

PARTING SHOT



ASEAN'S ROLE IN ASIA PACIFIC

IN THE DRIVER'S SEAT OR JUST A BACK-SEAT DRIVER?



The Association of Southeast Asian Nations (ASEAN) has often been described as the fulcrum around which the security, political and economic architecture of Asia-Pacific will be built. But can ASEAN play that role?

By Sudhir Devare

Asia is a diverse continent in terms of political regimes, demographic trends, economic development, and religious and cultural richness. At one end of the spectrum are established regional powers such as Japan, China and India, and at the other end are fledgling democracies and nascent economies like Myanmar, Cambodia and Laos. Political and economic diversity, along with geopolitical disputes, have prevented the region from integrating and leveraging the power and potential that would accompany greater regional unity.

From its inception in 1967, and especially since the end of the Cold War, ASEAN has worked towards creating dialogue among the major powers and preserving peace and stability in the Asia-Pacific region. ASEAN is still a 'work in progress' on many fronts, but its record so far in community-building can be regarded as a milestone. So maybe it is no surprise that ASEAN is now seen as playing a pivotal role in the evolving regional architecture—be it security, political or economic. But how can ASEAN serve in this leadership role? And does it have the strength, cohesiveness and skill to be in the driver's seat going forward?

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Understanding the playing field

The geopolitical dynamics in Asia-Pacific have undergone a major change in the last decade, including the emergence of six or seven major powers—a phenomenon rarely seen in history. ASEAN, a grouping of economically developing and militarily weak states, crafted useful instruments such as dialogue partnerships, the ASEAN Regional Forum (ARF), ASEAN Defence Ministers' Meeting and the East Asia Summit (EAS). All these forums essentially sought to keep the regional powers engaged in dialogue on political-security issues and economic cooperation. That the U.S. and Russia decided to join the EAS testifies to the utility of the forum.

On the other hand, there are competing and often conflicting issues creating tension and political unease within the region. Even the basic freedom of navigating through international waters is currently feared by certain nations. China's assertive position vis-à-vis other claimants on the South China Sea islands is a major concern. The resurgence of Japan under the leadership of Prime Minister Shinzo Abe and the Sino-Japanese rivalry on the contentious issue of the islands in the Pacific further impact the political-security landscape of the Asia-Pacific. The U.S. policy of 'rebalancing' or 'pivot to Asia' introduces yet another dimension as the U.S. seeks to assure the countries of the region, particularly ASEAN, of its resolve to maintain and strengthen its presence not only in Asia-Pacific, but in the broader geographical space of Indo-Pacific. The Indian Prime Minister's initiatives to open intensive dialogues with the leaders of Japan, China, America, Australia and ASEAN to build closer partnerships, as well as the Chinese President's continuing emphasis on Silk Road and maritime route initiatives—all create a stage for a major interplay among the large players of the Indo-Pacific region.

Political Cohesiveness

ASEAN is no doubt wary and watchful of these developments even as it continues to work towards its goals of establishing an integrated regional community across multiple fronts—political, security, economic, social and cultural—by 2015. However, ASEAN's reaction to the evolving conflict is constrained by the varying interests of individual nations within the regional grouping. For instance, on the South China Sea dispute, there are four ASEAN states—Vietnam, the Philippines, Malaysia and Brunei—which are rival claimants. Moreover, the bilateral relationship, especially in the economic field with China, varies from one ASEAN state to the other. ASEAN's inability in 2012 to come out with a Joint Communiqué on the subject and its slow progress in finalising a Code of Conduct on the South China Sea issue point to the difficulties faced by ASEAN states in adopting a common position.

Politically ASEAN seems in a state of transition. While the establishment of democracy in Indonesia is hailed as a welcome development, recent political changes in Thailand cast a shadow of uncertainty. Myanmar has made progress towards democratisation, but has yet to achieve national reconciliation and secure ethnic peace. ASEAN states' relative weakness in military strength, outside of Singapore and perhaps Vietnam, also acts as an inhibiting factor in playing an effective role as a catalyst to bring together major Asia-Pacific powers.

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US\$100B
India-ASEAN trade
by end-2015

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Economic partnership

ASEAN's emphasis on economic cooperation has paid dividends, such as the far-reaching decisions to participate in APEC (Asia-Pacific Economic Cooperation), initiating ASEAN+1 summits, entering into free trade area agreements on trade and investment, building connectivity projects, and leading the negotiations on the Regional Comprehensive Economic Partnership (RCEP). These initiatives have led to rising living standards for millions of people in ASEAN countries. With the removal of trade barriers and the expected free flow of capital once ASEAN forms the Economic Community later this year, intra-ASEAN trade will undoubtedly flourish. Today, economic partnership is much more than the lowering of tariff barriers, which have already decreased or been eliminated across the globe. What matters more is the capacity to attract and absorb investment, including foreign direct investment (FDI)—an area of concern for ASEAN. Furthermore, the trade dependence of most of ASEAN states on major economic powers, especially on China, restricts the economic clout that ASEAN can have as an integrated regional bloc.

