

External Partners in ASEAN Community Building: Their Significance and Complementarities

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Developing countries which seek to build a regional community cannot advance their goals independently, unlike their developed counterparts elsewhere. They need support and input from other external partners in order to realize their socioeconomic and political security aspirations. This chapter focuses on ASEAN’s relations with its external partners. It explores the community-building process in Southeast Asia and the contributions of the external partners to the development of ASEAN cooperation.

Since the 1960s, developing states which share common aspirations have established regional groupings for various political and functional purposes. In time, some groupings were disbanded while others prospered by constantly reorganizing themselves.¹ Geography alone is insufficient as a driver of regional cooperation. Shared identity and interests—common goals in the areas of development and security—are equally important. Shared identity within a regional grouping is hardly inherent. It comes only after years of close inter-state cooperation. Effective regional cooperation will contribute to the building of a regional community—the amalgam of communities of states and people.

Within the framework of regional groupings, developed member countries often have a hard time enhancing intra-regional trade or offering economic and development assistances to other participants. Hence, the involvement of external actors becomes vital in the development of their regional cooperation, as the following discussion of ASEAN will demonstrate.

ASEAN’s External Network

Scholars have debated whether or not the formation of ASEAN was motivated by external factors associated with the Cold War. When ASEAN was formed, the

formation of the Southeast Asia Treaty Organization (SEATO) in 1954 was still fresh in the memory of many policymakers. ASEAN was conceived partly as a reaction to the external factors which shaped the national regional and national strategic conditions. ASEAN regionalism has never excluded external participation. ASEAN has maintained intimate links with international institutions such as the United Nations. Some of the members have forged defence arrangements with external powers, such as the Five Power Defence Arrangement involving Malaysia, Singapore, Australia, New Zealand and the United Kingdom. The Philippines and Thailand have been allied with the United States.

Another key aspect of ASEAN's external network concerns its dialogue partners. Beginning in the early 1970s, based on mutual interests, a number of external powers have established special links with the new Southeast Asian association. ASEAN's external linkages were strengthened after the first ASEAN Summit in 1976, which provided the first formal direction for the grouping. This led to meetings with leaders of three important external partners—Australia, New Zealand and Japan—during the Second ASEAN Summit, which coincided with the tenth anniversary of ASEAN in 1977. From this modest beginning, the dialogue-partner system expanded over the next two decades to include ten full dialogue partners, one sectoral partner and the United Nations Development Programme (UNDP) (see Table 1).² It is worth noting that ASEAN had been in consultation with this UN agency on developmental issues during its formation period in the 1960s. The contribution of the UNDP which sealed its future ties with ASEAN was its Kansu Report in 1972, which reviewed potential regional industrialization projects.

Table 1
Dialogue Partners and Commencement of Formal Links

Partner	Year (approximate)
Australia	1974
Canada	1977
China	1996
European Union	1975
India	1995

Japan	1973
Korea	1991
New Zealand	1975
Russia	1996
United States	1977
Pakistan (sectoral)	1997
UNDP	1972

Source: ASEAN website (www.aseansec.org) and other publications of the ASEAN Secretariat

ASEAN’s Goals and External Linkages

Since its inception in 1967, ASEAN’s goals have remained steadfast: peace and security in the region and the socioeconomic development of its member countries. Over the last forty years, at least three important milestone declarations have been issued: the initial ASEAN Declaration of August 1967, the ASEAN Vision 2020 of December 1997, and the Declaration of ASEAN Concord II of October 2003. The ASEAN Concord II strengthens guidelines for the achievement of an integrated regional community, which covers the political/security, economic and socio-cultural areas.

In their endeavour to “strengthen the foundation for a prosperous and peaceful community of Southeast Asian nations”,³ the ASEAN leaders have sought to engage extra-regional parties from the outset. It is true that they have attempted to limit the involvement of outsiders through the Zone of Peace, Freedom and Neutrality (ZOPFAN) declaration of 1971, the Treaty of Amity and Cooperation (TAC) in Southeast Asia signed in 1976, and the Treaty on the Southeast Asia Nuclear Weapon Free Zone (SEANWFZ) signed in 1995. However, they have made efforts to ensure peaceful and positive relations with extra-regional powers in the South China Sea, on the basis of the 2002 Declaration on the Conduct of Parties in the South China Sea.

The Declaration of ASEAN Concord II is perhaps the most elaborate in expressing ASEAN’s outward-looking aspiration.⁴ It calls for the transformation of ASEAN into a stronger community of states that is “dynamic, cohesive, resilient and integrated”. Such an aspiration was prompted by the collective sense that the association needed to be strengthened institutionally, in order to respond effectively to

the economic and political challenges posed by the rise of China and India. In this regard, this declaration reiterates the significance of the 1976 TAC and the ASEAN Regional Forum (ARF), which was established in 1994 to serve as diplomatic instruments for political and security cooperation. The process of community building in the security field inevitably involves external parties or dialogue partners. With regards to the economic community, there are specific mentions of the ASEAN Plus Three and of linkages with external partners which contribute to the development in terms of trade, industry, tourism, human resources and technology.⁵

Patterns of Mutually Beneficial Relations

Interstate transaction is an indicator of the extent of linkages between states, and certain intra- and extra-regional transactions are clearly indicative of ASEAN's efforts to build a community. Take, for example, the ASEAN Free Trade Area (AFTA): under the Common Effective Preferential Trading Arrangement, initiated in 1992, the members will gradually remove barriers to intra-regional trade. All tariffs will eventually be eliminated or, at least, no more than 5% will be imposed on the products of the member states. Within the framework of AFTA, there should be no barriers to trade so that an open trading system among the members may develop. Yet trade constitutes only one area of economic integration among states. Other elements include frameworks for promoting investments, such as the ASEAN Investment Area (AIA) and the ASEAN Framework Agreement on Services (AFAS), as well as attempts at the sub-regional level—for example, cooperation among the Mekong Basin countries. Taken collectively, ASEAN can be a single production and trading base. Another important regional policy is the Initiative for ASEAN Integration (IAI), targeting mainly the newer and less developed members of the grouping to address technical and developmental issues. In an attempt to promote a community of caring societies, the ASEAN leaders have emphasized social development and human security, seeking to improve the health and living standards of people and to publicize their cultural traditions. The aim here is not only to reduce the developmental gap but also to promote social unity.

