

## **Chapter 5**

### **The Challenges for Regional Integration**

#### **5.1 Introduction**

In the previous chapter, it was argued that the movement from regional economic cooperation towards regional integration has been strengthening since the collapse of the Cold War and more remarkably since the economic crisis in 1997-1998. The ambitious plan for regional integration through AEC, however, could face challenges due to the diversity of economic development and structure and the lack of political will. This chapter will argue that the ASEAN Way, which has been a basis for the regional cooperation in Southeast Asia, is now under pressure of modification if not removal. For the purpose of this study, the effects of political cooperation on regional integration and their relationship will be deliberated. Finally, other issues in regional cooperation will be discussed.

#### **5.2 The Security Environment**

The concept of a security community has been applied to ASEAN security behaviour. The concept of a security community refers to member states, which rule out war and the use of force in settling disputes with other members of the group based on

long-term developed habits of peaceful interaction.<sup>1</sup> In a narrow sense, a security community is distinguished from a security regime. In a security regime the key element is that norms and rules that constrain and guide state behaviour entail more than following short-term interests. Competitive arms acquisitions and contingency planning usually continue within the regime, although specific regimes might be created to limit the spread of weapons and military capabilities. The absence of war within the community may be due to short-term factors and considerations such as the economic and political weakness of actors otherwise prone to violence or to the existence of a balance of power or mutual deterrence situation. However, a security community has strict and observed norms concerning non-use of force, no competitive arms acquisitions and contingency planning against each other within the grouping. Institutions and processes (formal or informal) for the peaceful settlement of disputes are important factors for a security community. Indeed, a security community has long-term prospects for war avoidance with significant functional cooperation and integration based on a sense of collective identity.<sup>2</sup> In short, a security community arises when norms are established that abolish the use of force to settle disputes between members of the regime.<sup>3</sup>

ASEAN was born in 1967 and survived for over twenty years during the Cold War. International threats mainly from communist countries such as China, Vietnam,

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<sup>1</sup> Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the problems of regional order*, London: Routledge, 2001, p.1.

<sup>2</sup> These aspects were discussed in Chapter 2.

<sup>3</sup> A security community provides a real assurance that members of that community will not fight each other physically, but will settle their disputes in some other way. See Karl Deutsch, *Political Community and the North Atlantic Area: International Organization in the Light of Historic Experience*, Princeton: Princeton University Press, 1957, p.5.

Cambodia, and Laos had been main factors for the demand for regional political and security cooperation within the ASEAN framework. Internal threats to state security include ethnic separatist groups and communist insurgency.<sup>4</sup>

In the post-Cold War era, the main challenges to the security of ASEAN were intra-ASEAN disputes and domestic instability issues. For example, Thailand has experienced unstable relationships with neighbouring countries such as Myanmar and Cambodia. Thailand engaged Vietnamese forces along the Cambodian border in 1987 and the Laotian army between 1987 and 1988. It has border disputes with Burma through the 1990s, which resurged again in 2001.<sup>5</sup> In addition, ethnic unrest particularly in southern Thailand remains a security threat to the present. Another example is Indonesia. Despite its relative stability under Megawati's leadership, in Indonesia, separatist movements in Aceh and Irian Jaya remain as challenges to domestic stability.

The arms race continued in particular before the economic crisis in 1997-1998. ASEAN countries increased their defence budgets, which were supported by economic growth. There was a real increase in expenditure between 1985 and 1996, as follows: by Indonesia of US\$1,402 million; by Malaysia, US\$ 1,333 million; by the Philippines, US\$810 million; by Singapore, US\$2,337 million; and by Thailand, US\$1,653 million.<sup>6</sup>

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<sup>4</sup> Alan Collins, *Security and Southeast Asia: Domestic, Regional, and Global Issues*, Singapore: Institute of Southeast Asian Studies, 2003. p.94.

<sup>5</sup> In February 2001, Thai and Burmese forces were engaged in clash since Burmese troops took over a Thai border outpost. Ibid., p.94.

<sup>6</sup> Ibid.

The economic crisis in 1997-1998 stopped the rise of arms spending but only temporarily. With gradual economic recovery, some countries started to purchase weapons again. For instance, in 2003, Malaysia purchased Sukhoi MK30 fighter jets costing US\$900 million. Since 2000, Malaysia has purchased weapons including F/A 18 F fighters from the United States, battle tanks from Poland, submarines from France, MIG 29s from Russia, long-range helicopters and Jernas missile defence system from Britain, heat-seeking missiles from Ukraine, and multiple-launch rockets from several countries.<sup>7</sup> Officials estimate at US\$6 billion the cost of these upcoming purchases, increasingly viewed as Malaysia's arms race vis-à-vis neighbouring Singapore, the region's most powerful country in military terms despite its official denial. According to a Malaysian military expert, Malaysia had battled an internal communist threat and was now looking outward and arming itself to defend its long shoreline and far-flung islands.<sup>8</sup> Among Southeast Asian nations, Singapore, Malaysia and to a lesser extent Thailand are blamed for the arms build-up in the region. Lately Indonesia too acquired Sukhoi MK30s from Russia.<sup>9</sup>

Acharya defined ASEAN by 1990s as a nascent security community in which therefore three phases of development. The nascent phase contains a number of triggering mechanisms including threat perceptions, expected trade benefits, shared identity and organizational emulation.<sup>10</sup> Although ASEAN has contributed to reducing tension

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<sup>7</sup> Baradan Kuppusamy, 'Malaysia's arms purchases raise eyebrows', *Malaysiakini.com*, 9 August 2003.

<sup>8</sup> Defense analyst Abdul Razak Baginda, executive director of the Centre for Strategic Studies said there is no an arms race. Malaysia is just upgrading and modernizing its armed forces. It is a process that was delayed for a long time. Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Amitav Acharya, 2001, pp.34~35.

among members, it has not yet reached the stage of a security community.<sup>11</sup> Even the idea of ASEAN Security Community (ASC) does not fulfill the conditions of the security community as discussed below.

The ASEAN Summit at Bali in 2003 marked historical changes by endorsing a blueprint to create a European-style economic community, which envisages a single common market and a single production base with the free flow of goods, services and investment and the freer flow of capital. On the political side, ASEAN leaders also agreed the creation of ASC in the Bali Concord II declaration. The ASEAN Security Community is aimed at bringing ASEAN's political and security cooperation to a higher plane to ensure that countries in the region live at peace with one another and with the world at large in a just, democratic and harmonious environment.<sup>12</sup> The concept of ASC is based on Indonesia's idea of a security community, which aims to provide the necessary balance for the economic community. Central to Jakarta's proposal is the Treaty of Amity and Cooperation, which prescribes a high council mechanism to resolve border conflicts among member states but has never been used.<sup>13</sup>

However, there will be weakness in the process of ASC as long as the high council is a political body and not a legal one, as it lacks essential credibility in trying to resolve territorial disputes. It is clearly mentioned that ASC recognizes the sovereign right of the member countries and their right to lead their national existence free from

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<sup>11</sup> Amitav Acharya, 'Regional Military-Security Cooperation in the Third World: A Conceptual Analysis of the Relevance and Limitations of ASEAN', *Journal of Peace Research* Vol.29, No.1, 1992, p.12.

<sup>12</sup> See 'the Declaration of ASEAN Concord II' (BALI CONCORD II)', ASEAN Secretariat, <http://www.aseansec.org/15159>.

<sup>13</sup> John McBeth and Nusa Dua, 'ASEAN SUMMIT: Taking the Helm', *Far Eastern Economic Review*, 16 October 2003, p.39.

outside intervention in their internal affairs. ASC is based on the principle of comprehensive security as having broad political, economic, social and cultural aspects in consonance with the ASEAN Vision 2020 rather than with a defence pact, military alliance or a joint foreign policy. Indeed, ASC is based on the ASEAN Way, which consists of non-intervention policy, consensus-based decision-making, national and regional resilience, respect for national sovereignty, the renunciation of the threat or the use of force, and peaceful settlement of differences and disputes.<sup>14</sup>

In this respect, the principles which were enshrined in the ASC do not determine if ASEAN aims to build a security community or security regime, since they replicate those in the UN Charter. Instead, the ASEAN Way or non-intervention norm provides the basis for the concept of ASC, which has a particular meaning in the ASEAN context.

