

Lessons in Regional Cooperation from ASEAN

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Beginnings

- ASEAN did not start as economic grouping
- Politics, particularly Cold War dynamics drove 5 Southeast Asian countries to set up ASEAN
- Easier to use “economic” to inculcate habit of consultation and cooperation
- Five founding members of ASEAN : Indonesia, Malaysia, Philippines, Singapore and Thailand

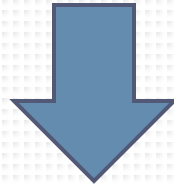
Opportunities

- China's development under Deng Xiaoping's strategy
- Multinational companies' strategy of manufacturing in low-cost locations
- Japan's strategy of shifting its production of manufactured goods to Southeast Asia
- Oil-rich countries' cash flow (from dramatic increase in oil prices)
- European economic integration and offshore manufacturing
- USA's globalisation drive

ASEAN's Response

- Focus on economic cooperation
- Develop economy of scale
- Liberalise trade and open market (ASEAN Free Trade Area or AFTA)
- Vision of one economic region
- Capitalise on Southeast Asia's strategic geography and inherent strengths

- End of Cold War
- Globalisation
- China's economic growth
- Trade Liberalisation
- Free flow of capital



- All led ASEAN Leaders to move collectively
- First, do the ASEAN Economic Community as it was easier to start and the business/market conditions already there
- Later, ASEAN Leaders added the ASEAN Political-Security Community and the ASEAN Socio-Cultural Community

ASEAN COMMUNITY

IN CONCERT

DYNAMIC

CARING

OUTWARD
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External

Relations

NARROWING THE DEVELOPMENT GAP



***The world has
changed***

ASEAN has to change

***Individual Member
Countries must
change***

Meeting Global Changes

ASEAN

- What to change (ways of operating)
- How to change (political commitment/bureaucratic follow-up)
- When to change (as soon as possible and grab opportunity)



Meeting Global Changes

ASEAN's way of operating:	With change:
<ul style="list-style-type: none">▪ Informal and flexible▪ Deadline not always clear▪ Implementation subjective/non-confrontational▪ Low priority▪ Inadequate resources	<ul style="list-style-type: none">✓ Formal (ASEAN Charter)✓ Clear targets (2015; roadmaps with milestones)✓ Rules-based and accountability (report card to ASEAN Leaders)✓ Compliance-oriented (success stories)

The ASEAN Charter



Significance of the Charter:

- ✓ Serves as a firm foundation in achieving one ASEAN Community by providing **legal and institutional framework** of ASEAN.
- ✓ Confers a **legal personality** to ASEAN

The ASEAN Charter

Significance of the Charter:

- ✓ Develops **areas of competence** of key ASEAN bodies and their relationship with one another.
- ✓ Codifies all ASEAN **norms, rules, and values**.
- ✓ Reaffirms that all ASEAN agreements be **legally binding** where appropriate.

