes clearer is that there is a common pursuit in the item concerning, for the United States, the safety of navigation and for China, it is the unimpeded use of the Southeast Asian sea

lanes of communication. The maps below illustrate this point in detail for the United States and China respectively.

Safety of Navigation and Prevention of Hegemonic Power from Dominating Maritime Region



Southeast Asia SLOCS (SEA LANES OF COMMUNICATION)



Upon a further study of this aspect it could be deduced that the two countries will be ready to confront the other in order to secure what the other has considered as their permanent interests. For ASEAN this issue of significant maritime interest may become a crisis point in the years to come as the two countries begin pushing in earnest their strategic interests.

One expected outcome of this 'clash of interests' is the possibility of the two countries getting involved in the export of their ideologies both directly and indirectly with the resulting security implications for the ASEAN countries. With a past history of crisis situations and regime change which had been attributed in part to external influences such as the United States and China in the region, it is always good to remind ourselves of the need to be vigilant to the rapid rise of China that may present a realizable alternative to the weaker and fragile states in ASEAN and hence giving reality to the scenario discussed earlier.

In the longer term however, from a study done by Willy Jou, 2011, the above prospect may not occur at all. In fact the study established that based on empirical results from a cross-national survey of whether a rising China will affect the stability of regimes in seventeen Central, East and Southeast Asian countries, as it could influence the choice of a regime preference

between the China model of authoritarianism against the preeminence of a market-democratic model of the United States, China does not constitute "a magnet for authoritarian rule in the minds of Asian publics and neither does the United States exemplify liberal democracy". ASEAN can take a respite aware that the situation has to be monitored very closely.

What ASEAN needs to do now is to present itself as the third person engaged in the new triangular relationship with both the United States and China. Only in this way can ASEAN make use of the best possible avenues available.

The Way Forward for ASEAN

In deciding to move the ASEAN forward several key features of the ASEAN Way will require a tweaking. There is an urgent need to form a new ASEAN Core. One option is to expand the present core with the addition of both Thailand and Vietnam. Here quiet diplomacy can be utilised efficiently by the ASEAN. To get rid of the internal impediments in particular the weak and fragile states of ASEAN, a multi-track approach is more suitable as it will minimize Government intervention and sidelining of the interests of parties concerned. As a way out of the crisis-laden maritime interests of the external powers, it is suggested that ASEAN engages them through the non-governmental mechanisms. In the meantime ASEAN must prepare to conduct a cross-national survey of Peace and Democracy and to analyse data on the extent of understanding among ASEAN people of institution building, capacity building and values and attitudes. Finally to position ASEAN Youth at a pivotal role in the grouping, it is recommended that a Blueprint of Youth Activities be considered and presented in an ASEAN Youth Charter.

Thai Economic Institutions: Some channels for Thailand – ASEAN Economic Community

Samart Thongfhua[1]

"...If we are happy with however little we have, we will be less greedy and will exploit other less. If all countries observe this idea – not only in an economic sense, but to try to keep the middle ground-being sufficient and not extreme, not greedy, then we can live happily..."

H.M. the Thai King's Address delivered on His Birthday Anniversary on 4 December 1998

The traditionally Thai economy was based on wet rice cultivation and the production of sugar, tin, teak, pepper and forest products. It can, therefore, be said that Thailand has traditionally been an agrarian nation. The fabric of the Thai economy remained virtually unchanged up to the 1950s. In addition, the structure of the Thai economy has shifted from an economy based on agriculture to one based on industrial products like textiles, footwear, garments, toy and jewelry, and more sophisticated products like electronic components, paper products, transport, iron and steel, and scientific products. However, over the years the Thai economy has witnessed radically significant transformation emerging as 'a complex, multi-faceted economy embracing industries and employing the latest and the most sophisticated technology.'