### **5.3 ASEAN Way and Non-Intervention Policy**

#### **5.3.1 Development of ASEAN Way and Non-Intervention Policy**

ASEAN has played a role in moderating intra-regional conflict and reducing the likelihood of war. Two factors have contributed to the success of ASEAN. The first factor is ASEAN's norm that includes non-intervention, non-use of force, regional autonomy, and avoidance of collective defence. Second is the practice of the ASEAN Way, which is characterized by compromise, consensus building, ambiguity, avoidance of strict reciprocity, and rejection of hard legalization. There have been shared traditions

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<sup>14</sup> See 'clause A. 8 of the Declaration of ASEAN Concord II' (BALI CONCORD II), ASEAN Secretariat, <http://www.aseansec.org/15159>.

and similarities, which were disrupted by colonial rule. However, given the cultural and social diversity in the region, the limitation of cultural determinism was recognized as Acharya argues that ASEAN's norm was not only created by culture, but also it created the culture.<sup>15</sup>

The ASEAN Way was not only about principles of agreement of members but also the result of a long-term process of interaction and adjustment. Despite its merit, the norms and identity of the region remain elusive and the impacts of those factors are difficult to assess as ASEAN expands itself. For instance, The concept of 'ASEAN Way' is often used together with 'Asian values' despite distinction between two, which also were often criticized by external actors but also ASEAN member themselves. Asian values, however, does not have a clear definition. The idea of Asian Values derived primarily from civilization and culture in particular from Confucianism, which stresses collectivism, social discipline and hierarchical authority in comparison to Western individualism. Asian Values have been highlighted since the region recorded rapid economic growth, which stressed commitment to education, family loyalty, and a quiescent attitude to authoritarian rule, where the government assumes the role of the father in a family.<sup>16</sup>

An ironic example of heterogeneity of East Asian culture is that, even though Mahathir and Lee Kuan Yew are both well known as Asian values advocates,<sup>17</sup> their

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<sup>15</sup> Amitav Acharya, *The Quest for Identity: International Relations of Southeast Asia*, Singapore: Oxford University Press, 2000, p.72.

<sup>16</sup> Seok-Hyeon Kim, 'A Critical Review of Asian Values and Asian Model', November 1999, [www.nd.edu/~skim/academic/asianvalues95.doc](http://www.nd.edu/~skim/academic/asianvalues95.doc).

<sup>17</sup> The Asian values claimed by both leaders can be summarized as follows: 1) Values are learnt differently in the West and the East; 2) Western-style democracy can lead to undisciplined and disorderly conditions

countries are respectively mainly Islamic and Confucian, with a lot other cultural elements.<sup>18</sup> Mahathir sees the Asian region as benefiting from and strengthened by the fusion of the best practices and values from many rich civilizations, Asian and Western, and that many Asian values should obviously be destroyed, including feudalism, excessive anti-materialism and excessive deference to authority that no one should be allowed to hide behind the cloak of cultural relativism.<sup>19</sup> Despite the criticism of Asian values for legitimatising authoritarian rule in some countries, the idea of Asian values still provides a skeptical sense on Western values regarding sensitive issues such as human rights and labor standard.<sup>20</sup>

The tradition of non-intervention policy may be traced back to ASEAN's birth. Even before the creation of ASEAN in 1967, the original five member countries were susceptible to external influence concerning their ongoing nation-building process since the decolonization from the Western Powers.<sup>21</sup> Member countries still had bilateral difficulties with their neighbours. Indonesia just had wound up 'Konfrontasi'(confrontation) with Singapore and Malaysia, which Malaysia has had disputes over ownership of the Sabah. In addition, the nations of ASEAN were relatively

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inimical to development. Wan A. Manan, 'A Nation in Distress: Human Rights, Authoritarianism, and Asian Values in Malaysia', *SOJOURN* Vol.14, No.2, 1999, p.369.

<sup>18</sup> *Ibid.*

<sup>19</sup> Mahathir Mohamad's speech 'Asian versus Western values' at the Senate House Cambridge University, England, 15 March 1995, in Hashim Makaruddin ed., *Democracy, Human Rights, Eaec and Asian Values: Selected Speeches by DR Mahathir Mohamad*, Vol.1, KL: Pelanduk, 2000, pp.16-17.

<sup>20</sup> With expansion of regional grouping from ASEAN to East Asia group, ASEAN can take some advantages to keep its values and main principle. First, as leaders such as Lee Kuan Yew, Le Peng, Jiang Zemin and Dr Mahathir Mohammad defended political authoritarianism jealously, claiming that a move towards Western liberal democracy would harm the so-called Asian values. It is believed that three countries from Northeast relatively are favorable to Southeast Asian countries' political system or its values. In particular in the issue of human rights China also faces often confrontations with Western countries. It implies that at least at the governmental level the closer tie with Northeast Asia, will improve ASEAN's bargaining power in world politics.

<sup>21</sup> See Chapter 3.

small and highly dependent on external powers in terms of economy and security in the era of the Cold War.

In these circumstances, the Bangkok Declaration clearly shows that ASEAN should avoid any form of external intervention in members' domestic affairs.<sup>22</sup> In addition, the doctrine of non-intervention was an expression of a collective commitment to the survival of its non-communist regimes against the threat of communist countries. ASEAN members perceived the concept of national resilience as indispensable to regional security and regional collaboration.<sup>23</sup>

The non-intervention principle is enshrined in the Treaty of Amity and Cooperation in Southeast Asia, which was signed in 1976 by the leaders of the original five ASEAN member countries. Basically, the principle has been one of ASEAN's characteristics to prohibit intervention by ASEAN in the domestic affairs of any member. The declaration of ASEAN Concord adopted at Bali in 1976, expressed a strong desire to build ASEAN Community in accordance with the principles of self-determination, sovereign equality, and non-intervention in the internal affair of nations.<sup>24</sup>

As ASEAN members have practised the norm of non-intervention, one can hardly

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<sup>22</sup> In the Bangkok Declaration, following phrase was included. "Southeast Asia share a primary responsibility for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development, and that they are determined to ensure their stability and security from external intervention in any form or manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their peoples", See 'The ASEAN Declaration', Bangkok Declaration, Thailand, 8 August 1967.

<sup>23</sup> Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the problems of regional order*, New York: Routledge, 2001, p.58.

<sup>24</sup> Samuel Sharpe, 'An ASEAN Way to Security Cooperation in Southeast Asia?', *The Pacific Review*, Vol.16, No.2, 2003, pp.232-233.

find open criticism of their neighbours on internal affairs including human rights issues. ASEAN members have provided political support for member governments against subversive and destabilizing activities.<sup>25</sup> For example, the norms of non-intervention and non-use of force can be found in dealing with Vietnam's invasion of Cambodia. The member states of ASEAN negotiated with Vietnam rather than formed a military alliance against it. The policy of constructive engagement that allowed full admission of Burma was also consistent with the norm of non-intervention by members and by other external regional power. Instead of punishing or isolating Burma amidst pressure from Western powers, ASEAN members look for the peaceful solution based on the norm of non-use of force.<sup>26</sup>

In the case of Myanmar, no exception was found. ASEAN has been dismissed by the West for its failure to seek the release of Suu Kyi, who was detained by the military junta on May 30, 2003 followed by clashes between her supporters and those of the government. The U.S. imposed sanctions including a ban on imports from Myanmar, freezing of assets of senior Myanmar officials in the United States, and an entry ban on Myanmar's leaders.<sup>27</sup> Prior to the ASEAN Summit in 2003, the Prime Minister of Malaysia, Mahathir Mohamad expressed strong hope for her release and advised the Government of Myanmar to take into consideration the views expressed by other countries,<sup>28</sup> even though Mahathir did not expect any firm resolution against Myanmar at

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<sup>25</sup> Amitav Acharya, 2001, p.58.

<sup>26</sup> Sorpong Peou, 2002, pp.131-132.

<sup>27</sup> *New Straits Times*, 7 October 2003.

