

Section I

ASEAN: THE LONG VIEW

INTRODUCTION

Ooi Kee Beng

The history of Southeast Asia is a chequered one. Not only are we talking about a region dissected for several hundred years by colonial expediencies, we are also dealing with its bifurcated geography: the southern territories largely configured by coastal ways of life, and the northern territories by riverine and agricultural activities. The political systems and thoughts that flowed out of these were therefore understandably dissimilar. Layer upon layer of external influences placed over centuries are clearly evident, affecting various areas differently. The Indic and Buddhist kingdoms of old, for example, were overwhelmed by latter-day Muslim regimes in the archipelago, but not in continental Southeast Asia. Along the eastern coastline of Indo-China, it was a Sinic influence instead that remained strong for two millennia. In so-called modern times, European powers laid claim to whatever areas other European powers had not yet called their possession — at least until the Japanese expelled them in 1942.

The Europeans could not reclaim these liberated lands in 1945, and in the few places where they persisted — they could not hold them for long. Worse still, they could not reclaim their old authority. Thus, the region went through an essential transformation after the Second World War, and ended up

as a jigsaw of nation-states, an alignment that suited some more than others. Since 1968, however, the ambition to construct a regional body — ASEAN — is being gradually fulfilled.

In this section, Wang Gungwu discusses how “Southeast Asia” evolved as a concept, and how — despite the trading routes that passed through the seas in the region — it was never as important as the continental silk route in Central Asia was. ASEAN, as Wang sees it, is also essentially different from the European Union and comparisons between the two should be made with caution. In his piece, Nicholas Tarling deliberates the history of regionalism in Southeast Asia, and the complex conditions under which the attempts at regional cooperation have operated. This is followed by Narongchai Akrasanee’s revelation of the diplomatic context for key achievements in ASEAN’s development towards economic integration. Finally, Rodolfo Severino — drawing upon his insider’s knowledge on the workings of ASEAN as an organization — examines its development from its origins. He charts ASEAN’s shifting concerns from security matters during the Cold War, to economic cooperation, and the present bold search — informed by the pursuit of geo-security — for an ASEAN that is broadly and deeply integrated.

1.

SOUTHEAST ASIA AND FOREIGN EMPIRES

WANG GUNGWU

Ooi Kee Beng: May I suggest that we continue discussing Southeast Asia as a concept?

Wang Gungwu: As I mentioned earlier, the term really came out of World War II, from the Mountbatten Command in Colombo, which was called the South East Asia Command. The term stuck, and it did so because of the advent of decolonization. The British and the Americans found it useful, and I think the French and Dutch followed thereafter. Decolonization made them think of the region's future, which they feared would be similar to what had become of the Balkans — fragmented, and in effect a power vacuum. European experiences were transposed on to the region, and the notion was that, where there is fragmentation, big powers would intervene. So a quick look around showed an independent but fragile India on one side, and on the other, Communist China, one of the five powers in the United Nations Security Council.

The strategic planners saw a potential political vacuum, and to get down to work they needed a coordinated bigger picture.

Identifying Southeast Asia as one region helped them visualize the future. This didn't happen immediately, by the way. The Americans took some time to accept it because they thought in terms of East Asia, or the Western Pacific. They never looked at South Asia much, the way the British and the French did. On their side, Europeans saw India and they saw China; and they saw the region in between as a residue. So the French used the term "Indochine", which is very interesting because it showed that the French had understood the area to be a bit of China and a bit of India. For Western powers that had been moving eastwards, this area would have indeed been orientated through references to India and China.

OKB: In the early days, the British were denoting the region as "Farther India".

WGW: Farther India, yes. They were thinking in terms of the projection of British power out of India, an extension into the Malay Peninsula and into Burma. Burma was

actually managed as a province of India, a tail end of India; something the Burmese have never forgiven them for. So their view was always India-centred. The Americans however were concerned with the Philippines and Japan, and tended strategically to be China-centred.

It is significant that “Southeast Asia” is really a British conception. The Americans eventually saw that it could be useful, but even then, this was more among the academics. The strategic thinkers still largely thought in terms of East Asia. Even the universities subsumed Southeast Asia under East Asia; only a few took up the idea of Southeast Asia studies, such as Cornell, and then eventually Michigan and Berkeley. But many other universities didn’t! The British were very early on that front. Take London University’s School of Oriental and African Studies (SOAS) for example, which immediately had a Southeast Asia division, alongside South Asia, and East Asia. I think London University already had that clear idea about this, while Oxbridge took a little while longer, because they were not that interested, and they were looking at the classical era. So I would say it’s a post-war British conception, which was eventually accepted by everybody, and by strategists.

...

OKB: Can one describe Southeast Asia historically through Silk Road, or trade routes, politics? The ports were not sufficient in themselves. Instead, they were quite peripheral in the larger context, and survived because they were part of the trading activities going on between the empires.

WGW: That’s a very interesting way of describing it. It is apparent where the continental side is concerned. Where the maritime side is concerned, we are dealing with a very new perspective, with the Silk Road image being transposed on to the sea.

The Silk Road in the north was still basically a Eurasian power system, with areas in between and with powerful states at both ends. So it was always the part in between that expressed the relationship between different ends.

I won’t say the maritime system in Southeast Asia was like the Silk Road. We think of the Silk Road as having the Roman Empire and the Han Empire at the far ends, and in between there were the Iranian Empire, the Arabs and even the Moghul Empire. The routes in between all these were in areas nobody took the trouble to control, since they were based in oases surrounded by desert. And they were not agrarian like these powers were. There are similarities enough for us to apply this pattern to the maritime region in Southeast Asia. But the one was the Eurasian centre, while the other was on the edges and was not regarded as significant. In terms of political power and even wealth generation, Southeast Asia was not that important. The essential economic power came from agrarian surplus supporting the political system, the army, the garrisons, and so on.

