

ASEAN NEWSLETTER

Prepared for the Ministry of Foreign Affairs and Trade, Republic of Korea by the Institute of Strategic and International Studies (ISIS) Malaysia

Editors: Dato' Dr. Mahani Zainal Abidin and Ms. Natalie Shobana Ambrose

ASEAN News Updates

ACWC concludes successful visit to the EU

(February 25, 2013)

Upon the invitation of the European Union (EU), the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children (ACWC) visited the headquarters of the European Union in Brussels on 18-22 February 2013 to exchange experience in promoting and protecting women's and children's rights in Europe and Southeast Asia and to explore cooperation in areas of mutual interest. The visit also allowed ACWC Representatives to better understand EU institutions, mechanisms, instruments and policy priorities on a broad spectrum of issues relating to women's and children's rights. (Source: Philippine Information Agency)

Railway linking China, ASEAN becomes operational

(February 24, 2013)

A railway that links Southwest China's Yunnan Province with ASEAN countries became operational after seven years of construction. The railway between Yuxi and Mengzi is part of the eastern line of the planned Pan-Asia Railway network. (Source: Global Times)

China, ASEAN cooperate on hydropower

(February 23, 2013)

The China International Water & Electric Corp (CWE) will increase investment in hydropower projects in ASEAN member countries. The President of CWE said at a meeting with commercial counsellors from ASEAN countries that the company is eager to engage in more hydropower projects and contribute to hydropower development in ASEAN countries. Currently, CWE is working on more than 30 contracting projects in ASEAN countries. (Source: China Daily)

Statement by the Chairman of ASEAN on the Underground Nuclear test by the Democratic People's Republic of Korea (DPRK)

(February 19, 2013)

The Member States of the ASEAN express their deep concern about the effect on regional peace and stability caused by the recent report of an underground nuclear test conducted by DPRK. ASEAN encourages DPRK to comply fully with its obligations to all relevant United Nations Security Council (UNSC) Resolutions, namely 1718 (2006), 1874 (2009) and 2087 (2013), and to its commitments under the 19 September 2005 Joint Statement of the Six-Party Talks. In doing so, ASEAN reaffirms its full support for all efforts to bring about the denuclearisation of the Korean Peninsula in a peaceful manner and the early resumption of the Six-Party Talks. (Source: ASEAN Secretariat News)

ASEAN launches Business Award 2013

(February 6, 2013)

The ASEAN Business Advisory Council (ASEAN BAC) has launched the ASEAN Business Awards in a bid to recognise the most outstanding and successful ASEAN companies contributing to ASEAN's economic growth and prosperity. In a statement issued yesterday, ASEAN BAC said it has invited private companies from the region to submit their nominations for the upcoming ASEAN Business Awards 2013, which will be presented in August this year. (Source: The Brunei Times)

ASEAN Strengthened ties with various nations

(February 2013)

The ASEAN secretariat welcomed visits by the German Ambassador to Indonesia H.E. Dr. Georg Witschel, Ambassador of the Kingdom of Denmark H.E. Mr Martin Hermann, Admiral Samuel J. Locklear III, Commander of the United States Pacific Command (PACOM) and U.S. Ambassador to ASEAN David L. Carden, Ambassador Extraordinary and Plenipotentiary of the State of Qatar to the Republic of Indonesia and ASEAN, H.E. Mr Muhammad Khater Ibrahim Al-Khater, Ambassador Extraordinary and Plenipotentiary of the Kingdom of Norway to the Republic of Indonesia H.E. Stig Ingemar Traavik, Foreign Affairs Minister of the Kingdom of the Netherlands, H.E. Frans Timmermans, and the South Asian Association for Regional Cooperation (SAARC) delegation led by its Secretary-General H.E. Mr. Ahme d Saleem. (Source: The ASEAN Secretariat News)

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Can ASEAN Revive its Central Role in Advancing Regional Economic Integration Through the RCEP?

By: Dr. Mahani Zainal Abidin

Chief Executive, ISIS Malaysia

The idea of a Regional Comprehensive Economic Partnership (RCEP) agreement was mooted in November 2011 at the ASEAN Leaders Summit in Bali and it was launched at the 21st ASEAN Summit in Cambodia on 20 November 2012. Negotiations will begin in early 2013 and is expected to be completed by the end of 2015.