<sup>28</sup> *New Straits Times*, 2 June 2003.

the ASEAN meeting.<sup>29</sup> In fact, leaders of ASEAN at the Bali Summit in 2003 expressed their support for the plan announced by Myanmar's military rulers to move to democracy after four decades of dictatorship and opposed economic sanctions against Myanmar. Not surprisingly, the U.S. disagreed sharply with the ASEAN statement.<sup>30</sup>

In the case of ARF, the principle of non-intervention and other ASEAN Way approaches can be found. The objectives of the ARF<sup>31</sup> are to foster constructive dialogue and consultation on political and security issues of common interest and to make significant contributions to efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region.<sup>32</sup> The creation of ARF was motivated by a shared sense that a regional approach was needed in the uncertainty caused by the end of the Cold War.<sup>33</sup> As expressed in a Concept Paper on the ASEAN Regional Forum<sup>34</sup> (1995), ARF endorsed the ASEAN Way, whereby informal consultation would be the main mechanism for regional cooperation. The paper clearly notes that ASEAN should be the repository of all ARF documents and information and provide the necessary support to sustain ARF activities. The adoption of the ASEAN Way, characterized by non-intervention policy and loose institutionalization, reflected the active role of ASEAN in establishing and

<sup>29</sup> Regarding any possibility of ASEAN's intervention on Myanmar issue, Dr Mahathir said "The ASEAN Way is to take a constructive approach, not a confrontational one". *New Straits Times*, 6 October 2003.

<sup>30</sup> The U.S. State Department spokesman Richard Boucher said, "we do not see positive developments in Myanmar." *Straits Times (Singapore)*, 6 October 2003

<sup>31</sup> The current participants in the ARF are as follows: Australia, Brunei Darussalam, Cambodia, Canada, China, European Union, India, Indonesia, Japan, Democratic Peoples' Republic of Korea, Republic of Korea, Laos, Malaysia, Myanmar, Mongolia, New Zealand, Papua New Guinea, Philippines, Russian Federation, Singapore, Thailand, United States, and Vietnam.

<sup>32</sup> See, 'Chairman's Statement the First ASEAN Regional Forum', Bangkok, 25 July 1994.

<sup>33</sup> Cameron J. Hill and William T. Tow, 'the ASEAN Regional Forum: Material and Ideational Dynamics', Mark Beeson ed., *Reconfiguring East Asia: Regional Institutions and Organizations after the Crisis*, New York: Routledge, 2002, p.166.

<sup>34</sup> See 'a Concept Paper on the ASEAN Regional Forum', 1995, <http://www.aseansec.org/11816.htm>.

implementing ARF.<sup>35</sup> In fact, ASEAN has pursued enlargement to address its own inherent problems within the ARF. These efforts can be seen when four new members joined the ARF before they became full members of ASEAN.<sup>36</sup> Thus, in the post-Cold War era, the enlargement of ARF was believed to strengthen ASEAN, which has not been able to manage its own regional security order. It, however, has so far made little difference to the structure and functioning of ASEAN. Given the diversity of its membership, little convergence of interests and cohesiveness among member of ARF has been shown.<sup>37</sup> ARF has been criticized for its lack of substantive practical conduct on several regional issues such as the East Timor conflict in 1999, and more recently, regional terrorism. On terrorism, there is obvious division among participants in particular between the U.S.-led Western countries and ASEAN and China over the issue of human rights and the ASEAN Way mechanism.<sup>38</sup>

### 5.3.2 Challenges for Non-intervention and ASEAN Way

#### Trans-national Issues and Non-Intervention Policy

In fact, the policy of non-intervention is not only unique to ASEAN but also a universal principle enshrined in the UN Charter.<sup>39</sup> However, in a globalized world

<sup>35</sup> Cameron J. Hill and William T. Tow, 2002, p.174.

<sup>36</sup> Vietnam and Laos joined the ARF in May 1993, Cambodia in August 1995, and Myanmar in July 1996.

<sup>37</sup> Mely Caballero-Anthony, 'Partnership for Peace in Asia: ASEAN, the ARF, and the United Nations,' *Contemporary Southeast Asia*, Vol.24, No.3, December 2002, p.539.

<sup>38</sup> The admission of Burma into ARF had to face strong reservations from the U.S. in 1995. While the U.S and Western members including Canada and Australia have sought more concrete confidence-building mechanism beyond the consensus and non-intervention policy, ASEAN countries and China have never been favor of the mechanism.

<sup>39</sup> The system of nation-state has been developed since the Westphalia Agreement in 1648. Non-intervention, sovereignty and the legal equality of states have been main principles of several United Nation doctrines including the UN Charter. A. Leroy Bennett, *International Organization: Principles and Issues*, New Jersey: Prentice-Hall, 1995. pp.58-60. The Charter in article 2 adopted the principle of the sovereign equality of all its Members in provision 2. And in provision 7 in the same article, it is noted, "Nothing contained in the present Charter shall authorize the United Nations to intervene in

marked by complexity in international relations, there are increasing transnational issues in economic and social spheres which need closer cooperation between states.<sup>40</sup> Human rights issues also have gained more attention by international organizations and non-governmental organizations under the new world order.<sup>41</sup> Trans-national issues including illegal labour, AIDS, money laundering, and haze have received greater attention.

Haze and fire in the region especially the case of forest fires in Indonesia in 1997, whereby most neighboring countries were affected in terms of their environment, public health, and tourism, called ASEAN's relevance into question.<sup>42</sup> The initial response of ASEAN was in line with the ASEAN Way. Even though a Regional Haze Action Plan was endorsed in 1997 with the aim of establishing operational procedures for monitoring land and forest fires, the impact was limited mainly due to the lack of political will of Indonesia. There were several attempts that could have been turning point in the region's approach to the haze. Singapore unilaterally tried to bring the matter to the public by providing satellite imagery of the fires in Indonesia through the Internet.<sup>43</sup>

After four years of planning and drafting, the ASEAN Trans-boundary Haze Agreement finally was signed to reaffirm the commitment among member countries to

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matters which are essentially within the domestic jurisdiction of any state..." See the *Charter of the United Nations*. Full text is available at <http://www.un.org/aboutun/charter/index.html>.

<sup>40</sup> It is well known fact that the International Monetary Fund increasingly intrudes into domestic affairs through demanding wide-ranging structural reforms.

<sup>41</sup> In the so-called new world order, the doctrine of sovereignty has been challenged by two developments. The first is the series of crisis of political authority in weak states in the third world such as Rwanda, Burundi, Liberia, and Zaire that could mange sovereignty by using rivalry between super powers in the Cold War era. Second is the increased salience of human rights and democracy. Both developments eventually led to the UN-led intervention. Amitav Acharya, *Regionalism and Multilateralism: Essays on Cooperative Security in the Asia-Pacific*, Singapore: Times Academic Press, 2002, pp.232-233.

<sup>42</sup> For details of the ASEAN's counter-haze measures, see S.Tahir Qadri ed., *Fire, Smoke, and Haze: The ASEAN Response Strategy*, ADB and ASEAN, 2001.

<sup>43</sup> Alan Collins, 2003. pp.141-142.

fight haze in 2002. The Agreement obligates member countries to (1) co-operate in developing and implementing measures to prevent, monitor, and mitigate trans-boundary haze pollution by controlling sources of land and/or forest fires, establishment of early warning systems, exchange of information and technology, and the provision of mutual assistance; (2) respond promptly to a request for relevant information sought by a state or states that are or may be affected by such trans-boundary haze pollution when it originates from within their territories; and (3) take legal, administrative and/or other measures to implement their obligations under the Agreement.<sup>44</sup>

Despite serious problems such as illegal immigration among bordering countries, non-intervention prevented member countries from introducing countermeasures. For instance, between Malaysia and Indonesia there exist problems of Indonesian illegal labour force and, similarly between Thailand and Myanmar, there is the problem of refugees mainly due to political reasons. Considering these problems, the need to review the non-intervention principle was well expressed by the Malaysian Defence Minister Datuk Seri Najib Tun Razak as follows:

“When it comes to looking at Malaysia’s regional role, one is placed in the horns of dilemma. On one hand, its continued prosperity hinges on regional stability and therefore its success is inextricably linked to the fortunes of the region. On the other hand, because the main source of instability stems from domestic factors, Malaysia’s acceptance of the non-intervention principle had made its regional role more challenging.”<sup>45</sup>

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<sup>44</sup> ‘ASEAN Agreement on Transboundary Haze Pollution’, <http://www.haze-online.or.id/misc/wlfth2.php>

<sup>45</sup> *New Straits Times*, 17 March 2001.