OKB: Today, ASEAN groups together a number of states, all of which know how vulnerable they are individually. For them to stay united and enhance their credibility, they have to be each other’s peers and to always make decisions unanimously.

WGW: This is a by-product of being between India and China. From day one, decolonization took place under the shadow of the great powers and was affected by how these were planning their own futures. Even though unspoken, the underlying thought which the British had already come up with — and in that way we are still a product of that imagination — was that sooner or later the region as a whole will be clamped between India and China. So what do you do? If you are Balkanized, you will always be subject to one or the other. They sold the

idea that they could help us, which they are still doing. The Americans joined in, and so Britain and America basically offered a guarantee that if we welcomed them, they would help us against the two powers. The Cold War, of course, increased the sense of urgency throughout the region. One side had become communist, and the other side was capitalist.

So decolonization taking place during the Cold War was the full context. The underlying idea was that these places between India and China offered a strategic opportunity for the West. And now we have President Obama's pivot to the region. India is no threat today, so they focus on China. You have a counterbalancing act going on, and this is where Australia comes in. Whether they like it or not, Australia represents the West. They are here in the neighbourhood! So if Australia participates, then the West is in the region.

OKB: They are more than just deputy sheriff to the Americans then?

WGW: They are actually integral to the whole set-up. Having U.S. marines in Darwin doing elaborate surveillance from the south is not accidental. It is an extension of the whole process, and the justification for that is that Southeast Asia needs protection. At the same time, the Southeast Asians who worry about India and China feel that the only chance they have is to let the West in. If you look at the economics alone, the whole of Southeast Asia is not as strong as China or Japan, or even Korea. India still has some problems in South Asia, and Bangladesh and Sri Lanka create some awkwardness for the Indians, but basically the gap is still frighteningly big, and so the Southeast Asians feel justified in allowing the West a role. It makes them sleep better at night.

That is why we have the business of ASEAN being in the driver's seat. The language is very interesting, because putting it that way

justifies the third leg — not only India and China, but also the West. This centrality of Southeast Asia is based on an assumption that this will forever be the only way that Southeast Asians can feel secure, locked as they are between those two. This proceeds from the post-1945 process of decolonization. There is an extraordinary and interesting continuity here, and I would say it is the brainchild of the British — British idea, American capacity and Australia as the instrument of their partnership; altogether guaranteeing security and stability for the Southeast Asians.

OKB: They handled their retreat very well, didn't they, the British?

WGW: Beautifully! Look at the British Commonwealth. It was a brilliant invention. Most people now dismiss it, but I would advise against that. The idea is extremely powerful. It doesn't depend on power; it depends on diplomacy and negotiated agreements and a sharing of insights about what the future should look like strategically. And if you look at it that way, then the Commonwealth has a different, though seemingly minor, function. It is there to provide a backdrop upon which a lot of other things can take place. A sense of sharing of political culture can continue via the Commonwealth. It doesn't offer any clear alternative, but it is an alternative, to either India or China. That's all you need, actually.

The Commonwealth remains peripheral though, because in the end you do need a solid territorial base; and that is why ASEAN — the Southeast Asian Ten — was an extraordinary step forward. It has not been very long since the last member joined. Cambodia came in 1999, only fifteen years ago. So it's too early to say whether it will succeed or fail. It's just beginning, just growing into a three-sided reality, with Southeast Asia in the centre. It's brilliant. The ASEAN peoples all know this. So do the other players.

OKB: The common tendency to study ASEAN by comparing it to the EU misses the point entirely then.

WGW: The EU is different. I think the EU is only important to us in the sense that we look at how far one can go without getting into big trouble. We watch what they do and learn from their mistakes, and if there are ideas there which will help us, then we can take them. But it cannot be a model; it's a totally different story. ASEAN is entirely strategic. The EU had strategic origins as well, what with NATO and the Cold War; but that is all over, so it is a different story now. The dynamics are different.

I use the Mediterranean concept because I think what will make the Anglo-Americans and the Indians even happier is if they can complete this arc from Japan all the way down to India, and so contain China. They would then feel safe. You would then see the South China Sea as a real Mediterranean. Keeping the Chinese out of the Indian Ocean and the western Pacific is part of this policy of containment. So the South China Sea

remains the final region needed to complete this picture. Should they succeed, then you will have a Mediterranean setting stretching from Japan and Korea down to Java and the Malay Peninsula, dividing two sides completely, just as the Muslim and Christian worlds are separated by the Mediterranean. The West knows that they cannot incorporate China into their story. China is too big, too powerful and too rich, and it has too much of its own history. This is the reality that they have to accept.

Now, on the Chinese side, many of their leaders accept the reality that they are not able to challenge the United States. What they want is to be sure that they are safe from external attack and intervention. That's all they want. To do that, they must have a very special relationship with the United States.

In between, however, there are many proxies, so who knows what will happen there. That's a situation that has to be managed. It is in a way the expression of a long stand-off between those two sides. How big or small the arc will be, and who will be included or excluded is for the future to decide.

2.

SOUTHEAST ASIA AND THE GREAT POWERS

NICHOLAS TARLING

Southeast Asia has secured over the past half century both a large measure of interstate peace and cooperation and a degree of autonomy from great powers outside the region that few observers had hoped for and scarcely any anticipated. Those have been coupled with a measure of economic and social development that, though far from equitable in its coverage and set back by a major crisis in the late 1990s, also indicated a remarkable transformation. A region of revolt had become a region that invited investment, though also speculation. To that the work of ASEAN (Association of South East Asian Nations) has made a substantial contribution. Many were disappointed with its slow progress towards the cooperative economic projects that it set out as its priority. What was achieved was what that vaunted priority in fact, by design or otherwise, tended to conceal, a practice of political collaboration that in the event was to open up much wider economic prospects.