The objective of RCEP is to form the largest free-trade bloc in the world, comprising all 10 ASEAN countries and 6 other countries with which ASEAN has free trade agreements (FTAs) – these ASEAN FTA partners are China, India, Japan, South Korea, Australia and New Zealand. RCEP is intended to create a modern, comprehensive, high quality and mutually beneficial economic partnership among its members. The agreement will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues.

In view of the proliferation of FTAs in the region, it is obvious why ASEAN initiated the RCEP – it wants to retake the initiative in regional economic integration, which it began but which it has since has less influence. ASEAN FTAs were the catalyst for creating the first wave of free trade agreements in the Asian region. Subsequently, there was a flurry of other Asian countries forming FTAs with countries within and outside the region, leading to the formation of a “noodle bowl” of many overlapping FTA agreements that could cause confusion.

There are also many efforts to create region-wide economic integration. One of them is the East Asia Free Trade Agreement (EAFTA), supported by China, with ASEAN, China, Japan and Korea as its members. Another is the proposed Comprehensive Economic Partnership in East Asia (CEPEA), promoted by Japan whose members would include ASEAN, China, Japan, South Korea, India, Australia and New Zealand. Both of these initiatives have not advanced well.

A more serious attempt to create a high-quality free trade agreement is the Trans Pacific Partnership (TPP), spearheaded by the US with some Asian and ASEAN countries already members or negotiating to be one. There is also a sub-regional initiative by China, Japan and South Korea to form an FTA, and some positive progress has been made. If this proposal becomes a reality, then it is very possible that the centre of gravity of Asian economic vitality will be shifted to Northeast Asia.

Thus, it is quite natural that ASEAN wants, through the RCEP, to reassert its central role in shaping the regional economic integration architecture and seeks to harmonize the increasingly entangled “noodle bowl” of FTA agreements in Asia. The question is: will it succeed in harmonizing its own FTA already signed with various RCEP members to be consistent and promote deeper liberalization beyond the WTO?

RCEP is a good start. The basic liberalization commitments and modality of negotiation have already been made and set through the ASEAN FTA+1 agreements. The next key step, although not as easy as it sounds, is to harmonize, broaden and deepen these commitments.

RCEP has demonstrated its seriousness in making this grouping a success. A progressive and welcome move is that RCEP has adopted an open accession policy that allows other countries to join the grouping at a later stage, provided they agree to the rules and commitments previously made. Also RCEP tries to keep the door open for any ASEAN FTA partners who did not participate in the negotiations at the outset, but wish to join the negotiations at a later stage, of course depending on consenting agreement from all other participating countries.

RCEP is prepared to introduce more flexibility in order to attract developing countries to remain in or join the grouping. A more contentious principle is the flexibility for members to adopt policies suitable for their stage of development and needs. Members are allowed to protect their sensitive industries and phase out liberalization of these sectors when they are ready. This flexibility may delay a full and deep commitment to liberalization and economic integration if there is no clear criteria and timeframe to phase out this protection. In such a situation, a truly free and well integrated economic and trading region cannot exist. Instead, there will a two-tier membership – one group of members that are well integrated, able to produce high growth and operate in a free trade environment. The second group may face a lot of inefficiencies, uncompetitive industries and may be able only to produce low growth

RCEP has the grand ambition to create a high-quality and comprehensive economic partnership but there is wide gap between ambition and reality. There are many hurdles to overcome among them harmonization of the various FTA commitments, furthering services sector liberalization, reducing behind the border non-tariff barriers and the different stages of economic development among its members.

The technical challenges are real – deepening and broadening of the existing liberalization commitments and harmonization of rules and regulations are difficult because, for example, many of the services industries are not ready to face external competition. But the most daunting task is to convince the less-developing countries of the benefits of liberalization and to minimize any fall-out from liberalization when their industries are not ready to face such competition.