### The Rise of the Threat of Terrorism

Even though historically Southeast Asia has been less troubled by terrorism than the Middle East, now the region has been the focus of counter-terrorism measures by the U.S. after the collapse of the Taliban following the September 11 tragedy in the U.S in 2001. The September 11 incident has impacted on the world economy and politics and posed a major test for ASEAN, which responded by moving toward cooperation with the U.S. war on terrorism.<sup>46</sup>

Since September 11, the threat of terrorism has been the main theme of regional security in Southeast Asia. Several factors or a combination of them contributed to Southeast Asia becoming the second front<sup>47</sup> in the global war on terror. These factors include: multi-ethnic societies, weak and corrupt regimes, ongoing separatist insurgencies, governments weakened by the financial crisis, and newly created democratic space such as Indonesia and the Philippines whose capability for security regulation is limited.

The most important regional terror network in the region is the Jemaah Islamiyah (JI) group. It has been believed that JI is the group with the closest relationship with the Al-Qaeda organization in the region and its members were trained by Al-Qaeda in Afghanistan from the 1990s. Thus, Al-Qaeda was heavily involved in the regional terror attack or plan.<sup>48</sup> Despite the fact that regional terrorist groups use religious doctrine to justify their actions, their eventual goal is to gain political power in each state

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<sup>46</sup> Ibid., pp.47-57.

<sup>47</sup> Rohan Gunaratna described Southeast Asia as a 'Second Front' in the war on terror. According to him, the region has been experiencing the highest level of terrorist attacks in the world. Johan Gershman, 'Is Southeast Asia the Second Front?' *Foreign Affairs* Vol. 82, July-August 2002, p.60.

<sup>48</sup> It was revealed in the Singapore White Paper on the terrorist network. *Malaysiakini.com*, 10 January 2003.

or in the region. Hence, terrorism in the region is a challenge both to regime security as well as the nation-state system comprising post-colonial boundaries.

Without responding to the threat of terrorism, however, regional institutions in Southeast Asia could not be able to conduct an effective programme. Most of ASEAN's responses were limited in the form of statements and declarations. For instance, ASEAN members adopted the Declaration on Joint Action to Counter Terrorism in 2001, which unequivocally condemned any act of terrorism in all its forms and manifestations, but it lacked practical counter-measures against terrorism.<sup>49</sup> At the regional level, as concluded at the Senior Officials Meeting of the ASEAN Ministers' Meeting for Transnational Crime (AMMTC) in 2002,<sup>50</sup> anti-terrorism cooperation has focused on the sharing of intelligence and information rather than joint operation. Indeed, differences in domestic political situations in dealing with terrorism and lack of capacity were main obstacles to strengthening regional cooperation.

In the absence of effective multilateral frameworks to deal with the terrorist threat in Southeast Asia, bilateralism or sub-ASEAN regionalism was preferred. For instance, three countries, which are most sensitive to terrorism namely, Malaysia, Indonesia, and the Philippines signed an agreement, which provides for anti-terrorism exercises,

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<sup>49</sup> See, '2001 ASEAN Declaration on Joint Action to Counter Terrorism', 5 November 2001. ASEAN Secretariat, <http://www.aseansec.org/5620.htm>.

<sup>50</sup> See, 'Work Programme to Implement the ASEAN Plan of Action to Combat Transnational Crime', Kuala Lumpur, 17 May 2002, Secretariat, <http://www.aseansec.org/5616.htm>.

combined operations, and sharing of information including the setting up of hotlines among the three countries.<sup>51</sup>

In response to the rising terrorist threat in the region since September 11, the ARF has adopted a series of measures aimed at cutting off the funds for terrorists. Its July 30, 2002 declaration called for freezing terrorist assets; international cooperation on the exchange of information and outreach; compliance and reporting. Most of these steps, however, are commitments to comply with measures proposed and adopted earlier by the United Nations, rather than entirely new regional initiatives conceived by the ARF.<sup>52</sup> And given the complexity and global dimensions of the terrorist financial reach, regional action can only yield a limited result in addressing the problem.

The most significant change since September 11 is probably the U.S strategic re-engagement in Southeast Asia rather than strengthening of regional cooperation in the region.<sup>53</sup> With the end of the Cold War, which provided firm security cooperation between the U.S. and Southeast Asia, there was uncertainty about the American military presence in the region. In fact, Southeast Asia remained marginal in the U.S. Strategic priorities which focused on Europe, the Middel East and Northeast Asia. The priority of U.S. foreign policy in Asia was to strengthening bilateral alliances. While the shift in foreign policy from its geostrategic security focus to substantial emphasis on political

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<sup>51</sup> Amitav Acharya, 'Southeast Asian Security after September 11, Asia Pacific Foundation Canada, Foreign Policy Dialogue Series, August 2003. pp.7-8.

<sup>52</sup> For more details, see ASEAN Secretariat, <http://www.aseansec.org/11997.htm>

<sup>53</sup> Amitav Acharya, 2003, pp5-6.

economy were given under the Clinton administration, the Bush administration set forth clear military strategic priorities.<sup>54</sup>

Initially counter-terrorism measures by each country have been sought through cooperation with non-regional actors in particular, the U.S. Thailand, for instance, has proposed a US-AEAN summit, as a conclave on the sidelines of an APEC meeting (to which all parties also belong), China also has proposed regular East Asian ministerial meetings to discuss efforts at international crime control and counterterrorism, and it has proposed a counter-terrorism pact between the U.S. and APT.<sup>55</sup> In 2002, ASEAN and the U.S signed a counter-terrorism pact, calling upon signatories to freeze assets of terrorist groups, strengthen intelligence sharing, and improve border patrols.<sup>56</sup>

In the midst of the Afghanistan war, however, Malaysia and Indonesia called for an end to US bombings of Afghanistan at a Southeast Asian summit in Brunei in November 2001 but other leaders did not back their line.<sup>57</sup> The war in Iraq had created a more different environment than the one produced by the September 11 attacks. In the

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<sup>54</sup> The relationship with China was notably affected by the new American policy followed by a series of bilateral conflicts. Prominent example can be found in the diplomatic tension between China and the U.S. in 2001. There was the latter's bid to a UN resolution condemning China's human rights condition. In 2002, the tension between two countries even escalated when an American EP-3 surveillance aircraft collided with a Chinese jet fighter off the China coast. Following the incident, the U.S continued hostile policies such as arms sales to Taiwan and invitation of the Tibetan leader, Dalai Lama, which were certainly sentiment issues to China. Lowell Dittmer, 'East Asia in the New Era in World Politics', *World Politics Vol. 5*, October 2002, pp. 41-47.

<sup>55</sup> Ibid., pp.6-8.

<sup>56</sup> It is called, 'ASEAN-United States of America Joint Declaration for Cooperation to Combat International Terrorism', 1 August 2002, ASEAN Secretariat, <http://www.aseansec.org/7424.htm>

<sup>57</sup> Malaysian Prime Minister Mahathir Mohamad said. Mahathir said Malaysia and regional giant Indonesia, the world's biggest Muslim country, felt that the air strikes should stop "but others did not express strong views on that" during their talks here in Brunei's capital. The ASEAN summit was the first meeting of all the Southeast Asian leaders since the September terror attacks in the United States. *Malaysiakini.com*, 5 November 2001

case of the latter, a period of goodwill followed in terms of fighting global terrorism. But the attack on Iraq faced strong opposition by many countries, including Malaysia and Indonesia.<sup>58</sup>

Even though ASEAN countries shared the common view that they will cooperate to prevent any kind of terror in the future, they failed to take a common stand on the very issue. In addition, there is worry that it will create negative effects on Muslim-dominant Islamic countries in the region such as Malaysia, Indonesia, and the Philippines. The lack of consensus reflected the dichotomy in foreign policy and religion. Since the series of terror attacks in Indonesia such as the Bali blast, which killed 202 people in 2002 and the Marriott Hotel attack in Jakarta which killed 12 in 2003, Malaysia and Indonesia who are predominantly Muslim countries even showed differences of perception. Malaysia has been stung by reports that two of its citizens played major roles in bomb attacks in Indonesia, blamed on the al-Qaeda-linked JI network. Malaysia in which more than 70 Islamic militants, many of them allegedly JI members, are already in detention denied the allegation that it is harbouring terrorists and blamed Indonesians for inspiring Islamic militancy in the country.<sup>59</sup>

In short, the rising threat of terrorism in the region since September 11 revealed again the poor capability of regional organization with no specific operational action plans. In addition, the lack of firm regional counter-terrorism measures based on the non-intervention policy could provoke bilateral tensions between some members.