Besides signing bilateral free trade agreements or comprehensive economic partnership agreements with leading economies like Japan, China, India and Korea, ASEAN states are now engaged in negotiations on the proposed Trans Pacific Partnership (TPP), the RCEP, or both. Indeed, these regional and trans-continental arrangements are going to be critical in the coming years for political-economic interaction across Asia-Pacific. And in fact, the RCEP is the initiative of the EAS, an ASEAN-centred forum, and the success of negotiating the RCEP will inevitably reflect on ASEAN's leadership role.

With regard to investment, ASEAN countries, especially the CLMV states (Cambodia, Lao PDR, Myanmar and Vietnam), are still in dire need of infrastructure development. Governmental fiscal constraints mean that these investments need to come from either the private sector, for instance through public-private-partnerships, or via FDI.

Another area that needs attention is the regional supply chain, which remains poorly integrated and cost-inefficient. The potential of a unified market and free trade cannot be attained without seamless and efficient distribution networks that allow smooth movement of goods



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across borders. This limitation will continue to deter major investment players, especially multinational corporations, from making investments in ASEAN. For the younger or weaker economies, a first step is to focus on national supply chains before being able to develop intra-regional networks.

Expanding relationships with India

India is steadily assuming an important place on the Asia-Pacific political-security mosaic. In the mid-1990s, ASEAN brought India into the ASEAN-led mechanisms of dialogue and partnership. To India's 'Look East' policy initiated at that time, ASEAN extended key and vital support. Starting with sector-specific cooperation, and expanding to a full dialogue, the relationship has evolved into a 'Strategic Partnership' with a commitment to 'ensuring the peace, stability and development of Southeast Asia'. In India, there has been consensus across the political spectrum on the need to vigorously pursue the 'Look East' policy. The new government has further emphasised its importance by declaring it as the 'Act East' policy. India-ASEAN trade has risen significantly in the last 10 years, with a target to reach US\$100 billion by the end of 2015. The expanding trade flows and FDI from India, to the order of US\$1.3 billion (in 2013), speak to the promising possibilities of growing interdependence and inter-linkages.¹

Indian Prime Minister Narendra Modi's presence at the ASEAN and EAS summits in Myanmar last year, in addition to his other foreign visits, demonstrate the importance of Asia-Pacific in India's

foreign policy and security policy paradigms. Indeed India-ASEAN relations have become a cornerstone of India's foreign policy and foundation of its 'Act East' policy. India's membership in the East Asia Summit in 2005, largely at the behest of ASEAN, places it alongside all major powers of Asia-Pacific and Indo-Pacific. India has all along supported the utility and criticality of ASEAN's catalytic role in bringing diverse powers together for maintenance of peace and stability in Asia-Pacific, and supported ASEAN's centrality in all dialogue instruments.

ASEAN is today at a crossroads. The deadline of its ambitious project of building a three-pillared regional community—political-security, economic and social-cultural—by the end of 2015 is soon approaching. ASEAN's overall strength and capability will no doubt be judged by the fulfilment of this initiative. Politically, ASEAN's ability to reach consensus in handling intra-ASEAN or inter-state disputes will be put to test on the South China Sea issue. If ASEAN can succeed in negotiating a Code of Conduct in this volatile region, it will surely confirm its role of being in the 'driver's seat'. On the economic side, leading the negotiating process at the East Asia Summit on the proposed RCEP is fraught with several challenges. For one, there is a competing agreement on TPP spearheaded by the United States. China also has a number of economic initiatives, such as the Asian Infrastructure Investment Bank and the Maritime Silk Route. ASEAN's leadership in resolving the outstanding differences among EAS member states on the proposed RCEP will go a long way in creating a solid

foundation for economic integration in Asia-Pacific and establishing ASEAN's centrality.

It needs to be recognised that ASEAN is endowed, among other things, with the asset of its strategic geographical location. For maritime connectivity in Asia-Pacific, the choke points in Southeast Asia are indispensable. Land or air communication across Asia-Pacific cannot be possible without crossing the ASEAN region. Add the vast natural resources, middle-income economies, a large population of over 600 million with a substantial proportion of youth and active workforce, a large market and rich cultural tradition, and ASEAN can be a powerhouse.

How relevant ASEAN is in the present context, and whether it can remain in the 'driver's seat' while confronted with more powerful forces around it, will largely depend on the strength and determination of the leadership within ASEAN to play this role with nimble and deft diplomacy. ASEAN should expect support in this regard from a number of stakeholders in the region, including India.

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Reference

- ¹ "Overview of ASEAN-India Dialogue Relations", January 2015, ASEAN.