By contrast to the European regional project, ASEAN was avowedly based on the nation-state. That was the prime source of its success, though some would also say its

ultimate limitation. The region had come almost entirely under the formal rule of Western powers and been segmented into parts of their empires. Within the frontiers they had created or affirmed, however, their rule had come to be contested by a nationalism that they had also helped to create. Within the colonial states they built up, an alternative leadership offered the way to modernity. The destruction of the Western empires by the Japanese gave it, rather unwittingly, an opportunity it would not otherwise have had so soon or perhaps so amply. But its achievement, the winning of independence, was won piece-by-piece, colony by colony, and the new states, though claiming as modern states now did, to be nation-states, inherited the colonial frontiers. Just as the colonial states had little in common but their colonialism, those that replaced them had little in common but their nationalism. Any attempt to build regionalism had to take that into account.

Politically, the outside powers rather stood back from the region-building of the 1960s and 1970s, though the Soviet Union (SU) thought ASEAN was a US plot and it was

indeed often presented as anti-communist, to some extent another piece of its own camouflage. The UK and the US in fact recognised that any open intervention in the venture would be counter-productive. They were reducing their involvement in the region, and that was both a source of apprehension to regional leaders and an opportunity.

The attempt to extend ASEAN on the part of its founders, Malaysia, Indonesia, Singapore, the Philippines and Thailand, met the distrust of Vietnam. Vietnam's invasion of Cambodia in 1979 indeed led ASEAN to cooperate with China, itself at odds with Vietnam's patron, the SU. It was only in the 1990s that all ten Southeast Asian states were included in the Association. But how far, some leaders wondered, particularly perhaps in Singapore, could it even so provide for the security of the region? Would it be necessary to counter the influence of a rising China by ensuring after all the continued presence of other major powers in the region?

Division within Southeast Asia, both within states and between or among them, had led to or invited intervention from outside, and statesmen recognised that, if it were to be limited, they must seek both internal and intra-state stability. A contestant in a state or contestant states must not look for aid or support in maintaining or subverting a regime. The nationalist revolution in Southeast Asia — and so it may be described even though independence was achieved with quite disparate levels of violence — culminated in what might be called a novel conservatism. The nation-states were successor states. The frontiers they inherited must be accepted. The values the Western states enjoined, without necessarily practising, must be followed. States were sovereign. Non-intervention and non-interference were the watchwords, even though 'minorities' were left behind and old claims unresolved. So far and no further, so far as national revolution was concerned.

The values were, of course, those of the UN Charter, and were at the core of the concept of a world of states. But they had been re-endorsed as the principles of co-existence, set out in the Zhou-Nehru understanding of 1954 and at the Bandung conference of 1955, and were appropriated by the ASEAN leaders. They were, of course, idealistic in nature. But they also represented a realistic attempt to deal with the crucial problem of a world of states. States are unequal in power, and, though the distribution of power will vary over time, they will remain so. Setting out and invoking the principles of co-existence provide a way of moderating the exertion of that power and the effect of its inequality.

They provide, of course, only one way, even if honestly applied rather than merely used as camouflage. The fact that, while sovereignty may be equal, power is not, has to be recognised. A small state, particularly if it is the neighbour of a great one, will be ready to compromise the exertion of its sovereignty at times, if it hopes to preserve the essence of it. A powerful state will see itself as entitled to exert an influence outside its frontiers commensurate with its power, and it will be a matter of judgement to determine how far that may extend at the expense of others. Without such flexibility, the world of states could not function even as well as it does. The principles it invokes would be weaker, not stronger, if their idealism were not suffused by realism.

The creators of ASEAN recognised that. Within their region the states they had inherited and sought to sustain were very unequal in size, potential and power. The principles of co-existence and the practice of compromise could be strengthened by a regional association built upon the independent states. That would at once endorse the principles and provide a vehicle for compromise. But it would also provide a means by which the disparities of power could be both moderated and accepted. If that were not done, the smaller powers

might be tempted to look outside the region for support against a potential intra-regional hegemon. If it were done, that hegemon would find a means of exerting its influence that avoided eliciting an extra-regional challenge. The imbalance within a region could be adjusted without the need for an outside check.

How was a newly-independent state to provide for its security? It was perhaps significant that those who took the initiative in promoting regional association were the leaders of newly-independent Malaya. In particular they had in mind their much larger wrap-around neighbour, Indonesia. At home, there were some who questioned the creation of the new state: was it not dividing the Malay world? Would not an Indonesia Raya provide better security for the continuance of the 'Malay race'? and in the Republic itself, there were those who saw the new state of Malaya as a colonial creation, brought into existence by collaboration rather than the proper revolutionary struggle. At the time, moreover, Indonesia had been arming itself, initially above all as a means of defeating the challenges the outer islands had presented to the central government in 1956–58 and then, of course, to exert pressure on the Dutch finally to depart from West New Guinea/Irian. If it were successful there, it might look to other colonial remnants, even if they could not be regarded as part of a successor state, the Borneo territories, Portuguese Timor. In any case the big brother could exert pressure on the newly-independent little brother. The largest and most populous state in the region, it could indeed expect to influence its neighbours, and some such expectation had to be met if the system was to work. But a counter-balance was at least a desirable precaution.

The steps the Malayan leaders took after 1957 seemed puzzling, if not confused, certainly difficult to appraise. Various motives were suggested. But the essential clue was surely their search for security in

the region, in particular with respect to their great neighbour. They might, as a Canadian official put it believe in 'the safety of numbers'.¹ Rather than merely pursue the bilateral treaty that Indonesia proposed, Malaya sought multilateral relations with its neighbours. Its initial attainment was to be limited to the tripartite ASA, but the rhetoric of its leaders and their officials envisaged a more encompassing association in the future.

That was, of course, attained with the creation of the five-power ASEAN of 1967 and its later extension to cover all the ten states in the Southeast Asia of the 1990s. The course of events was far from even or linear. But, following the confrontation of Malaysia pursued by the Sukarno regime, and the abortive attempt to resolve it through Maphilindo, Indonesia accepted an alternative, ASEAN, in effect, though not so presented, an extension of ASA, in which the influence it necessarily had in the region could be deployed in a way that its neighbours could accept and to an extent that would not lead them to call on powers outside the region.