With a well-developed infrastructure, a free-enterprise economy, generally pro-investment policies, and strong export industries, Thailand enjoyed solid growth from 2000 to 2007 – averaging more than 4 percent per year – as it recovered from the Asian financial crisis of 1997–98. Thai exports – mostly machinery and electronic components, agricultural commodities, and jewelry – continue to drive the economy, accounting for more than half of GDP. The global financial crisis of 2008 – 09 severely cut Thailand's exports, with most sectors experiencing double – digit drops. In 2009, the economy contracted 2.4 percent. In 2010, Thailand's economy expanded 7.8 percent, its fastest pace since 1995, as exports rebounded from their depressed 2009 level. Steady economic growth at just below 4 percent for most of 2011 was interrupted by historic flooding in October and November in the industrial areas north of Bangkok, crippling the manufacturing sector and leading to a revised growth rate of 1.5 percent for the year. The industrial sector is poised to recover however, and the economy will probably grow between 4 and 5 percent.

Several financial institutions in Thailand are entrusted with the responsibility of carrying out the fiscal policies and financial decision-making of the country. Of all the institutions, a survey is undertaken in the following section of only those which are crucially linked with foreign economic policy of Thailand, especially for the people of ASEAN member countries who interested for coming to do the job in Thailand. Our more immediate concern here is to identify and establish the link between economics and politics in the process of the making of Thai foreign relations with our ASEAN member countries.

[1] A lecturer in the Faculty of Political Science, Prince of Songkla University, Pattani, Thailand.

The National Economic and Social Development Broad [2]

Early attempts at the development planning in Thailand were started in 1950 when the National Economic Council (NEC) was established to undertake economic studies and to advise the Thai government on general financial and economic matters. The council consisted of not more than 20 members, according to the cabinet's recommendation, and was chaired by the Prime Minister. NEC was responsible for appointing members for each sector under the responsibility of secretary general.

To rectify the shortcomings due to lack of clear and comprehensive national objectives, the World Bank was requested by the government to send a mission to Thailand. The mission arrived in 1957 to study the economic situation of the country and to provide recommendations in the establishment of national economic planning. The bank recommended the setting up of a central planning agency to make a consistent study of the nation's economy in order to draw up plans for its development.

Following the World Bank's recommendations, the National Economic Development Board was established in 1959. The name was changed to the National Economic and Social Development Board (NESDB) in 1972 to emphasize the importance of social development in the development process. The NESDB, essentially a central planning agency, undertakes a consistent study of the Thai's economy and draws up plans for its development. Since its inception, NESDB has already completed 10 Development Plans and now is using the 11th Plan. Hence, the NESDB is the central planning authority of Thailand.

The National Economic and Social Advisory Council [3]

The National Economic and Social Advisory Council (NESAC) was established according to the Thai Constitution 1997 under chapter V with regard to directive principles of fundamental state policies inserted in article 89. Therefore, on 14 January 1998, the government nominated the Committee consisting of 20 authorities to draft the Provision Act of National Economic and Social Advisory, eventually that Provision was declared in the government gazette on 10 December 2000 and therefore it came into effect on 20 December 2000. The National Economic and Social Advisory Council is established in order to provide the cabinet with advice and recommendation on social and economic problems. The national development plans, and other plans as required by law, shall seek NESAC's opinion before their adoption.

The Bank of Thailand [4]

The Bank of Thailand started operations in 1942. It is a central bank of the country. Its responsibilities include formation of monetary policy and supervision of financial institutions to ensure that they are secure and supportive of economic development. Its main functions are: printing and issuing Thai currency, to act as banker to the government, to recommend on economic policy to

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[2] See for more details, *National Economic and Social Development Board*, Thailand, http://www.nesdb.go.th.

[3] See for details, *National Economic and Social Advisory Council*, Thailand, http://www.nesac.go.th.

[4] See for details, *Bank of Thailand*, Thailand. http://www.bot.or.th.

the government; to act as a banker to the other financial institutions as well as to maintain international reserves, Furthermore, the Bank of Thailand acts as a representative of the Thai government while participating in International Organizations.