This is where the real test for ASEAN centrality will lie. In order for ASEAN to drive and shape the path of RCEP, it must prove that its own economic integration plan, the ASEAN Economic Community (AEC) is truly successful. The AEC has achieved very good progress in reduction of import tariff for goods but it has to make faster progress in other areas such as the services sector, non-tariff barriers and trade facilitation. ASEAN also must rethink whether its decision making method through consensus can effectively achieve the AEC objectives. The “ASEAN way” may in the end get everybody to agree but time is not on ASEAN’s side. AEC is supposed to be achieved by 2015 while the RCEP negotiation is expected to be completed in the same year.

Notwithstanding its own internal challenges, ASEAN is still probably the best organization to drive regional economic integration. It has a lot of goodwill and has established a way to move forward with its various FTA agreements. If ASEAN can use effectively the clause whereby a member can opt out even though it participated in the initial negotiation and is then allowed to rejoin at a later stage, accepting the commitments that have been agreed, this may be useful and an important mechanism to achieve a quick conclusion of RCEP.

Reflections on the Abe Doctrine

By: Dr. Tang Siew Mun

Director for Foreign Policy and Security Studies, ISIS Malaysia

Southeast Asia is back on top of Japan's diplomatic playbook! That was the message Shinzo Abe was supposed to underscore when he chose Southeast Asia as his first official overseas foray as he took up his second appointment as Japanese premier.

In 2006, Beijing was the first foreign capital Abe visited. China was then the pragmatic and logical choice as Abe sought to normalize ties between the two Asian giants following the testy years of the Koizumi Administration. Six years later, China, and not Southeast Asia, in spite of the official rhetoric, remains the centerpiece for Japanese diplomacy but for different reasons.

The Kyodo News Agency all but laid out the implicit mission for Abe's Southeast Asian tour: "Abe cements ties with Southeast Asia to counter China."

In his first administration, Abe sought to rebuild bridges with China and when he took office on 26 December 2012, the mood was decidedly more pessimistic and grave. With widespread riots and attacks against Japanese business interests in China and the tense situation surrounding the Senkaku/Diaoyu issue, Abe finds himself facing down an implacable and petulant China.

The preoccupation with China, unfortunately, detracts from the major story of the Southeast Asian visit, which was the "announcement" of the Abe Doctrine. In a speech which was scheduled to be delivered in Jakarta but later cancelled (Abe cut short his Indonesian visit to return to Tokyo in the wake of the Algerian hostage crisis) Abe outlined five principles for Japan's engagement with the region:

- The protection of freedom of thought, expression, and speech;
- Ensuring that the seas are governed by laws and rules, not might;
- The pursuit of free, open and interconnected economies;
- The promotion of intercultural ties among the peoples of Japan and the region;
- The promotion of exchanges among the younger generation.

Japanese diplomacy is not known for grand standing or high profile policy speeches, and the last major Asian policy speech dates back to 1977 when then Prime Minister Takeo Fukuda enunciated the famous Fukuda Doctrine, which pledged that Japan shall not become a military power, undertake "heart-to-heart relations with ASEAN, and to cooperate with ASEAN on managing and resolving issues pertaining to Indo-China.

The newly christened Abe Doctrine reintroduces a "values-based" approach Abe started in his first term of office. While Japan has always emphasized liberal and democratic norms and values, and the rule of law, its record of actively promoting them is sketchy at best. Traditionally, Japan has been adept and more comfortable with *seikei bunri*, a prescription which calls for the separation of politics and economics. Will Japan now walk the talk in putting its substantive economic weight behind efforts to promote openness, liberty and good governance? The *Asahi Shimbun* is skeptical and pointed out the ironic selection of Vietnam as Abe's first stop in his three-country tour. Skeptics were quick to draw parallels between Japan's renewed interest in promoting liberal ideas and China's checkered record in these areas.

In contrast to the Fukuda Doctrine which prioritized Japan's relations with Southeast Asia on a productive and mutually beneficial foundation, Abe's five principles, especially the first, may not be well-received and could also damage Japanese diplomacy. In prioritizing the promotion of liberal and democratic norms in its relations with Southeast Asia, Japan would inadvertently have to distinguish countries that are "progressive" and those that are less so. How would highlighting, for example, Thailand's forceful management of demonstrators be received in Bangkok?

Abe would do well to remember that Japan is one of the most trusted major powers in the region because it had heretofore respected and understood that the ten ASEAN nations have different political trajectories and paths. While working with ASEAN to build a strong and stable socio-economic foundation, Japan had steered away from any missionary zeal of imposing values on the region. This is a modality that works. The best way for Japan to assist ASEAN in liberal norm creation and consolidation is to do it in a quiet, gradual and collaborative manner.