The subsequent extension of ASEAN took place only after the wars on the mainland had been concluded. Its original members had hoped that it might contribute to the end of the war, and the proposal for a Zone of Peace, Freedom and Neutrality (ZOPFAN)] — again put forward by Malaysia — was designed to proffer a means by which an accommodation might be reached among all the Southeast Asian nations as the end of the second Indo-China war seemed to be at hand. Vietnam's response, however, was for the most part negative, shifting only when it came under pressure from China. Its invasion of Cambodia was followed by China's punitive war early in 1979. It also put it at odds with ASEAN, since it breached Cambodia's sovereignty, and it was necessary to uphold that, even when it was in the hands of a despicable regime, the Khmer Rouge, and even though the invasion

was a liberation. It was on this basis that ASEAN and China cooperated. When the Vietnamese withdrew from Cambodia, and a settlement was reached, the way was at last open for the accession of the mainland states to the Association. By a most indirect route, even involving collaboration with an outside power, ASEAN had attained a position that it had long sought as the basis of peace and stability within the region, prerequisite for limiting the role of outside powers, including China.

ASEAN extended the idea that, rather than seeking security from outside the region, its members could secure it by agreement inside, perhaps more effectively. Regional cooperation, argued Thanat Khoman of Thailand, insulated participating countries from manipulation by foreign powers, friendly and hostile. It answered the 'need for a more effective effort to neutralize any eventual interference or intervention on the part of others in our affairs and interests'.² By resolving intra-regional disputes, or setting them aside, Southeast Asian states might avoid the need to call on outside powers and foreclose their opportunities for intervention. And they could deal with outside powers by acting as a group, not only on the economic front, which would also help to bring them together politically, and add to regional stability, but politically as well. ZOPFAN, too, was not merely an endeavour to contribute to peace in Indo-China. 'The policy is meant to be a proclamation that this region of ours is no longer to be regarded as an area to be divided into spheres of influence of the big powers', Dr Ismail told the 4th ASEAN meeting in March 1971. 'It may be regarded as a project to end or prevent small countries in this region from being used as pawns in the conflict between the big powers.'³

Whether that was an account of history that took sufficient account of local initiatives is doubtful, but politically it offered the states something more they could share. In fact there was a dynamic among the outside states as well as among those within the region. A strong element of rivalry had driven their interest in Southeast Asia. ASEAN leaders recalled that, particularly after the major changes among the great powers of the late 1980s and 90s. Steps to diminish rivalry among the outside powers would enhance the security of the region and its component states. Ambitious though it would be, regional leaders might conceive the hope of extending their diplomatic steps on to a wider platform, that of East Asia or the 'Asia-Pacific' as a whole, for example.

Not surprisingly, whatever the depth of their knowledge of history, Southeast Asian leaders wanted to ensure that the past was not 'repeated'. That, they conceived, involved establishing stability within each state and among the states of the region, so foreclosing the opportunity or the need for intervention from outside. Could that be achieved? It involved two paradoxes: accepting the colonial frontiers, though they had been constructed with another purpose, that of avoiding conflict among the imperial powers; and constructing a regionalism that insisted on the sovereignty of states. If achieved, could it be sustained? That involved judgment and forbearance within regimes and among them. It also required, even so, acceptance on the part of outside powers, particularly on the part of the rising power, China, that had once seen states in the region as in some sense tributary. Was there after all to be another element in the pattern that mixed national and regional commitments? How would it fit?

NOTES

1. Arthur Menzies/Ottawa, 18.3.59, 172. PM 434/10/1 Pt 2, National Archives (NA), Wellington.
2. Quoted in M. Gurtov, *China and Southeast Asia. The Politics of Survival*, Baltimore and London: Johns Hopkins University Press, 1975, p. 43.
3. Quoted in R.K. Jain, ed., *China and Malaysia*, New Delhi: Radiant, 1984, p. 153.

3. THE EVOLVING NATURE OF ASEAN'S ECONOMIC COOPERATION Original Vision and Current Practice

NARONGCHAI AKRASANEE

It is my great pleasure to be back at the Institute of Southeast Asian Studies (ISEAS) after many years and to have a chance to speak at the High-Level Conference on the Association of Southeast Asian Nations (ASEAN) today.

It could be said that my ASEAN story has developed over the years for two reasons — interest and opportunity. Out of interest, during my studies in Australia and the United States in the 1960s, I studied and then wrote my dissertation on protectionism. When I came back to Thailand, my home country, and started working, I was determined to fight against protectionism, which was basically the industrial policies of that time.

Recalling the early 1970s, when countries in the region like Singapore and Malaysia started opening up their economies, I had opportunities to work with the National Economic and Social Development Board of Thailand. My work was on industrial and trade policies. At the same time, I was doing research on regional cooperation — on

ASEAN, in particular. I knew at the time that economies of scale, not protectionism, would help a country to industrialize. So ASEAN economic cooperation would definitely enhance Thailand's industrialization process. We had, at that time, the Kansu Report¹ on ASEAN economic cooperation, which supported this concept.

And when ASEAN held its first summit in Bali in 1976, the agenda on economic cooperation, to which I had made some contribution was very much derived from the Kansu Report's recommendations. The Report's recommendations were also the origin of the agreements on the ASEAN Preferential Trading Arrangements (PTA)² and ASEAN Industrial Projects (AIP).³

Before economic cooperation was brought to discussion seriously in 1976–77, political and security issues featured much more dominantly on ASEAN's agenda. The economic issue was brought up at the first summit, and became ASEAN's major concern during and after the second oil crisis in 1979.