The Bureau of the Budget [5]

The Bureau of the Budget was established for the implementation of government policies with respect to the development of the country. Earlier, the Bureau was a section of the Comptroller-General Department under the Ministry of Finance. Over the years, many recommendations have been made with a view to reinvigorating its functions and missions, which will be suitable for the development of the country. Thus, the functions and missions of the Bureau have been changing depending on the prevailing situation in the country. It is one of the government agencies that is attached with the Office of the Prime Minister. It was established in 1959. In addition to the above functions, it plays an important role in preparing the annual budget. It approves the country's budget before the government presents it in the parliament. It also functions as the advisory and recommending authority of the government in terms of distribution and allocation of grants under the various budget heads.

The Board of Investment [6]

The Board of Investment (BOI) is the government agency responsible for providing incentives to stimulate investment in Thailand. In addition to providing incentives, the BOI conducts a wide range of investment promotion activities, both in Thailand and abroad, and has evolved over the years to become not just a regulator, but a service provider as well. The BOI is responsible for administering the investment promotion law and establishing overall policy guidelines, which are derived directly from national priorities. In response to the changing situation in the economy, the BOI has been designed a range of select investment categories for promotional privileges and incentives under the Investment Promotion Act. It also provides permission to bring in foreign workers to perform feasibility studies or to work on projects and provides investors with permission to own land and remit foreign currency abroad.

The BOI has also spearheaded the development of the ASEAN Supporting Industry Database (ASID), which contains information about thousands of supporting industry companies in the ASEAN countries. The goal of this program is to expand the scope of ASEAN's supporting industries by serving as the region's industrial yellow pages. By harnessing the communications power of the World Wide Web, ASID can reach the global marketplace to make the world aware of capabilities of supporting in ASEAN member countries.

Department of Trade Negotiations [7]

It was established in 1942 to be one of the departments under the Ministry of Commerce. It was called department of information when it was first established and incorporated the statistic

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[5] See for details, *Bureau of the Budget*, Thailand, http://www.bb.go.th.

[6] See for details, *Board of Investment*, Thailand, http://www.boi.go.th.

[7] See for details, *Department of Trade Negotiations*, Thailand, http://www.dtn.moc.go.th.

forecast division of the Office of the Prime Minister to be under this department. In 1975, Department of Information was renamed as Department of Business Economics and once again in 2002 was renamed as Department of Trade Negotiations. Its functions are to act as a core coordinator in formulating and recommending international economic policy and measures, formulating and recommending positions and strategies supporting multilateral and bilateral trade negotiations under regional, sub-regional and other international organization groupings, besides, developing of international trade and economic information system. In short, the Department of Trade Negotiations has proved an important agency in providing trade-related information, making recommendations, holding seminars, including policy recommendations etc.

The Office of Industrial Economics [8]

The Office is an organization under the Ministry of Industry, which proposes industrial policies as well as works as an information center by indicating the up-to-date and reliable data on industrial situation of the country. It's responsible for proposing plans in setting up of national and sectional industries, developing industrial early warning system by formulating overall Industrial Development Plan and Sectional Industrial Master Plan. It serves as an organization by recommending policy measures including planning of domestic industrial development which will lead to the continuous and sustainable development. Furthermore, it also transmits precise and efficient warning system useful for the industrial economic situation to policy makers as well as all tradesmen, and recommends policies and participates in the meeting related to international industrial cooperation.

Department of Foreign Trade [9]

Department of Foreign Trade is a government agency under the jurisdiction of the Ministry of Commerce. It was established in 1942. Later, it was reformed and reinforced in 1998 with new visions within Ministry of Commerce. According to its new visions, it has become the government institution for protecting and enhancing trade interest and serving exports and imports commodities of the country, and carrying on trade with foreign partners. In addition to its new vision, this department has transferred the bilateral negotiation to the foreign partner and the negotiation of Joint Trade Committees to the Department of Trade Negotiations.