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<sup>58</sup> Former ASEAN secretary-general Ajit Singh, *New Straits Times*, 2 May 2003.

<sup>59</sup> *Malaysiakini.com*, 21 August 2003.

### Deepening Economic Cooperation

ASEAN practices the ASEAN Way or the principle of non-intervention not only in the political area but also economic areas. In this context, the case of AFTA and ASP could be best examples in the economic field. As noted in Chapter 4, despite some advances, there have been attempts to withdraw initial undertakings in the process of AFTA. Malaysia still keeps its automobile industry under control despite the pressure from the Thai government. The Philippines has announced its intention to temporarily withdraw petrochemicals from the CEPT scheme. Such deferments are partly caused by the loose regulations of AFTA, which allow members to delay transferring a product to the Inclusion List or even withdraw it from the list. A Temporary Exclusion List and a Sensitive List would delay the AFTA.

Such reluctance to create a mechanism that impinges upon members' sovereignty can also be seen in the AIA which aims to encourage foreign investment in ASEAN by obliging member states to open their industries to external and internal investors. The AIA Council that comprises the ministers for investment and the ASEAN Secretary-General lack independence and penalties for non-compliance.<sup>60</sup> Thus, the governments managed to negotiate a flexible mode of implementation similar to the CEPT. The governments placed most of the sectors they wished to exclude from the AIA in the Sensitive List rather than the Temporary Exclusion List.<sup>61</sup>

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<sup>60</sup> Ibid., p.151.

<sup>61</sup> Most of the Sensitive List exclusions take the form of partial restrictions or additional conditions imposed on foreign investment, usually regarding land ownership, eligibility for government

In the case of ASP, member states are not obliged to provide the necessary economic data for the ASP to function as an early warning system but instead agreed to submit the information voluntarily.<sup>62</sup> Members of ASEAN showed their reluctance to implement the ASP's recommendation in particular on exchange rate policy not because of its deficiencies but because it is a political issue.

The idea of a common currency for the region needs more concrete political will, as member countries should surrender monetary autonomy. Prior to the agreement on the ASEAN Economic Community, the regional grouping's senior officials meeting expressed the concern that it would require harmonization of national policies in the form of intervention. For instance, Malaysia wants the implications of Free Trade Agreements between members and non-members for the proposed AEC to be studied.<sup>63</sup> Malaysian International Trade and Industry Minister Rafidah Aziz expressed skepticism on the possibility of a European Union-style economic integration in ASEAN within the next 10–20 years due to the reluctance of governments in the region to give up control over their national finances.

I do not foresee ASEAN governments giving up their sovereignty to some supra-national body but there will probably be greater integration through areas like FTAs (free trade agreements).<sup>64</sup>

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procurement privileges and investment incentives, corporate equity conditions, employment of foreign employees, and other market access and export conditions. Hellen E.S. Nesadurai, 2003, p.75.

<sup>62</sup> Alan Collins, 2003, p.150.

<sup>63</sup> *The Straits Times*, 15 June 2003.

<sup>64</sup> *The Sun*, 14 April 2004.

### 5.3.3 Modification of the ASEAN Way and Non-intervention Policy

The notion of constructive intervention was suggested by the former deputy prime minister of Malaysia, Anwar Ibrahim in 1997. He outlined specific steps: direct assistance to firm up electoral processes in new ASEAN members, increased support for legal and administrative reforms, developing human capital, and general strengthening of civil society and the rule of law.<sup>65</sup> Despite the proposal, which stemmed from concern about the reconstruction of Cambodia since the coup, which undid years of peace efforts by the association and other parties, it should not be seen as a one-off reaction to Cambodia but a call for ASEAN's greater action.<sup>66</sup> Despite Anwar's assertion that it did not violate the principle of non-intervention, there was cautious response from member countries since the proposal for strengthening civil society might cause intervention in internal affairs. Indeed, Anwar's notion of constructive intervention was different from the Western notion of humanitarian intervention. First the former assumes that those governments facing internal crisis will request help from the international community including ASEAN, which will be in the form of various political and economic measures rather than military intervention. Secondly, the idea of constructive intervention is closer to pro-active action to strengthen the country's economic and social stability rather than a reactive measure.<sup>67</sup>

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<sup>65</sup> M. Rajaretnam, 'Principles in Crisis: The Need for new Directions', Kao Kim Hourn ed., *Asean's Non-Intervention Policy*, London: ASEAN Academic Press, 2000, p.47.

<sup>66</sup> 'Activist ASEAN?', <http://www.asiaweek.com/asiaweek/97/0801/ed1.html>

<sup>67</sup> Amitav Acharya, 2002, p.235.

Upon the notion of constructive intervention suggested by Anwar, Thailand has proposed to include a flexible arrangement to replace the non-intervention policy. In 1998, Thai foreign minister, Surin Pitsuwan argued that the non-intervention policy of ASEAN should be altered to make it appropriate for the interdependent environment in which ASEAN members were operating and facing transnational problems such as haze and financial crisis.<sup>68</sup> The proposal from Thailand was also motivated by its failure of engagement policy with Burma. To safeguard its security and economic interests, Thailand had sought to bring political change in Burma, where ethnic tensions at the Thai-Burma border area and human rights abuse problems are believed to exist.<sup>69</sup> In operational terms, the idea of flexible engagement was reflected on the ASEAN Troika. At the Third ASEAN Informal Summit in Manila in 1999, the ASEAN Heads of State agreed that an ASEAN Troika be constituted as an ad hoc body at the ministerial level so that the grouping could address and co-operate more effectively on issues affecting regional peace and stability. However, clause 3.2 of the agreement makes it clear that the troika should refrain from addressing issues that constitute the internal affairs of ASEAN member countries. This clause renders the ASEAN Troika almost non-existent and ineffective. Indeed, it is noted that the troika must work by consensus and making recommendations will be restricted to the full set of foreign ministers.<sup>70</sup>

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<sup>68</sup> Alan Collins, 2003, p.143.

<sup>69</sup> Ibid., p.143-144.

<sup>70</sup> Barry Wain, 'ASEAN's Credibility Crisis', *The Asian Wall Street Journal*, 5 August 2001.

Ironically, attempts to protect national interests partly contributed to strengthening of rules and procedures governing regional economic cooperation.<sup>71</sup> The protocol on Sensitive and Highly Sensitive Products in agriculture and the Protocol Regarding the Implementation of the CEPT Scheme Temporary Exclusion List were agreed in 1999 and in 2000 respectively. The former not only focused on procedural issues, but also provided for two categories of exemptions. It imposed the deadline at 2020 when tariffs on agricultural products would have to be at the 0-5 percent range. Under the protocol governments were forced to decrease tariffs on their highly sensitive products between 2001 and January 2005.<sup>72</sup> The Protocol Regarding the Implementation of the CEPT Scheme Temporary Exclusion List was formulated as a response to Malaysia's request for delaying the inclusion of the automobile sector into the Inclusion List. The Protocol allowed governments facing real economic difficulties to delay the transfer of a product from the Temporary Exclusion List to the Inclusion List or to temporarily suspend the concessions on products that already were under the Inclusion List.<sup>73</sup>

The loose institution through consensus based decision-making procedure also has been pointed out as a possible hurdle for the slowdown of regional cooperation given the diversity of economic development in the region.<sup>74</sup> ASEAN is an inter-governmental concept driven by political elites.

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<sup>71</sup> According to former ASEAN secretary-general Ajit Singh, most decisions made by ASEAN members are based on national interests rather than regional interests. However, the uncommon stands did not affect on intra-ASEAN bilateral relations. *New Straits Times*, 2 May 2003.