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The oil crisis was a wake-up call for ASEAN countries to accelerate the process of industrialization by means of export promotion. There was then a consensus among ASEAN policymakers about having a serious look at ASEAN economic cooperation. For this purpose, a high level Task Force was appointed in 1985, consisting of three members from each of ASEAN's five founding members — Indonesia, Malaysia, the Philippines, Singapore and Thailand. I was a member of Thailand's team. The Chairman of the Task Force was Mr Anand Panyarachun, a very senior Thai technocrat who later became the Prime Minister of Thailand in 1991–93.

I recall Thailand's active involvement in the ASEAN Task Force in 1985–86, which produced a comprehensive report on ASEAN cooperation. A few years later, the end of the Cold War and the break-up of the Soviet Union opened up an opportunity for ASEAN to work with Cambodia, Lao PDR, Myanmar and Vietnam (CLMV), whose market economy strategies were starting to materialize. This period saw the Asian Development Bank (ADB) greatly assisting the CLMV countries through the Greater Mekong Subregion Program (GMS).⁴ It was also the time when ASEAN expanded further to eventually incorporate all ten Southeast Asian countries by 1999.

By another accident of history, Mr Anand Panyarachun became the Prime Minister of Thailand in 1991, following a military coup d'état early that year. Taking this opportunity, and also with encouragement from Prime Minister Goh Chok Tong of Singapore, Mr Panyarachun picked up the concept of an ASEAN Free Trade Area (AFTA) from the Task Force Report of 1985/86. An AFTA lobby team was appointed and I was a member of that team.

The AFTA negotiations started in September 1991 and concluded in January 1992, with the signing of the Agreement in Singapore in February 1992. Most of the

countries were very willing to participate in the negotiations, which therefore went very smoothly and were finalized quickly.

The international trade environment was also favourable to AFTA. The General Agreement on Tariffs and Trade (GATT) was conducting the Uruguay Round of trade negotiations, starting from 1986, and was about to be concluded in 1992. So for most ASEAN countries, AFTA liberalization was considered to be a proper prelude for GATT liberalization. Then, as the Uruguay Round was expected to be concluded in 1994, AFTA began in 1993.⁵

Working for the many governments of Thailand since 1974 gave me opportunities to get involved in ASEAN issues deeply. When I became the Minister of Commerce in 1996/97, I had chances to work with ASEAN Economic Ministers to deepen ASEAN's economic cooperation. We knew then that from the cooperation on trade in goods through AFTA, we should move on to trade in services. We also understood the need to allow the freer flow of direct investments among us, meaning encouraging national treatment for our ASEAN investments. Thus, the ASEAN Framework Agreement on Services (AFAS),⁶ ASEAN Investment Area (AIA),⁷ and freer flow of professionals were promoted.

The ASEAN Economic Ministers Meeting in Cebu in 1997 was the foundation leading to the Cebu Declaration on the Blueprint of the ASEAN Charter in 2007, followed by the signing of the ASEAN Charter, which came into effect in 2008.

While focusing on the common goal of regional cooperation, ASEAN has continued to work with external partners, as its principle is open regionalism. One of the most important turning points in ASEAN cooperation with external partners was its participation in the APEC⁸ Economic Leaders' Meeting in the United States in 1993. Other institutions like the ASEAN Plus Three,⁹ the East Asia Summit,¹⁰ and

the ASEAN+6¹¹ are also examples. The agreements between ASEAN and its partners have helped reinforce the openness of the so-called “open economy” of Asian countries.

As for Thailand, moving beyond 2015, ASEAN has become “central” to the country’s development strategy. In terms of economic cooperation, Thailand’s strategy for its future development involves three layers: (1) the first is the GMS, which is the closest one to Thailand and which involves the CLMV countries, highlighting the significance of a regional production and market base; (2) the second is ASEAN’s other mainland and maritime countries, which allows for optimal resource allocation under the AEC 2015, and requires Thailand to implement appropriate policies to

improve its most competitive areas; (3) the third is the “ASEAN plus” mechanism, which suggests the internationalization of Thailand’s economic policies.

I have shared with you on how I have been involved in ASEAN and how the idea of ASEAN economic cooperation developed. As for Thailand’s policy strategy concerning ASEAN, I am very optimistic that this is the way for countries like Thailand — being a developing country in the Southeast Asian mainland, surrounded by the fast-growing countries of CLMV, and open economies like Malaysia, Singapore, and a big neighbour Indonesia — to move forward, together with these countries, for regional development and prosperity.

Thank you very much.

NOTES

1. A study on ASEAN economic cooperation conducted by the United Nations Development Program (UNDP). The report was completed in 1972 and was known as the Kansu Report (after its leader, Professor G. Kansu).
2. Agreement on ASEAN Preferential Trading Arrangements (PTA) signed in Manila on 24 February 1977.
3. Basic Agreement on ASEAN Industrial Projects (AIP) signed in Kuala Lumpur on 6 March 1980.
4. The GMS was established in 1992 and consists of China (specifically Yunnan Province and Guangxi Zhuang Autonomous Region), Cambodia, Lao PDR, Myanmar, Vietnam and Thailand.
5. The AFTA scheme had been transformed into the ASEAN Trade in Goods Agreement or ATIGA since May 2010.
6. The ASEAN Framework Agreement on Services (AFAS) signed in Bangkok on 15 December 1995.
7. Framework Agreement on the ASEAN Investment Area (AIA) signed in Makati on 7 October 1998. The AIA Agreement has been transformed into the ASEAN Comprehensive Investment Agreement (ACIA) which took effect in March 2012.
8. The Asia-Pacific Economic Cooperation (APEC) began as an informal Ministerial-level dialogue group with twelve members in 1989. The Economic Leader’s Meeting in 1993 was the first APEC Summit.
9. ASEAN Plus Three (APT) cooperation began in 1997 between ASEAN and China, Japan and South Korea.
10. The First East Asia Summit (EAS) was held on 14 December 2005 in Kuala Lumpur, Malaysia, attended by the Heads of State/Government of ASEAN, Australia, China, India, Japan, South Korea and New Zealand. The United States and Russia has joined the EAS since 2011.
11. Economic cooperation between ASEAN countries and six other nations — Australia, China, India, Japan, South Korea, New Zealand — under the EAS, towards the establishment of the Comprehensive Economic Partnership for East Asia (CEPEA). CEPEA was initiated in the second EAS in 2007.