Department of International Trade Promotion [10]

Department of International Trade Promotion (DITP) is under Ministry of Commerce is the main agency responsible for promoting Thailand's exports to the world market, bolstering foreign revenue, which will contribute to the country's socio-economic prosperity. The DITP's vision is therefore, to be the leader in creating foreign trade revenue for the country's economic prosperity and growth. The DITP is also for formulating policy recommendations and action plans on issues related to trade and marketing and in this process, provides strategic directions and measures for promoting

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[8] See for details, *Office of Industrial Economics*, Thailand, http://www.oie.go.th.

[9] See for details, *Department of Foreign Trade*, Thailand, http://www.dft.moc.go.th.

[10] See for details, *Department of International Trade Promotion*, Thailand, http://www.ditp.go.th.

export. It provides Thai manufactures and exports as well as foreign importers with trade information services and strengthens the role of information technology in export promotion. It reinforces coordination and cooperation with the relevant international institutions and organizations in support of export expansion.

Thailand International Development Cooperation Agency [11]

Thailand International Development Cooperation Agency (TICA) was set up on October 2004 by a Royal Decree to implement Thailand's development cooperation programs after its former unit, the Department of Technical and Economic Cooperation (DTEC), was dissolved. It is principally responsible for coordinating and administrating international development cooperation in Thailand renders to other countries particularly with her neighboring ASEAN countries. There are various forms of cooperation such as development projects, volunteers and experts, short-term training courses and study visits, and long-term scholarships.

The Fiscal Policy Office [12]

The Fiscal Policy Office (FPO) is one of the departments under the Ministry of Finance. It is an instrumental government agency in fiscal, financial and economic policy formation. This office has its status identical to that of a department of the Bureau of the Budget, as an authority to formulate, make recommendations on and oversee implementation of fiscal, financial, government borrowings, capital market as well as macro-economic policies. The office also cooperated with the Bank of Thailand in passing an act under which the Securities and Exchange Commission was established. In an endeavor to develop Thailand into regional financial center, the FPO and the Bank of Thailand helped the Bangkok International Banking Facility (BIBF) operation in relaxing the exchange control and de-coupling financial and securities activities to prevent under risks and conflict of interest that might arise. The Export-Import Bank of Thailand was also established while decentralization and distribution of affluence into regional areas was not overlooked. The office has undertaken a financial sector development plan with an aim to enhance competitiveness and prepare the sector for liberalization process. The office also has a responsibility towards promoting international trade and investment measures; significant among these are measures leading to the creation of the ASEAN Free Trade Area (AFTA), which is mechanism to implement tariff reductions agreed upon among ASEAN member countries.

Having explored the nature and functions of these institutions, we can conclude by observing that these institutions are politically under the governmental control. They cooperate with each other for enhancing and accelerating the economic development of the country. Every institution has its own duties to perform in order to achieve its objectives in the pursuance of economic development and for ASEAN Economic Community (AEC) as well.

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[11] See for details, *Thailand International Department Cooperation*, Thailand, http://www.tica.thaigov.net.

[12] See for details, *Fiscal Policy Office*, Thailand, http://www.fpo.go.th.

Education Democracy and Economic Democracy: ASEAN the Way Forward

By Musni Umar

In August 8, 1967 Association of Southeast Asian Nations (ASEAN) was established in Bangkok through the Bangkok Declaration by Indonesia, Malaysia, Philippines, Singapore and Thailand. This organization was founded with **the goal of** bringing **ASEAN** into **a region of peace, free** and **prosperous society.**

After nearly 45 years of ASEAN organization was founded, now has advanced and has 10 member states and in the not too distant Timor Leste will become a full member of ASEAN.

We should be grateful because the purpose of establishing the ASEAN organization has been achieved partly as a peaceful and free of ASEAN region. However, **a prosperous ASEAN community** that was one purpose of the establishment of ASEAN, all ASEAN member countries **have not been able to make it happen.**

This issue is very important because in the proposed ASEAN Summit 13th November 2007 in Singapore, have agreed Blueprint, as a reference throughout the ASEAN Member States to implement the commitment of AEC (ASEAN Economic Community) in 2015, the single market and single production-based where there is flow of goods, services, investment and skilled workers are free, as well as capital flows more freely among the ASEAN countries.