<sup>72</sup> Hellen E.S. Nesadurai, 2003, p.167.

<sup>73</sup> Ibid., p. 167.

<sup>74</sup> Former ASEAN secretary-general Rodolfo Severino said, "ASEAN has to be more legally binding for future credibility. It is good at frameworks but backs away from difficult political steps. As a result, many initiatives stagnate." Kamrul Idris, 'ASEAN: Long road ahead', *New Straits Times*, 22 April 2004.

A recent move to modify the ASEAN Way procedure is the '10 minus x' principle which was announced at the ASEAN Economic Ministers (AEM) Retreat in 2002. The '10 minus x' principle would give member nations the option of joining liberalization programmes at their own speed. Areas earmarked for initial implementation of the 10 minus x principle are: the open sky policy; the use of smart cards among member nations to assist in the movement of people; liberalization in the area of services, financial services, telecommunications, logistics, and transportation (air, sea and land); tourism and the movement of business people; investment liberalization; e-ASEAN to bridge the digital divide; and in standards and conformance. The 10 minus x principle would thus allow ASEAN countries that are ready and willing to proceed. Nations still bound by their constitutions would have to amend their laws, but the delay would not hinder the others from moving ahead.<sup>75</sup>

#### **5.4 Leadership Problems**

Political will and capability, which accommodate demands for regional institutions, are precondition for the integration process.<sup>76</sup> However, the willingness of political leaders who expect welfare increase and higher possibility of retaining power through the integration process are not enough for the success of integration because of collective action problems. In the event, the presence of leadership in the region will be a significant factor as it can contribute to regional integration as a focal point in the

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<sup>75</sup> *The Star*, 7 July 2002.

<sup>76</sup> See Chapter 2.

coordination of rules, regulations, and policies.<sup>77</sup> The significant role of political and economic leadership in the process of regional integration in Southeast Asia is a critical variable that should not be easily discounted.

In the case of ASEAN, the lack of leadership is not due to internal problems of a potential leader. With the Treaty of Bali, which prohibits intervention in the domestic affairs of member countries, ASEAN member countries are constrained from accepting the role of leadership of a certain member country.

Since the creation of ASEAN, Indonesia has been recognized as a leader country based on its geopolitical size. However, Indonesia hardly provides made active leadership mainly due to its weak economic power and more importantly, internal problems. In particular, since the economic crisis in 1997-98, Indonesia still is facing political unrest,<sup>78</sup> which may cause trans-boundary problems to its neighbours, such as the influx of illegal immigrants.<sup>79</sup> Despite its current internal problems, former President Megawati Sukarnoputri made her first visit abroad with a whirlwind tour of ASEAN countries. It was generally believed that the tour was undertaken to stress Indonesia's commitment to the regional grouping. State Secretary Bambang Kesowo when announcing the visits said:

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<sup>77</sup> Walter Mattli, 1999, p.42.

<sup>78</sup> The fall of President Suharto was due to the immediate impact of the crisis and since then, Indonesia has seen three presidents: B J Habibie, Abdurrahman Wahid and the present president, Megawati Sukarnoputri. Despite the political turmoil that saw ethnic and religious clashes in Ambon and Kalimantan and a separatist movement in Aceh, there is an encouraging development that may help promote the democratic process in Indonesia.

<sup>79</sup> After a series of clash between Indonesian labor and police in Malaysia in the early of 2002, the latter introduced the new regulation with restriction on further recruitment of Indonesian by sector. According to new guideline, Indonesian workers can have job opportunity only as a maid and plantation worker.

"It would be "a reflection of her consistency in viewing ASEAN as a priority in Indonesia's foreign affairs. ASEAN's formal purpose was to promote economic and social cooperation but its main achievement has been in political co-operations." <sup>80</sup>

It remains to be seen whether in these high-profile positions Indonesia will exercise a true leadership role in ASEAN.

The leadership of Singapore, which has the potential capability, hardly can be accepted by other countries since it is a tiny Chinese enclave and the only fully developed country in the region. As democracies, Thailand and the Philippines champion openness and a more robust style of addressing cross-border issues. They are, however, firmly opposed by those countries with more restrictive political systems.<sup>81</sup>

Similarly in the political field, in the process of economic integration, there has been no significant leadership. Malaysia and Singapore are the more developed and liberalized economies in the region, but their economic capacities are not enough to encourage economic integration. However, under the situation where most ASEAN countries have not fully recovered from the economic crisis, Malaysia and Singapore were urged to collaborate and provide leadership to other ASEAN countries. Malaysian Deputy Minister of International Trade and Industry Datuk Kerk Choo Ting argued need for both countries' efforts to explore all the possibilities to enhance political, financial,

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<sup>80</sup> Megawati, who was appointed as Indonesia's fifth president on July 23 in 2001 to replace the sacked Abdurrahman Wahid, started her tour on August 22 with a visit to the Philippine capital, Manila. She traveled on to Brunei, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam, returning home on August 26. *Jakarta Post*, July 31, 2001, <http://www.thejakartapost.com/detailatestnews.asp?fileid=20010730152139&irec=15>

<sup>81</sup> Barry Wain, 2001.

and economic ties to make ASEAN once again relevant as an investment centre.<sup>82</sup> Such opinions are not only from within the country. The US-ASEAN Business Council president Ernest Z Bower also pointed out the need for leadership by Malaysia. According to him, Malaysia's leadership is vital in the implementation of free trade within ASEAN to divert foreign direct investments from China and attract them to the region. He, in addition, expressed concern over FDI inflows to China rather than Southeast Asia in the absence of leadership in the process of creating AFTA.<sup>83</sup>

In the expanded framework of regional cooperation of APT, the current situation does not indicate any significant leadership role despite the existence of powerful countries such as Japan and China. In particular, concerning its economic capacity, Japan has been asked to be more actively involved to compensate economic costs and political leadership in the process of regional integration. However, its long curve of economic slowdown, historical burdens, and lack of willingness to play a leadership role are constraining factors in Tokyo's economic and political leadership of the region.

The main concern for the creation of EAEC was to seek to safeguard its collective interests in response to the formation of large and powerful economic groupings. The inclusion of Japan designed to encourage Japan's leadership role. Japan, however, has not been an active supporter of East Asian regionalism mainly due to its bilateral relationship with the U.S, which strongly opposed the concept.<sup>84</sup>

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<sup>82</sup> *New Straits Times*, 11 February 2001.

<sup>83</sup> He said in the early 1990's, over 70 per cent of FDIs entering the East were going to Southeast Asia and less than 30 per cent going to China, while today, the reverse was true with China now receiving more than 70 per cent. Ibid.

<sup>84</sup> S.Javed Maswood, *Japan and East Asian Regionalism*, Cambridge: Cambridge University Press, 2001, pp.8-9.

Given its economic size, Japan would inevitably play a major role. Japan, however, carries a burden in playing a leadership role in the region. Along with its war criminal record during the Second World War<sup>85</sup>, a group of right-wing historians produced a textbook in 2001 that, among other things, argued that Japan's colonization of Korea was legal and raised doubts about whether Japanese forces did massacre thousands of people in Nanjing in 1937. Although the Japanese Education Ministry asked for more than 100 revisions to the text, the end result is still considered unsatisfactory, at least by China.<sup>86</sup>

In addition, its predominant economic power will be challenged by rapidly growing China. Recently the fact has been observed generally, but Japan also admitted the potential threat. The white paper published by the Ministry of Economy, Trade and Industry (METI) indicated the delay of structural reform and proposed a strategy of utilizing the growing power of East Asian countries to resuscitate the Japanese economy. Japan's share of foreign investments in the rest of East Asia dropped from 25 percent in 1990 to less than 10 per cent in 1999 according to this document. And more importantly it urged that the overall East Asian economy is no longer led by Japan, and pan-Asian private-sector competition has reached its highest level ever. This report is based on the prospect of rapid development of China.<sup>87</sup>

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<sup>85</sup> The resentment of China and Korea even including overseas Chinese are important matter. Richard E. Baldwin, 1997, p874.