4.

FROM POLITICAL/SECURITY CONCERNS TO REGIONAL ECONOMIC INTEGRATION

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The Association of South East Asian Nations, or ASEAN, from its very beginning, has had two objectives. The first is to prevent the historical disputes among its member-states from developing into armed conflict. The other is to keep the major external powers from using the region as an arena for their quarrels. At the beginning, all five founding states were threatened by the rise of Communism, then abetted by like-minded external powers. Soon, however, Communism ceased to be an armed threat.

The formation of ASEAN in 1967 was also made possible by the transformation taking place in Indonesia, Southeast Asia's largest country in terms of population, land area, the economy, and activism in international affairs. It would not do for Indonesia simply to join the young Association of Southeast Asia, or ASA, ASEAN's template-association composed of three future members of ASEAN — Malaysia, the Philippines and Thailand — and taking over most of ASA's practices and structures. An entirely new association had to be set up not only because of Indonesia's status but also because of her

ideological predilections. Thus, Indonesia's highest-ranking point-man for ASEAN, Vice President Adam Malik, Presidium Minister for Political Affairs and Minister for Foreign Affairs, invited Burma and Cambodia to join the new association. Unfortunately, those two states, like Indonesia staunchly non-aligned, demurred, said to be suspecting that ASEAN would be a replacement for SEATO, another brainchild of the United States in its web of military alliances. The U.S. was then mired in its Indochina war, although the U.S. was showing signs of her determination to get out of the Indochina quagmire. At the same time, Indonesia was transforming itself from the Sukarno to the Soeharto era, from autarky in economic policy to relative openness to international markets, foreign aid and investments, from the Left in foreign policy to a more balanced posture in international affairs.

Malaysia had territorial and other jurisdictional disputes with all of its immediate neighbours. There were occasional tensions between Thailand and Malaysia over several issues. Indonesia was opposed, militarily and otherwise, to the formation of Malaysia as a

British-inspired enterprise. The Philippines was hostile to the inclusion of Sabah in the new Federation of Malaysia. Singapore and Malaysia had recently undergone an acrimonious separation as well as having territorial disputes between them. It was mostly to prevent these disputes, through consultation, through golf games and personal friendships, from erupting into something worse that ASEAN was formed.

A WORLD DIVIDED

The world when ASEAN was founded in 1967 was very different from what it is today. The Cold War was at its height. Part of it was America's venture into Indochina, with the support of some ASEAN member-states. It was in this situation that ASEAN as an association sought to position itself in the middle, although some of its individual member-states remained part, openly or covertly, of the U.S. web of alliances in East Asia. The twin-objectives of ASEAN — to keep disputes among members from developing into armed conflict and the quarrels of the strong from involving Southeast Asia — have basically remained the same throughout its almost half a century of existence.

Nevertheless, especially at the beginning, these objectives have had to be disguised, as ASEAN wanted to continue to be seen only as an association for economic and cultural cooperation, in order to avoid being mistaken for a defence pact allied with the United States. However, the progression of ASEAN from purely political and security concerns to a group of countries professing to discern some value in regional economic integration and socio-cultural and environmental cooperation as mutually reinforcing is plain for all who are well-informed and observant to see.

A LEGITIMATE ASEAN ENDEAVOUR

In fact, it was not until the first ASEAN Summit, in February 1976, that economic

cooperation was officially recognised as a legitimate ASEAN endeavour. It was not until early in 1975 that Economics Minister Widjojo Nitisastro and Trade Minister Radius Prawiro of Indonesia went to ASEAN capitals to lobby their counterparts into supporting them in their proposal to hold the first ASEAN meeting devoted exclusively to economic matters. The ASEAN Summit set the agenda for the first meeting of ASEAN economic ministers and decided its place and date, in Kuala Lumpur in March 1976.¹

In terms of economic cooperation (this was before "integration" ceased to be a dirty word in ASEAN), the association at first publicly saw its main function as its member-states giving one another tariff preferences on trade in goods and reducing non-tariff barriers to them. They did this through the Preferential Trading Arrangements, an intra-ASEAN agreement in which each of the then-five ASEAN member-states committed themselves to reducing tariffs on their imports from the others. The agreement likewise calls for the removal of quantitative restrictions on such imports and other non-tariff barriers to them, also within certain timeframes. The tariff-cutting schedule is largely on track, no doubt helped by the member-countries' World Trade Organization (WTO) commitments. However, non-tariff barriers have become the means of choice demanded by some sectors for government protection against regional competition. ASEAN economies are thus prevented from becoming truly and comprehensively integrated on a regional basis.²

In this same spirit of protectionism, and eschewing the benefits that regional economic integration is supposed to bring to the nation-state, ASEAN saw industrial cooperation as giving each member-country a regional monopoly on a certain manufactured product or group of products. Thus, Indonesia and Malaysia were eventually allowed, under the ASEAN Industrial Projects scheme, to build urea fertilizer plants in Aceh and Sarawak, respectively, with government

protection from regional competition. Similarly, in 1982, the ASEAN Economic Ministers approved the Philippine proposal for a copper-fabrication plant, with which the Philippines had substituted its original AIP project of superphosphates after proposing ammonium sulfate fertilizer and then a pulp and paper plant, depending, presumably, on the lobbying power of the company or sector involved.

Starting with its soda-ash project, Thailand had a similar history of changing proposals. Having discovered deposits of natural gas in its national territory, Bangkok in 1983 announced plans to produce urea fertilizer. Indonesia and Malaysia naturally viewed this with misgivings. The ASEAN Economic Ministers approved in 1990 the potash-mining project that Thailand had proposed in replacement of its original proposal. In 2004, the Thai Government decided to pull out of the project, claiming that potash mining was for private enterprise to undertake.