The consequences of the agreement will give negative impact to the ASEAN member countries are still predominantly poorly educated, poor and neglected. **First**, the country will get left behind and neglected because they can't compete with other ASEAN member countries that have been developed.

Second, ASEAN member countries are still predominantly poor, uneducated and do not have the expertise, the open economic opportunities of the ASEAN Economic Community, can't be utilized. The consequences will be increasingly marginalized.

Third, the force of the ASEAN Economic Community (AEC) is unlikely to give birth to a growing economic gap among ASEAN member countries. A developed country will be more developed and prosperous, whereas the poor and less educated people and not have the expertise, will be increasingly marginalized and neglected because it is unable to compete.

Education Democracy

There is no shortcuts to do an ASEAN member countries to achieve progress and prosperity but to develop a good education so that people are educated and have the expertise, so as to compete.

Education democracy means all citizens have the opportunity to acquire and to participate in education. The government gave special treatment to poor children from the village and town to get a good education.

Malaysia is a country of the ASEAN members that can be replicated in developing human resources through education so that a successful to develop education democracy.

Government giving scholarships, lending money for living expenses, pay for boarding school, school fees, buy books, and other needs so they can learn in peace, without considering the cost of living and expenses during the study.

As someone who had studied in Malaysia, I gave high appreciation to the Malaysian government has been successful to develop education democracy. I know this because over the past five years living in Malaysia, I visited several state of Malaysia, meet and talk with professors at several universities in Malaysia, the Malaysian diplomat who had served in the Malaysian Embassy in Jakarta, students and discuss with a Bajau student from Sarawak who is studying at UKM.

They told me that they could study at university, because of government of Malaysia support which provides scholarships, loans, boarding facilities, and other conveniences, so that they can attend classes at the university in Malaysia and abroad.

It can be realized, among others: **first**, since Malaysia's independence in 1957 and its development, has provided a great education budget. The results of the development of education in Malaysia, has been delivering achieve progress and prosperity of Malaysia today.

Second, the development of education has brought the majority of Malaysia's population reached a high and a good education so that growth and increased self-confidence as a nation of Malaysia. Almost all levels of Malaysian society in village or town, get the same opportunity in education to realize "education for all."

Third, development of education practiced by Malaysia on an ongoing basis, have exposed the public and the State of Malaysia to the impressive economic progress, so that the Malaysian

government set a 2020 vision, Malaysia into a developed nation and nation, peace and prosperity.

Malaysia since independence until now, continues to struggle to realize education democracy, and has been fruitful with the fruits of progress, where the entire nation of Malaysia obtained a good education.

Development programs implemented in the Malaysian government with the participation of a broad education of the people of Malaysia is a form of education democracy.

Economic Democracy

Malaysia successfully develop an education democracy has been a prime mover to drive the accelerated development of economic democracy as developed through of the "New Economic Policy."

Economic democracy is the economic development that provides an opportunity for citizens who have no business skills, have no capital, no business places, no experience of doing business, no business networks and so forth. So that they can't survive, and are not able to compete with employers who are already advanced.

The government should give special treatment and protection to them by providing business training, business Management, business places, and capital, marketing domestically and abroad. This is a fair way to build the economy, rather than by free competition because it was impossible they could compete with the advanced and experienced entrepreneurs.

When I studied in Malaysia and participated in various seminars and discussions, I often hear criticism and not agree the policy and practice of the "New Economic Policy" (NEP) by the government of Malaysia. They said that the NEP was discriminatory and unfair.

However, following Indonesia's New Order regime fell in 1998 that began with social unrest which the Chinese shops burned and looted its contents. In general the Chinese in Indonesia fear, and many Chinese people who fled abroad from Indonesia and bring them money. At that time, Indonesia experienced economic shocks and then the length of the economic crisis because of Indonesia's economy is controlled by the Chinese.