<sup>86</sup> Premier Zhu Rongji said at a news conference on March 15, that the issue will have a bearing on whether "Japan and people of other Asian countries can develop their relations from generation to generation." *Far East Economic Review*, 29 March 2001.

<sup>87</sup> It noted also whereas Japan's economy stagnated for the past decade, China has continued to roar ahead and is on course to overtake Japan within a generation. Poised to enter the World Trade Organisation, it became the World's second-largest recipient of foreign direct investment in 1997 after the US-leaving Japan far behind, Meti notes, according to the Yomiuri. Japanese firms have joined the rush to set up factories in China, and the ensuing flood of exports back home left Japan with a record US\$24.9 billion

Japan and Singapore signed a free trade agreement<sup>88</sup>, which will be the first FTA for Japan. However, the most controversial issue in Japan, namely agriculture, was excluded in the agreement, although Singapore has been recognized as a non-agricultural country. It implies that there will be difficult steps in trade negotiation between Japan and ASEAN members, whose economies are mostly based on agriculture.<sup>89</sup>

Apart from the agricultural issue, there have been some tensions between Japan and ASEAN countries such as in trade where the weakening yen makes Asian countries less competitive against Japan in the world market. With the fall of the yen in 2001, Japan keeps its market-based policy. Japan's budget crunch has reduced Japan's foreign-aid programme, much of which goes to China and Southeast Asia. The agreement to establish a free trade area between China and ASEAN was seen as a threat to Japan when China's economic influence in Asia increases rapidly.<sup>90</sup>

Individual issues regarding leadership problems should not be ignored as most of ASEAN's strong leaders in member countries have left their official posts. More recently, Mahathir Mohamad who constantly pushed for the cohesiveness of ASEAN and suggested the idea of EAEG or East Asian Community, stepped down in 2003. The

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deficit in its two-way trade last year, an increase of 27 percent. The volume of import from China to Japan acceded that from Western Europe. Bowing to pressure from Japan's farm lobby, the Government last month slapped on huge temporary tariffs on imports of stone leeks, shiitake mushrooms a tatami straw from China, drawing protests from Beijing. *Business Times*, 3 May 2001.

<sup>88</sup> It was expected to increase a proportion of Singapore's tax-free export to Japan from 84 per cent to 94 per cent. At present, bilateral trade between two countries reaches about US\$22 billion, while Japan's exports to Singapore amount to about US\$17 billion (S\$31.3 billion), of which electronics, of its US\$5 billion (S\$9.2 billion) imports office machinery and semi conductors account for more than 60%. Ministry of Trade and Industry, Singapore, [http://www.mti.gov.sg/public/Home/frn\\_MTI\\_default.asp](http://www.mti.gov.sg/public/Home/frn_MTI_default.asp)

<sup>89</sup> Initially, the Singapore-Japan FTA has been view as a precursor to the formation of FTAs between APT countries. Rmikishen S. Rajan, Rahul Sen, and Rez Siregar, *Singapore and Free Trade Agreements*, Singapore, Institute of Southeast Asian Studies, 2001, p.12.

<sup>90</sup> *The Asian Wall Street Journal*, 9 January 2002.

decision to admit Cambodia, Laos and Myanmar was taken during Malaysia's chairmanship in 1977. The first APT, which has now become permanent, was held also under his chairmanship. It is well known that the APT scheme originated in the idea of East Asian Economic Grouping that was suggested by Mahathir in 1999. In addition, to strengthen regional cooperation, he proposed the 5,500km Asian railway line linking Singapore and Kunming in China.<sup>91</sup> Given the individual contribution to the development of the ASEAN, his absence could cause a leadership vacuum.

His departure could bring a change in the external relations of ASEAN in particular with Australia. In fact, Mahathir twice vetoed negotiations, in 1995 and 2000, when Australia and New Zealand sought to join ASEAN's free trade area. However, on 22 April 2004, Malaysia's Trade Minister, Rafidah Aziz, was one of 10 ministers who signed a communique proposing to "upgrade economic relations" with Australia and New Zealand to the next level. In a cautiously worded communique, the ministers, meeting in Singapore in 2004, proposed a summit of the 10 ASEAN leaders with Prime Minister John Howard and New Zealand Prime Minister Helen Clark to launch negotiations. The approach would not lead to Australia and New Zealand joining ASEAN<sup>92</sup>, but rather to a link between ASEAN's own free trade area and the Australia-New Zealand free trade arrangement.<sup>93</sup>

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<sup>91</sup> Ashraf Abdullah, 'ASEAN salutes a visionary', *New Straits Times*, 6 October 2003.

<sup>92</sup> But some Australian sources have expressed a degree of caution. They said it could take time before it was clear how committed ASEAN leaders were to the idea, and what level of free trade it might lead to *The age*, 23 April 2004.

<sup>93</sup> Australia already has a free trade agreement with Singapore, and has just completed negotiations with Thailand. But other Asian countries such as Indonesia, Malaysia, the Philippines and Vietnam have serious trade barriers to Australia's exports.

## 5.5 Other Issues in Regional Integration

### 5.5.1 The Social Dimension in ASEAN

From the long term viewpoint, ASEAN has pursued cooperation in various fields such as infrastructure, health and so on. However, the absence of social dimension or lack of the participation of private sector is another characteristic of the process of ASEAN regionalism even though ASEAN promotes cooperative activities with organizations with related aims and purposes.<sup>94</sup> The ASEAN identity has been shared by official elites from each country, in particular, the foreign policy elites with the foreign affairs ministries and academic institutions.<sup>95</sup> The personal relationship of ASEAN leaders has been a very important factor in creating a common ASEAN identity. Such personal relationship-based and elite-oriented approach in ASEAN could be changed as their leaderships change.

The ASEAN identity is not part of the general public consciousness in the ASEAN states. Most citizens in member countries have little idea of what the organization is or does<sup>96</sup> despite several attempts to raise public interest.<sup>97</sup> Diversity in

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<sup>94</sup> Those activities are ASEAN-Chambers of Commerce and Industry, ASEAN Business Forum, ASEAN Tourism Association, ASEAN Council on Petroleum, ASEAN Ports Association, ASEAN Vegetable Oils Club, and the ASEAN-Institutes for Strategic and International Studies. Furthermore, there are 53 Non-Governmental Organizations (NGOs), which have formal affiliations with ASEAN. ASEAN secretariat, <http://www.aseansec.org/64.htm>.

<sup>95</sup> Shaun Narine, 2003, p.203.

<sup>96</sup> The author's experience showed such lack of public interest on ASEAN. In a class in one of University in Malaysia, surprisingly only few students were able to give a correct answer on the question about the number of ASEAN countries.

<sup>97</sup> There has been a competition called the Asean Quiz, which quizzes the minds of the young on the economic, social and cultural aspects of the 10-member grouping in each member countries. The

languages, ethnicities, and other historical factors contributed to the shallow ASEAN identity in the public.<sup>98</sup> But more importantly, the lack of a systematic and structured involvement of the civil society and NGOs within the ASEAN framework was the main reason. Given the long history of authoritarian governments in most ASEAN countries, civil societies could get only limited space in the policymaking process. However, as most members become more democratic, more attention on civil society activities or NGOs is expected to be given on various issues such as human rights, AIDS, and environment.

At the very least, a Socio-Cultural Community has been proposed at the last ASEAN Summit in Bali in October 2003. Although not much has been done about it since this summit, and no concrete plan of action has been agreed upon, ASEAN's aim to work together on socio-cultural issues seems to open a window of opportunity for civil society.

The case of ASEM in which NGOs actively seek participation can have implications for ASEAN. As seen in the previous chapter, the Asia Europe People's Forum, as part of its intervention on the occasion of the ASEM3 and the Preparatory meeting for ASEM Parliamentary Dialogue which were held in Séoul, called on the ASEM partner governments to recognize the need for the establishment of a "Social

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biennial regional level competition which was last held in 2002 under the sponsorship of the ASEAN Committee on Culture and Information that helps to fund programmes and events in the cultural and information fields. *The star*, 12 May 2004.

<sup>98</sup> Shaun Harine, 2002, p.204.