If the intent of the Abe doctrine was to rally the ASEAN states to face up to an increasingly assertive China, Tokyo is setting itself up to be disappointed. To be sure, ASEAN is unsettled and concerned with China's erratic – and often provocative – behavior in the last few years. As ASEAN is trying to work out its issues with China, ASEAN would want to shy away from implicit balancing overtures from Japan or other major powers.

In supporting the call for rule-based management of the global commons which includes the maritime domain, ASEAN should be alert to attempts to link the South China Sea (SCS) disputes with the situation in the East China Sea (ECS). The dynamics of the SCS and ECS are different, and as much as ASEAN values its friendship and deep partnership with Japan, the former should keep a respectful distance from the long-standing strained and often acrimonious Sino-Japanese relations.

The Abe Doctrine is also different from the Fukuda Doctrine in two significant measures. Firstly, the Fukuda Doctrine was a pronouncement to communicate with ASEAN on ASEAN-Japan relations, but the Abe Doctrine appears to be an opportunity to talk to ASEAN about China. Secondly, the Fukuda Doctrine sets the tone for mutually beneficial relations between ASEAN and Japan, while the Abe Doctrine leans toward serving Japan's geo-strategic interests.

If there were a response to the Abe Doctrine, it would be to call upon our friends in Tokyo to set its Asian policy centered on ASEAN and not use the ASEAN-Japan bilateral relation as a means to “other ends.”

In retrospect, the Fukuda Doctrine marked an important juncture in ASEAN-Japan relations in the aftermath of the infamous “Tanaka riots.” Back in 1974, Prime Minister Kakuei Tanaka was unceremoniously greeted by angry demonstrators bemoaning Japan's alleged economic exploitation. Japan correctly gauged the mood of the region in 1977 and the Fukuda Doctrine provide the assurance that Tokyo will not threaten regional stability and underscored its sincere interest to befriend Southeast Asia. At a time when Japanese diplomacy and profile continue to languish behind China's “charm diplomacy,” the Abe Doctrine did little to signal Japan's commitment to and prioritization of Southeast Asia.

No doubt, Abe missed the chance to cultivate Southeast Asia, but there are ample opportunities to remedy this oversight. To begin with, Japan needs to map out a comprehensive approach to engage Southeast Asia. This is an opportune time considering 2013 marks the 40th year of Japan's dialogue partner relations with ASEAN. Secondly, Japan should be more effective in communicating with the region the rise of its defense budget. Granted that Tokyo officialdom has explained the increase in defense spending for the first time in 11 years in the context of the rising tensions in the East China Sea, it should also address questions related to the Cabinet's alleged nationalist-inclinations. Thirdly, Japan needs to assure the region that its on-going bilateral issues with China will not develop into a full-blown conflict. Tensions between the two regional giants have the potential to spillover and adversely affect regional stability and cooperation.

At the end of the day, it is important to acknowledge that the threat of Japan “passing” is real in the region. Japan's influence is waning and regional profile is shrinking, in tandem with its relative decline vis-à-vis China. Unless remedial measures are taken, Japan stands the risk of obsolescence. Whilst the Fukuda Doctrine unequivocally affirmed Japan's commitment to the region, the Abe Doctrine falls short of articulating Japan's policy towards the region, especially at a time when Japan's continuing position as a major regional power is in question. It's back to the drawing board for Abe's foreign policy team, while the region awaits a new plan of engagement.

Coherence of Macroeconomic Policies among ASEAN-5 Members

By: *Mr. Justin Lim*

Research Associate, ISIS Malaysia

Regional economic integration, such as the establishment of ASEAN Economic Community (AEC) is first and foremost guided by the principle of liberation. Its chief aim is to allow free flow of goods, services, investment, capital, and skilled labor by 2015.

Thus far, some of the low hanging fruits of liberalization have been identified and plucked; crowning achievements of the AEC measures to-date are in tariff reductions and eliminations, deepening trade facilitation and integration, and investment liberalization in trade sectors. The much needed political will was evident in these areas and their efforts should be lauded.