Of events experienced by Indonesia, I think if the "New Economic Policy" practiced in Indonesia, it would not be chaos and economic shock in the event of change of political power. Therefore, in my opinion based on experience in Indonesia in 1998 was a very fair practice the

NEP. Indonesia and ASEAN member countries should consider the practice of NEP as implemented by the Malaysian government to prevent the happening of public anger against the Chinese, they are actually innocent but the target of public anger because the government mistake.

From bitter historical experience of Indonesia in 1998, ASEAN member countries should learn to not repeat the same mistakes in developing the economy.

First, Indonesia began to build almost simultaneous founding of ASEAN in 1967 after General Suharto replaced Sukarno as President of Republic Indonesia. There are three basic development of Indonesia's New Order regime practiced the so-called Trilogi Pembangunan (three pillars of development) is **growth, stability** and **equity.**

To achieve economic growth in Indonesia is high, foreign investment and domestic investment is opened as wide as possible with ease and facility. At that time ready to take advantage of Indonesia's economic development opportunities to achieve high economic growth of the Chinese people in the Dutch colonial period was rich as it gets a great opportunity to do business, so have the experience, expertise, networks and capital.

In addition, open investment opportunities as possible for companies from the United States, Europe, Japan and others. Besides that it owes to the developed countries belonging to the Inter-governmental Group for Indonesia (IGGI) and then replaced with the Consultative Group on Indonesia (CGI) to finance development in Indonesia. Indonesia total government debt by the end of 2011 Rp 1803.49 billion (Kompas Forum, February 21, 2011)

As a result of development in Indonesia only enrich the already wealthy. While the majority of indigenous peoples of Indonesia (pribumi/bumiputera) remains poor, lacking education and neglected.

Today, Indonesia's economy is currently dominated practically the Chinese group who number only about 5 percent. The population data collection by the Ministry of the Interior, **the population of Indonesia** as of December 31, 2010 reached **259 940 857**. This amount consists of **men** is **132.240.055** and **woman** is **127.700.802** (Kompas.com, 19 September 2011).

Forbes magazine published in November 11, 2011 suggested 40 richest people of Indonesia.

I have been researching the 40 richest people of Indonesia, I found that Sri Prakash Lohia is the only **one of the richest Indian**, with **a total wealth <u>US$ 1.7 billion</u>**, and Indigenous people of Indonesia **(pribumi) seven people, have a wealth <u>of U.S. $ 9 billion</u>**.

In the meantime, **there's 32 richest people of China Indonesia**, with total wealth **of U.S. $ 73.87 billion**.

This situation is very unfair and should be corrected due to jeopardize the future of Indonesia and the ASEAN region.

To prevent the growing economic domination of China Indonesia and foreign groups, State-Owned Enterprises (BUMN/Badan Usaha Milik Negara) should be further encouraged and developed,
and hope to be a pillar of economic of Indonesia, that Indonesia nation not ruled by a minority of one faction that controls the economy of Indonesia.

In the future, State-Owned Enterprises should not be sold, but to make investments into various sectors that benefit. At the same time the absolute constructed small and medium indigenous entrepreneurs gradually create economic balance. It is important to realize economic justice and equitable development and maintaining stability, so that social jealousy and envy toward the Chinese group could be reduced and eliminated.

Therefore, the ASEAN countries that are developing the economy, should learn from the failure of Indonesia in developing economic democracy in order not to repeat similar mistakes.

Ongoing political democracy in Indonesia, has not yet managed to get closer to practice of economic democracy because it cost very expensive, require huge money, so the politicians can be collaboration by owners of capital and corruption.

Conclusion

Education democracy and economic democracy is the way to go and performed by the ASEAN countries to develop prosperity in his country. It is ASEAN the way forward. Only education and economic development, equitably to all the people in each ASEAN country that can bring true progress and prosperity.