Singapore, with its doctrinal and pragmatic devotion to the free market and aversion to “states deciding what industries to put up for a protected and exclusive regional market”,³ nevertheless had originally proposed for itself the manufacture of diesel engines. However, Indonesia, Malaysia and the Philippines were not willing to accept engines below 200 horsepower — or give up their own plan to set up plants for the manufacture of such engines, which made up the bulk of the regional market.

I was to write, “The PTA agreement would cover ‘basic commodities’, particularly food and energy, the products of the ASEAN Industrial Projects and ASEAN Industrial Complementations schemes, and lists of goods to be negotiated among the parties. Implementation of the PTA started at the beginning of 1978. It initially covered 71 products after much hard bargaining on the 1,700 items that had been considered. By 1986, the number of items covered had grown to 12,700 and, by 1990, to 15,295. The margin of preference was originally an

insignificant 10 per cent, but was increased to 20–25 per cent in 1980. The cut-off import value was raised from the original US\$50,000 to US\$10 million in 1983 until it was in effect abolished in 1984. On the occasion of the 1987 ASEAN Summit, the economic ministers signed a protocol committing the ASEAN countries to place in the PTA within five years (with Indonesia and the Philippines allowed seven years) at least 90 per cent of items traded among them with at least 50 per cent of the value of intra-ASEAN trade. The margin of preference for the new items was increased to 25 per cent and for those already in the PTA to 50 per cent, something that the economic ministers had already agreed upon four years before. The ASEAN content requirement would be reduced in five years from 50 to 35 per cent (42 per cent in the case of Indonesia), but ‘on a case-by-case basis’; after five years, it could be brought back up to 50 per cent.

“Still, intra-ASEAN trade did not grow much. Because the coverage of the PTA was negotiated product by product, the tendency of the ASEAN member-countries, true to the protectionist spirit and import-substitution policies of the time, was to include mostly items that were not likely to be traded (among them). The inclusion of snow ploughs and nuclear reactors became the object of derision within knowing circles. The national exclusion lists were long. In any case, even with a margin of preference of 50 per cent, a PTA tariff would remain high if the most-favoured-nation tariff was set at a lofty level. Tariff rates were not brought down; those ASEAN products that were covered were only given 25- to 50-per cent discounts on high tariffs. At their 1991 meeting, the economic ministers observed that, while intra-ASEAN trade in items covered by the PTA had grown from US\$121 million in 1987 to US\$578 million in 1989, it accounted for an ‘insignificant’ proportion of total intra-ASEAN trade.”⁴

It would be easy enough, with the considerable help of hindsight, to blame the

wrong policies or the negotiators or both for ASEAN's failure to integrate Southeast Asia's economies sufficiently to present a serious competitive challenge to China and other continent-sized economies in East Asia for direct investments and export markets. However, we have to remember that, in many ways, ASEAN was a pioneering enterprise and, devoid of experience, was, without meaning to, showing the way to other regional associations of states. Moreover, Southeast Asia's economic theorists were still under the spell of economists like the Argentine Raul Prebisch, the first Secretary-General of the United Nations Conference on Trade and Development (UNCTAD). However, until today, the political power of lobbies and special interests has been helping to shape state decisions in many ASEAN countries.

THE PRIVATE SECTOR

At first, the ASEAN Chamber of Commerce and Industry (ASEAN CCI) was given the authority and mandate, for example, to identify products for inclusion in ASEAN industrial complementation schemes. As ASEAN gave up in the late 1980s on trying to manage industrialisation and moved towards letting firms essentially decide their own responses to the market, the private sector, with some exceptions, was reduced to seeking photo opportunities with leaders and ministers and thus demonstrating their connections with those in power.

Again with some exceptions, the ASEAN private sector was also reduced to begging for consultation on the formulation of policies that affect their interests or to ignoring government policies altogether. Today, ASEAN leaders and ministers all urge ASEAN to "consult" the "private sector" on any economic moves that it makes. How extensive and effective those consultations have been depends, of course, on the political system of the country concerned. In any case, it seems to me, there is no such thing as a common

position of the ASEAN "private sector" in support of regional economic integration; only fragmented positions favourable to and favoured by each company or sector.

THE CHALLENGE OF CHINA

As the 1990s approached, the ASEAN economies were confronted with the rise of China as a formidable competitor for foreign direct investments (FDI) and export markets. In 1976, China attracted a negligible amount of foreign investments. By 1992, largely because of the Deng Xiaoping reforms of the early 1980s, this figure had soared to about US\$11 billion or more than 6.5 per cent of the world's total FDI flows and to more than US\$52.7 billion or almost 9 per cent in 2002. In comparison, FDI flows to ASEAN (and much of this was concentrated in Malaysia, Singapore and Thailand), had been overtaken by China as it recorded an aggregate of less than US\$11 billion and slightly more than 6.5 per cent of global investments in 1992. Ten years later, ASEAN attracted a mere US\$17 billion in FDI, a meager 2.7 per cent of the global total, with China striking more than US\$52.7 billion or more than 8 per cent. (By 2013, ASEAN seemed to have recovered its FDI lustre, with Indonesia joining Singapore, Malaysia, and Thailand as the darling of international investors, and ASEAN and China each recording more than 8.5 per cent of the world's total flows.)⁵

Meanwhile, the "September 1985 Plaza Accord . . . reached at the Plaza Hotel in New York among the finance ministers of Japan, France, West Germany, the United Kingdom and the USA, had resulted in the substantial depreciation of the US dollar against the other leading currencies. The yen's consequent appreciation prompted Japanese companies to relocate from Japan and invest and establish production chains in the ASEAN countries, contributing significantly to those countries' industrialization."⁶

Shortly afterwards, MERCOSUR was created, with the Treaty of Asunción being

signed in March 1991. The European Union was being envisioned, the Maastricht Treaty concluded in February 1992. The North American Free Trade Agreement (NAFTA) was being negotiated among Canada, Mexico and the United States of America. Globally, the General Agreement on Tariffs and Trade (GATT) was being converted into the more-binding World Trade Organization (WTO), as the Final Act of the Uruguay Round of Multilateral Trade Negotiations was signed in December 1991.