However, the diverse ASEAN economic structures make fulfilling the AEC challenging. Liberalization is a double-edged sword – catalyzing economic growth but rendering the underdeveloped sectors very vulnerable to external shocks. It may provide ample benefits to the less developed ASEAN members, but if not careful, may also lead to greater economic and employment losses, triggering governments to intervene in markets. Also, the stigma of volatile foreign investment flows is still prevalent among ASEAN policymakers. Some have responded by imposing capital controls and foreign exchange interventions, and the results of these policies will inevitably be transmitted across the region via the AEC. Suffice to say, the contagion risk arising due to the differences in policy direction and magnitude, are detrimental to other members.

Therefore, coherence of macroeconomic policies – fiscal, monetary and exchange rate policies, among member countries is crucial in safeguarding the AEC. However, convergence in macroeconomic policies without any forms of coercion while attempting to strictly adhere to the ASEAN spirit is especially tricky. This is because each member country retains complete sovereignty in designing and implementing its own macroeconomic policies; not interfering in others' domestic affairs.

Starting with fiscal policies, the European sovereign debt crisis is an excellent example that ASEAN can learn from. Poor fiscal management of several members endangered the Eurozone that may still prompt future disintegration. To this end, the setting up of ASEAN+3 Macroeconomic Research Office (AMRO) and enhancing its macroeconomic surveillance capabilities is a crucial step in maintaining macroeconomic stability in the region.

Nevertheless, in 2012, the ASEAN-5 members: Singapore, Malaysia, Indonesia, Philippines and Thailand displayed extraordinary performance by outpacing global growth, and have remained resilient to the external drag, although Singapore's growth started to succumb throughout 2012. The continuing current account surpluses, growing foreign-exchange reserves while achieving price stability underpinned their economic vitality. The star performer, Philippines, was even conferred a notch up in its sovereign debt rating by S&P rating agency¹. This improvement was even more commendable amidst the sea of rating downgrades and near-downgrades witnessed globally in recent years.

ASEAN-5 governments have weathered the recent global economic crisis well, thereafter recovering strongly, and have continuously narrowed deficits with the exception of Thailand whose deficit widened from 2012 onwards. They have also remained committed to fiscal coherence: neither distorting intraregional trade nor incurring neighbor-alarming debt levels to remain competitive.

Looking ahead, ASEAN-5's fiscal policies face at least three key challenges². Firstly, the narrow and volatile tax base constrains the governments' ability to pursue further countercyclical responses. Budgets need to accommodate future shocks arising from potential unfavorable spillovers from the US and EU regions.

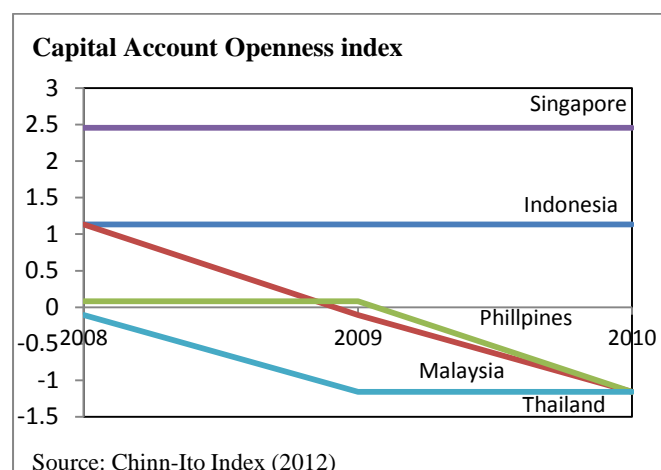
Secondly, long term growth is hindered by lack of investments in infrastructure and slowing private consumption. Governments need to involve the private sector in developing high quality infrastructures, by providing adequate incentives and a clear framework to operate in. Budget cuts must not be at the expense of social spending on healthcare, education, and poverty alleviation programs.

¹ <http://www.bloomberg.com/news/2012-07-04/s-p-raises-philippines-credit-rating-to-nine-year-high.html>

² "Post-Crisis Fiscal Policy Priorities for the ASEAN-5", IMF Working Paper, 10/252

Thirdly, protectionism, not so much of trade but in the politically-sensitive area of investment. In 2012 Indonesia, for example, enacted measures to limit foreign ownership in mining among other things. It was unopposed³; liberalization is an easy prey to the populist opposition.