Trade

The external implications are obvious in the area of trade. Intra-ASEAN trade accounts for only about 25% of the total volume trade in ASEAN. In contrast, in the

case of the European Union, intra-regional trade accounts for 66% of the total trade at the regional level and for more than half for each of its members (Table 2).⁶ It is worth adding that one of the aims of AFTA is to enhance trade among its members, and studies have shown that there has been a slight but visible increase in the proportion of intra-ASEAN trade.

Table 2
ASEAN: Intra- and Extra-Regional Trade, 2005

	Exports (%)		Imports (%)	
	Intra	Extra	Intra	Extra
Brunei	24.0	76.0	49.1	50.9
Cambodia	4.7	95.3	36.4	63.6
Indonesia	18.5	81.5	30.0	70.0
Lao Republic	84.8	15.2	51.6	48.4
Malaysia	26.1	73.9	25.5	74.5
Myanmar	49.9	50.1	54.9	45.1
Philippines	17.3	82.7	18.7	81.3
Singapore	31.3	68.7	26.1	73.9
Thailand	21.8	78.2	18.3	81.7
Vietnam	17.6	82.4	27.4	72.6
Total ASEAN	25.3	74.7	24.5	75.5

Source: ASEAN Secretariat, *ASEAN Statistical Pocket Book 2006*, Table 18

Investment

Another main goal of AFTA is to attract foreign direct investment into the production sectors of the ASEAN economies, with the aim of bringing about benefits to the Southeast Asian region by promoting intra-regional trade on the basis of the “rules of origin” requirement. AFTA will attract more investment into the region; moreover, it also increases the volume of trade among the members, and thus contributes to the goals of creating an economic community. ASEAN depends heavily on extra-regional sources for investment funds. Intra-regional investment flows are beginning to show some increase, especially from advanced members such as Singapore (Table 3).⁷

Table 3: FDI Net Inflow (US\$ million)

	Intra-ASEAN	Extra-ASEAN	Total net inflow
2004	2,630.3	23,030.8	25,661.1
2005	2,220.4	35,862.5	38,082.9

Source: ASEAN Secretariat, *ASEAN Statistical Pocket Book 2006*, Table 25.

Developmental Gap

Southeast Asia is diverse in terms of economic development, political systems and ethnic composition, and an unequal distribution of natural, human and capital resources is salient there. In order to help reduce the stark differences, efforts have been undertaken by the more developed members to support the less developed ones, so as to alleviate their developmental gap and to facilitate regional integration. Social development among the population is equally important in regional integration. This has not been left entirely to the richer members. Efforts have been made by some of the dialogue partners which have contributed funds to specific developmental programmes. For example, Japan has contributed to the IAI and the ASEAN Foundation while the European Commission has facilitated ASEAN's economic integration.⁸

Regional and Human Security

In the fields of regional security and human security, ASEAN has initiated various intra-regional agreements for safeguarding the region against the threat of transnational crime, human trafficking, piracy, drug trafficking and terrorist activities. Yet these measures will be inadequate without the support of other major players. Bilateral support from external partners is essential. In addition, the ARF, whose participants include the world's major powers, is an appropriate forum to address issues of common concern.⁹

Conclusion

Efforts to build a regional community have been made by various actors in Southeast Asia, and the ASEAN leaders have been cognizant of the ever-present need for ASEAN to engage extra-regional powers. Without the involvement of these powers,

ASEAN will not be able to realize its vision of developing an integrated community. The task of ensuring the long-term commitment of extra-regional partners to the peace, prosperity and security of the ASEAN region will remain a fundamental challenge for ASEAN.

¹ See for instance, cases cited in Finn Laursen (ed.), *Comparative Regional Integration* (Aldershot: Ashgate, 2003); and W. Andrew Axline, *The Political Economy of Regional Cooperation: Comparative Case Studies* (London: Pinter, 1994).

² The term “dialogue partner” is perhaps derived during the early years of cooperation from the notion that both sides would hold a dialogue to explore what ASEAN needed and what the other partner could offer in the fields of trade and economic development.

³ ASEAN, The ASEAN Declaration, Bangkok, 8 August 1967.

⁴ ASEAN, Declaration of ASEAN Concord II, Bali, 7 October 2003.

⁵ See ASEAN Secretariat, *Handbook on Selected ASEAN Political Documents* (Jakarta: ASEAN, 2003).

⁶ For current data on the EU, see <<http://www.europe.eu>>.

⁷ There has been a variation in the inflow of investment funds into ASEAN. For example, in 2005, Singapore registered an inflow of \$957.1 million (intra) and \$19,123 million (extra) while Laos registered \$6.7 million (intra) and \$21.0 million (extra).

⁸ The ASEAN Foundation, established in 1997, supports community building. Not only the ASEAN members but also external partners give financial support its activities. Japan is the greatest contributor. In addition, China, Korea, France and Canada also make contributions. For the European Commission, more details are in a press release from its regional office in Jakarta on 5 June 2007, available at <<http://www.aseanse.org>>(accessed 31 July 2007).

⁹ For details, see ASEAN Secretariat, 2006, *ASEAN Regional Forum Documents Series, 1994–2006*.