Malaysia is one of the leading ASEAN countries are ready to practice the political democracy in the general elections, because it has a successful education democracy and economic democracy, as the "middle class" is quite large with a good level of education and the relatively advanced economic life. It is a condition of success of political democracy.

Therefore, practice of education democracy and economic democracy is very important and key to the prosperity of ASEAN community in the future as purpose the establishment of ASEAN in Bangkok 1967.

Then, ASEAN community shall establish cooperation to advance the education democracy and economic democracy in this region. If not done, the only ASEAN member countries that have advanced society and country, can take advantage of the opportunities that open from the ASEAN Economic Community (AEC) and would be more advanced, prosperous and wealthy.

In contrast, ASEAN member countries that are developing and have not developed, then it will just be a market for industrial products to other countries that have been developed. If allowed, then the social and economic inequalities will be more wide open and could create instability in the ASEAN region.

It is important to note, because there is no lasting peace and sustainable stability if there is no justice, welfare and prosperity in accordance with the ideals of the establishment of the ASEAN organization almost 45 years ago.

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Constructivism in Southeast Asian Regionalism: Indonesia-Malaysia Relations as a Case Study

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Introduction

- Background to the ASEAN regionalism
- Theoretical framework on ASEAN Regionalism
- Constructivism at work on ASEAN community
  - Indonesia Malaysia Relations (establishing collective identity)
    - Interdependence
    - Common fate
    - Homogeneity
    - Self Restraint
- Conclusion

Background

- Southeast Asia is a region
- ASEAN as a regionalism in Southeast Asia
  - Origins of the term of Southeast Asia
    - South-East Asia Command (SEAC) in 1943
  - Pre-colonialism
    - World of Mandala
    - World of Commerce
  - Conditions at the time of Independence
    - Priority on a national building
    - Re-Establishment of Relations with former colonial rulers
    - Building relations with each other in the region

Cont...

- ASEAN formation and development
- Phase I
  - 1967-1976 (Bali TAC)
  - Zopfan in 1971
- Phase II
  - 1977-1987 (amendment of TAC)
- Phase III
  - 1988-1998 (Nuclear weapon free zone in 1995)
  - 1997 (vision 2020 in KL)
  - 1998 (second amendment of TAC)
- Phase IV
  - After AFC and 911
  - Asian Community (2015).

Theoretical framework

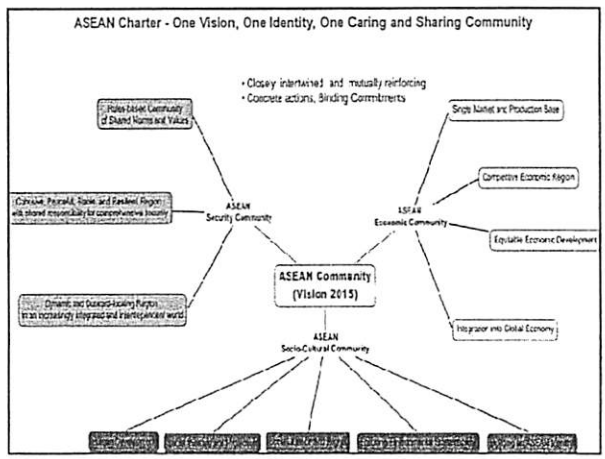
- Regionalism?
- A "states-led project to reorganise particular geo-economic spaces."
- It is a political project with states in the forefront but several competing regionalizing actors with different regional visions and ideas (NGOS, new social movements, media, companies etc.) play a role.

IR and Southeast Asian

- Realism:
  - National security (911 reemerged importance of the concept)
  - Emphasis on existence of internal and external conflicts
  - Denial of the concept of community
- Liberalism:
  - Economic cooperation (AFTA, AIA, FTAs)
  - Functionalism
  - Implication for the economic cooperation in ASEAN.
- Constructivism:
  - Community (identity, norms)
  - Common culture, history, ideas
  - National interest can be adjusted
  - Implication for the idea of ASEAN community.