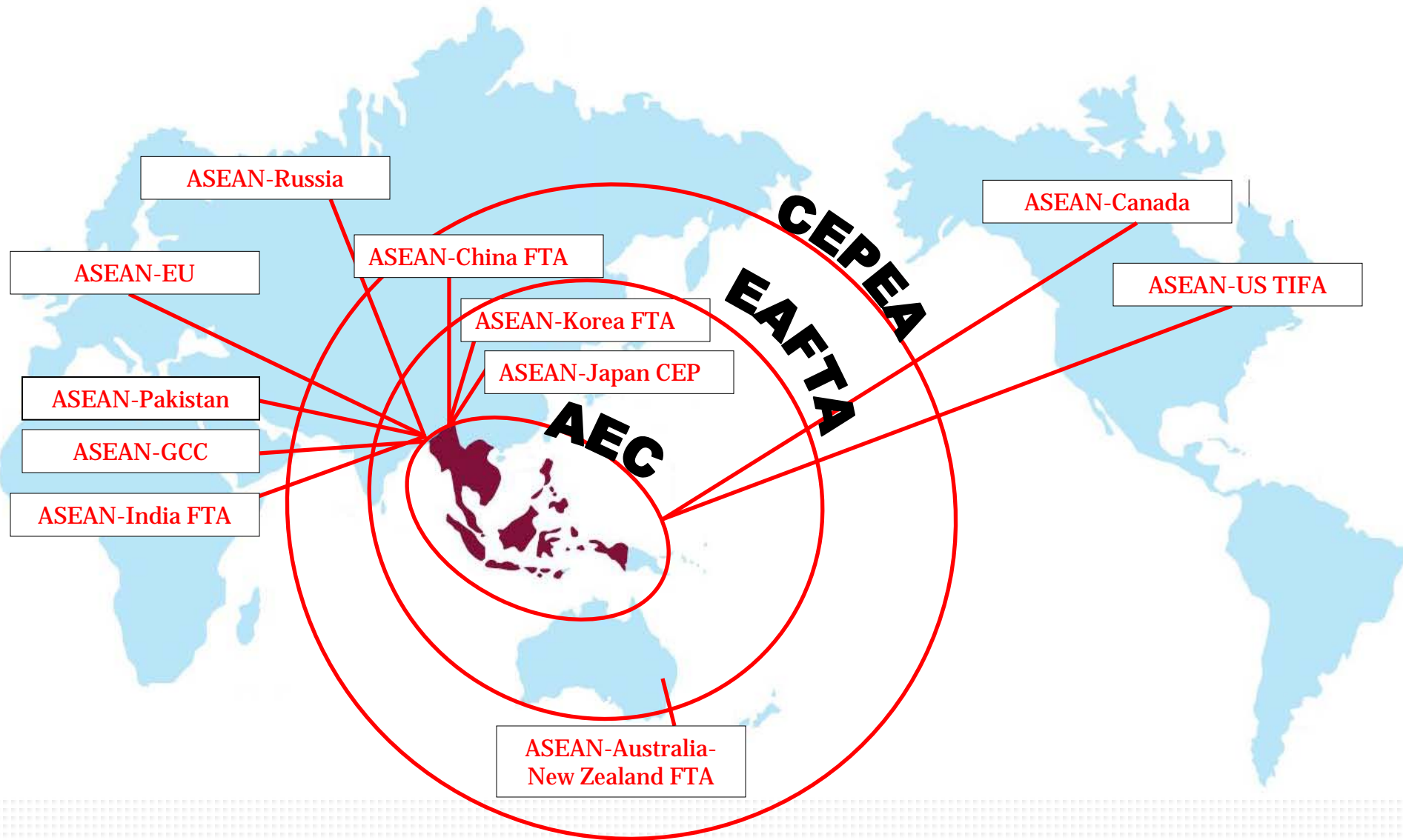
Examples of ASEAN economic cooperation

- Reduction of tariffs : more than 97% of goods traded and average tariff rate now is between 3 to 5 %
- Standardisation : Customs procedures/forms, ASEAN Single Window and Mutual Recognition Arrangements
- Connectivity : transportation, tourism, IT (also starting on energy cooperation)

Trade Liberalisation and Market Opening

- Started with AFTA
- Supplemented by FTAs with key trading partners
- China's offer to set up Free Trade Area with ASEAN led to ASEAN-China FTA, then FTAs with Korea, Japan, Australia/New Zealand, India
- Such momentum created a high profile on the international scene for ASEAN and facilitated ASEAN's broader diplomatic initiatives

ASEAN External Economics Relations



Challenges faced

- National ego (big country/small country)
- Bureaucratic culture (corruption/use technology)
- Domestic politics (leadership changes)
- Insufficient institutional set-up to champion ASEAN agenda (only small secretariat in Jakarta)
- Rule of Man; not enough Rule of Law (ASEAN Charter)

Lessons learned

- Stay open and inclusive (ASEAN economic integration)
- Be transparent (regular meetings at all levels - Leaders, Ministers, Senior Officials, Experts)
- Give sense of ownership/stakeholdership (ASEAN agenda)
- Adhere to principle of equality (equal shares of operational budget)

Lessons learned

- Focus on practical projects first (start with capacity building, then economic cooperation, later political/security issues)
- Pick low-hanging fruits and have early harvest (ASEAN-China FTA)
- Use existing mechanisms as much as possible; avoid new structures till all ready to accept

Success depends on...

- Implementing plans and projects in a timely manner
- Keeping the "ball rolling"; no harm with small steps and small yields
- Building on any "common factor"
- Getting the top leadership to weigh in and even drive projects, where necessary
- Sharing the "dividends"

Bear in mind...

- Political will is everything
- Design of plan or mechanism not at fault
- Seize the opportunity
- Capitalise on any favourable circumstances
- Engage positively those who matter

Thank You.

One Vision, One Identity, One Community