Forum.” The participation of civil society organizations in the official process of ASEAN is expected to strengthen mutual awareness and co-operation between the two regions.<sup>99</sup>

In the region, the Malaysian Trade Union Congress (MTUC) pointed out that sufficient preparations have not been made by the countries in the region to achieve the laid down targets of AFTA- and that too in such a way as to protect and ensure the welfare of the population and working people. In addition, it argued that the trade unions of the region have also not adequately addressed AFTA and the social dialogue in the ASEAN region is largely lacking. Given the fact that many industries in the region, in order to remain competitive, would require a restructuring, the representatives of the trade unions argue that they should be fully integrated in the process. According to the MTUC, the countries are found to be competing with each other for a share of the same market, thus outplaying the other.<sup>100</sup>

In this context, there have been attempts to institutionalize basic workers’ and human rights within the ASEAN process through the introduction of an ‘AFTA Social Charter.’ In December 2003, the meeting entitled “An ‘AFTA Social Charter’ – Shaping the Draft and Exploring its Chances” was participated in by 35 trade unionists, academics and government representatives from seven ASEAN countries (Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam), who discussed the latest developments, the content of a Social Charter and strategies of implementation.<sup>101</sup> In

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<sup>99</sup> See Chapter 4.

<sup>100</sup> ICFTU-APRO/MTUC, Workshop on AFTA, 29 January 2001, Kuala Lumpur – Malaysia, <http://www.icftu-apro.org/aplabour/APLabour054.html>

<sup>101</sup> 2nd Workshop on An ‘AFTA Social Charter’ – Shaping the Draft and Exploring its Chances

theoretical terms, such movement will move the ASEAN mechanism and motivation from 'top-down' toward 'bottom-up' way.

### 5.5.2 Other Projects for Regional Cooperation

ASEAN's regional cooperation or integration has been pursued not only in the political and economic dimensions. With regard to functional cooperation, the Framework for Elevating Functional Cooperation to a Higher Plane was adopted in 1996 with a theme: "Shared prosperity through human development, technological competitiveness, and social cohesiveness." Functional cooperation is guided by the following plans: ASEAN Plan of Action on Social Development; ASEAN Plan of Action on Culture and Information; ASEAN Plan of Action on Science and Technology; ASEAN Strategic Plan of Action on the Environment; ASEAN Plan of Action on Drug Abuse Control; and ASEAN Plan of Action in Combating Transnational Crime.<sup>102</sup> Recently ASEAN announced its commitment to visa exemption for ASEAN nationals traveling within the region by 2005 even though the commitment is still in doubt.<sup>103</sup>

However, most of such ambitious projects have not been successfully completed, mainly due to financial problems. For instance, ASEAN countries have been working on building up networks through some projects such as a railway network, a railway link from Singapore to Kunming in China through Malaysia, Thailand, Cambodia

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Petaling Jaya, Malaysia 4 December 2003. <http://www.fesspore.org/pdf/Others/Social%20Charter.pdf>.

<sup>102</sup> For more details, see ASEAN secretariat, <http://www.aseansec.org>.

<sup>103</sup> *New Straits Times*, 3 February 2003.

and Vietnam, with spur lines to Myanmar and Laos and a gas pipeline network snaking through the region.

Members agree that the US\$4 billion railway project is worthwhile but it is unclear where the Thai project's fund-raising committee will find the money for it. While there has been a general feeling in ASEAN that the link would boost tourism and help in the integration of less developed members, there has been some concern about the capital outlay needed. In fact, it is Thailand that has been tasked to find the money to finance the project, including the additional rail line that will bring Myanmar closer to the rest of ASEAN.<sup>104</sup>

Southeast Asian Energy Ministers have endorsed a US\$ 7billion regional natural gas pipeline project to bolster regional development at the ASEAN Ministers of Energy conference in Bali in July 2002.<sup>105</sup> By 2020, thousands of kilometers of pipe will link ASEAN nations to provide a constant supply of natural gas for the region. The Trans-ASEAN Energy Network would link existing and proposed gas networks in Indonesia, Malaysia, Singapore, Vietnam, the Philippines and Thailand with major demand centres in China and Taiwan. Plans for the pan-ASEAN gas grid have been under consideration for five years and it may take 20 more years to complete. Another task force is studying a pan-ASEAN power grid. Currently, cross-border electricity sales take place between Thailand and Laos, Thailand and Malaysia, and Malaysia and Singapore.<sup>106</sup> The network, which will link the 10 members of the Association of Southeast Asian Nations (ASEAN),

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<sup>104</sup> *The Business times*, 24 November 2000.

<sup>105</sup> *New Straits Times*, 7 July 2002.

<sup>106</sup> *The Star*, 16 February 2001.

is due to be completed in 2015 at an estimated cost of US\$7 billion, excluding drilling. Despite the optimism over the scheduled completion of the 4,000-kilometre pipeline, Mohd Farid Mohd Amin, chief coordinator of the Trans-ASEAN Gas Pipeline (TAGP) taskforce acknowledged there were many obstacles ahead. The gas grid project, besides facing problems in terms of regulatory, legal and environmental cross-border issues, would now have to deal with the rise in costs after the economic downturn. In view of the relatively high cost of delivering this natural gas, a creative win-win arrangement for gas sellers and buyers and more cost effective technology is necessary. The proposed establishment of an ASEAN gas consulting committee and gas centre would also facilitate the resolution of cross-border issues and help resolve the problems faced by the project.<sup>107</sup>

On the HIV/AIDS epidemic issue, Southeast Asian leaders adopted an ambitious four-year programme of combat at the regional level.<sup>108</sup> At the end of 1999, UNAIDS estimated there were 1.63 million people with HIV/AIDS in ASEAN countries which accounts for a total population of 510 million. A report 'ASEAN Work Program on HIV/AIDS II (2002-2005)', unveiled at the forum's annual summit was designed to reduce the rate of HIV transmission. According to the report the 1997 Asian financial crisis and the increase in population movement may have fuelled the rapid spread of HIV.<sup>109</sup> AIDS is a trans-boundary problem and needs to be dealt with on a regional scale. ASEAN countries can negotiate jointly with the drug companies for affordable prices of

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<sup>107</sup> *Business Times*, 6 November 2001.

<sup>108</sup> See, 7th ASEAN Summit Declaration on HIV/AIDS 5 November 2001, Brunei Darussalam, <http://www.aseansec.org/8582.htm>

<sup>109</sup> *The Straits Times*, 5 November 2001.

drugs through bulk purchasing and joint negotiations. However, the program also might face challenges due to the lack of financial support.

## **5.6 Conclusion**

It has been argued above that although ASEAN has contributed to reducing tension among members, it has not yet reached the stage of a security community. Even the idea of the ASEAN Security Community (ASC) does not fulfill the conditions of the security community. ASC is based on the principle of comprehensive security as having broad political, economic, social and cultural aspects in consonance with the ASEAN Vision 2020, rather than with a defence pact, military alliance or a joint foreign policy. Indeed, ASC will adhere to the ASEAN Way

The debate over the ASEAN Way through the principle of non-intervention, and the various steps taken to enhance cooperation between ASEAN states in the areas discussed above, reveal an ASEAN willingness to address the principle and to modify it according to current needs and external influence. There is an even greater need for flexibility in the current world of rampant globalization in particular since September 11 2001. Following the economic crisis, the smoke haze and political unrest, there is increasing need for modification of the non-intervention principle and more willingness to subordinate sovereignty to the common good among nations. In particular, as regional economic integration is deepened it requires a more institutionalized mechanism to deal with complicated economic matters and resolve potential disputes among member

countries. The pressure to modify the political tradition of the ASEAN Way will arguably be increased.

However, it is admitted that the principle of non-intervention cannot be simply abandoned. It remains essential to ensure that smaller states are not brushed aside by big states, and it is particularly important for ASEAN at a time when it has just expanded to take in former political rivals. The principle is expected to help bring disparate states together. The absence of leadership that was partly caused by the ASEAN Way and denies dominance of powerful countries in the region in preference to collective leadership, will remain a major challenge for further economic integration.

As the democratization process expands in ASEAN, the role and need of civil society will increase. To strengthen the ASEAN identity not only within elite groups but also among the public, in the longer term, ASEAN needs to bring the civil sector, including NGOs into its official framework. The lack of financial resources has been highlighted as a main hurdle for enhanced regional cooperation.