ASEAN Community

- **ASEAN Political-Security Community** – peaceful settlement of intra-regional differences: political development, shaping and sharing of norms, conflict prevention, conflict resolution, post-conflict peace building, and implementing mechanisms
- **ASEAN Economic Community** - creating a stable, prosperous and highly competitive ASEAN economic region: free flow of goods, services, investment and a freer flow of capital, equitable economic development and reduction of poverty and socio-economic disparities by 2020
- **ASEAN Socio-Cultural Community** - a community of caring societies and founded on a common regional identity, with cooperation focused on social development: raising the standard of living of disadvantaged groups and the rural population, active involvement of all sectors of society, in particular women, youth, and local communities



Indonesia - Malaysia

- Indonesia and Malaysia was under *Mandala* cycle, sharing common glorious kingdoms.
- Both countries were from one stock but then became two nations
- Upon the colonial era, British controlled Malaya and Dutch controlled Indonesia.
- Indonesia and Malaysia became two different nation states.
- Relations between the two countries became rigid and protocol based.
- Through nation-state doctrine, problems faced by Indonesian-Bilateral relations.

Background to Bilateral relations

- Historically, bilateral relations can be classified into four era;
  - Close relations during the pre-colonial era of the "Glorious Kingdoms" (up to the 16th century),
  - the colonial era (16th Century – the mid 20th Century),
  - Confrontation (1963-1966), and
  - Collaboration (1966 up to the present).

Glorious kingdoms

- During the period of "the Glorious Kingdoms", the period of Srivijaya, Majapahit, and the Malay kingdoms around the Malacca straits, relations were close and friendly.
- The movement or inter-migration of people in the Malayo-Polynesian region (which included the present Malaysia and Indonesia) had taken place as early as 500 B.C.E.
- The inter-migration resulted in the close social, cultural and economic relations between the two countries which is reflected in the term *serumpun*, "oneness" (literally, people of the same racial or ethnic stock).
- The emergence of the sense of *serumpun* created bonds of friendship between the two territories.
- Under the Malay-Indonesian kingdoms, there was not much of a concern about boundaries.
- They shared the glorious heritage of such kingdoms as Majapahit, Srivijaya, Sultanate of Malacca and Acheh.

(Firdaus Haji Abdullah, 1993), 140-141.

Colonial Era

- When colonial powers reached the Malayo-Polynesian islands, Malaya came under the British, and Indonesia (East Indies) was acquired by the Dutch.
- The British and the Dutch agreed on the division of their colonies. Despite the demarcated boundaries, people traveled freely within the region.
- The flow of inter-migration between Malay-Indonesia, under the British, was very high owing to the lack of human resources in Malaya.
- The resulting interaction between the people of Malaya-Polynesian intensified the feeling of being *serumpun* (oneness), and this bond came to be the force that repulsed the colonial powers from their homeland.

Upon the Establishment of Nation State (1957-1963)

- Clear demarcation of territorial boundaries
- Nationalism over taking all factors of bilateral relations
- The legacy of colonialism, as it has been secular administration
- Skepticism attitude
- Regional leaders competition

Bilateral Relations (1966-present)

- Prestigious bilateral relations: though there are problems between two countries but there was no physical conflict or war.
  - Territorial disputes
  - Immigrant workers
  - Illegal logging
  - Haze and environmental issues
  - Recruitment of different citizens to the security staff
  - Cultural rights and identity

Maintaining Collective identity in Bilateral Relations

- Collective identity
  - Interdependence
  - Common fate
  - Homogeneity
  - Self Restraint
- Norms creation
- Common knowledge
- Sharing interest and responsibility

Conclusion

- ASEAN community could take lesson from Indonesia-Malaysia bilateral relations
- Common knowledge should be shared
- Collective identity should be shared
- National interested should be adjusted
- Self restraint should be observed
- ASEAN community may be taking place in 2015. (process is equally important to the objective).