These facts and figures alarmed some ASEAN leaders enough to go along with proposals to make of ASEAN an integrated economy, a highly competitive production base that is linked with and open to the rest of the world. Thus, they decided to conclude the ASEAN Free Trade Area (AFTA).⁷

THE ASEAN ECONOMIC COMMUNITY

Ten years later, with all ten of ASEAN's current members on board, they decided to call the ASEAN economic-integration enterprise the ASEAN Economic Community. I can only surmise that the ASEAN leaders agreed to this proposition, in order to show the world the association's seriousness in integrating the regional economy, knowing that only a regionally integrated market will attract the investments necessary for the national development of each of them. The only way to demonstrate their seriousness was to invoke the spirit of the European Union, or the European Economic Community, as the most economically successful of all regional associations of sovereign states.

The Blueprints of the ASEAN Political/Security Community and of the ASEAN Socio-Cultural Community are full of words like "promote", "encourage", "build", "develop", "increase", "intensify", "advance", "enhance", "facilitate", "improve", "support", and "strengthen", indicating that these communities are never-ending works in progress. These may also mean an acknowledgement that much of the work envisioned

in the Blueprints is to be carried out by national governments and other domestic entities rather than by ASEAN as a group.

On the other hand, the Blueprint for the ASEAN Economic Community carries with it a "Strategic Schedule" that commits the parties, in four two-year tranches (2008–2015), to specific collective undertakings, as "priority actions", within certain time frames. Thus, to estimate the prospects of achieving the AEC in 2015, the Asian Development Bank passed to the Institute of Southeast Asian Studies in 2011 the request of the ASEAN Secretariat for help in assessing the situation. ISEAS commissioned global experts to help undertake this task from the points of view of non-tariff barriers, services, investments, competition policy and intellectual property rights, sub-regional development, relations with external partners, dispute-settlement, and institutions. In addition, a survey was undertaken to ascertain companies' and their decision-makers' views on these matters. The view of the experts and business leaders was unanimous. If the commitments in the ASEAN Economic Community Blueprint were to be taken at face value, then the conclusion was inevitable — ASEAN was far from being an integrated economy.⁸

However, there is another way of looking at this. That is to view it as a measure of how far ASEAN has gone since its founding in 1967, a measure of a work in progress. One may also look at it as the ASEAN leaders' re-affirmation of their aspirations for and commitment to the export orientation, reliance on market forces and openness to the international economic community of their countries' economies.⁹

THE FUTURE

ASEAN has no choice but to integrate the Southeast Asian economy, not only for investment and other economic reasons, but also for geo-strategic ones. For, increasingly, ASEAN will continue to be taken seriously by the rest of the world, and thus maintain

its “centrality” in the growing number of schemes and “architectures” in the Asia-Pacific, only if it is economically strong and resilient and is perceived by the rest of the world as such. It will continue to be so only if it integrates the regional economy — and carry out domestic political reforms — enough to win back the investments and exports that had been lost to China in recent years. And one can integrate the regional economy and carry out the necessary domestic political reforms, only if peace and stability prevail in the region, values are shared and converge, and the habit of working together is widely inculcated, starting with the cultivation of a strong regional, as distinct from a purely

national, identity, in dealing with a growing number and intensity of transnational problems.

In any case, ASEAN agreements are not self-executory; they depend on individual, sovereign nation-states, and thus on the will of the decision-makers in those states, for implementation or compliance. At the same time, ASEAN’s external partners in its FTAs or Comprehensive Economic Partnerships may each have different strategic views and purposes in pursuing and concluding them than those of the ten-member ASEAN. This is all the more reason for ASEAN to strive for economic integration, political cohesion and functional cooperation.

NOTES

1. Joint Communiqué: The First ASEAN Heads of Government Meeting, Bali, 23–24 February 1976, accessed 6 October 2014 in the ASEAN Secretariat Website (<http://www.asean.org/news/item/joint-communicue-the-first-asean-heads-of-government-meeting-bali-23-24-february-1976>).
2. See below.
3. Mr. S. Rajaratnam, foreign minister of Singapore, as quoted in M. C. Abad, Jr., ASEAN Secretariat: “The Role of ASEAN in Security Multilateralism: ZOPFAN, TAC and SEANWFZ”, a paper presented at the ASEAN Regional Forum Professional Development Programme for Foreign Affairs and Defence Officials, Bandar Seri Begawan, 23–28 April 2000; downloaded 8 September 2014 from the ASEAN Secretariat Website (<http://www.asean.org/archive/arf/7ARF/Prof-Dment-Programme/Doc-10.pdf>).
4. Severino, Rodolfo: *Southeast Asia in Search of an ASEAN Community* (Singapore: Institute of Southeast Asian Studies, 2006), pp. 215–16.
5. United Nations Conference on Trade and Development (UNCTAD).
6. Severino, Rodolfo: “Politics of Association of Southeast Asian Nations Economic Cooperation” in Japan Center for Economic Research: *Asian Economic Policy Review* (Tokyo, 2011).
7. Severino: *Southeast Asia in Search of an ASEAN Community* (Singapore: Institute of Southeast Asian Studies, 2006), pages 222 *et seq.*
8. Basu Das, Sanchita, Jayant Menon, Rodolfo C. Severino, and Omkar Lal Shrestha, eds.: *The ASEAN Economic Community: A Work in Progress* (Singapore: Institute of Southeast Asian Studies, 2013; Manila: Asian Development Bank, 2013).
9. *Ibid.*, pages 1 *et seq.*