But the bigger concern is coherence in capital account liberalization. It is still an especially thorny issue among ASEAN-5 governments since the Asian Financial crisis in 1997. The following graph shows the degree of capital account openness of the ASEAN-5 from 2008 to 2010, and a higher (positive) index reflects higher degree of openness, and vice versa for restrictiveness. It shows that policy direction on this matter has diverged in recent years – Malaysia, Philippines and Thailand took a more controlled stance since the global financial crisis⁴.



The different response of each country is due to their different monetary, exchange rate and capital mobility policy structure. According to the “Impossible Trinity” theory, policymakers can only pursue two of three following objectives: autonomous monetary policy, a stable exchange rates and unrestricted capital mobility. A country that wants to have a stable exchange rate and monetary autonomy will have to restrict capital flow, and vice versa.

To be sure, the use of capital controls by emerging economies is no longer controversial and has even been endorsed by one of its fiercest critic⁵; one has to remember that the AEC did not call for complete liberalization, but “freer” flow of capital. The practice of full capital account liberalization in ASEAN countries by 2015 is far from realistic and unnecessary. Many will retain some, if not all, of the controls implemented. This position is rightly justifiable in light of the many rounds of money printing by the industrialized nations, which inevitably end up on the shores of emerging countries such as that of the ASEAN members.

The right question to ask is: what then is the eventual degree of openness that should be achieved? It must not only protect national interest, but neither result in spillovers nor friendly fires; intra-ASEAN and non-ASEAN investments have to be identified and treated differently.⁶ Also, would it promote coherence among ASEAN members and yet be compatible with the ASEAN way?

In the interim, circumstances that may warrant the use of controls need to be further acknowledged and addressed.

Since capital control and continuous foreign exchange interventions are no panacea for poor economic management, ensuring stronger and coherent macroeconomic policies in ASEAN countries, especially among its earlier founding members, will determine the AEC’s longer term viability and solidarity.

³ <http://theconversation.edu.au/challenges-for-investors-amid-indonesias-foreign-ownership-regulations-5882>

⁴ The Chinn-Ito Index: A De Jure Measure of Financial Openness. http://web.pdx.edu/~ito/Chinn-Ito_website.htm.

⁵ “The New Economics of Capital Controls Imposed for Prudential Reasons”, IMF Working Paper, 11/298

⁶ “Managing Capital Flows in an Economic Community: The Case of ASEAN Capital Account Liberalization”, ADBI Working Paper ,No.378

The Proliferation Security Initiative in ASEAN: A Glass Half Full or Half Empty?

By: David Santoro (david@pacforum.org), Senior Fellow for nonproliferation and disarmament at the Pacific Forum CSIS and Shahrman Lockman (shahrman@isis.org.my), Senior Analyst at the Institute of Strategic & International Studies (ISIS), Malaysia.

(This article was originally published January 28, 2013 in PacNet, a newsletter published by Pacific Forum Centre for Strategic and International Studies CSIS)

On Nov. 18, 2012, during US President Barack Obama's visit to Thailand, Prime Minister Yingluck Shinawatra announced that her country would join the Proliferation Security Initiative (PSI). Thailand is the fifth of the 10 members of the Association of Southeast Asian Nations (ASEAN) to join the PSI, after Singapore (2004), the Philippines (2005), Brunei Darussalam (2008), and Cambodia (2008); the non-participating countries are Indonesia, Malaysia, Myanmar, Laos, and Vietnam.

It will have taken nearly ten years to convince half of ASEAN's member states to join the PSI. Is the glass half full or half empty?

The PSI emerged in 2003 in response to an incident that exposed serious gaps in the nonproliferation regime. In November 2002, at a US request, Spanish authorities interdicted a Cambodian ship, the *So San*, on its voyage from North Korea to Yemen and discovered Scud missiles and other items hidden under bags of cement. Ultimately, however, the ship was allowed to proceed with its cargo because transshipment of weapons of mass destruction (WMD)-related items was not criminalized under international law, and there were limited legal grounds for seizure.

The *So San* incident set in motion the process that led to the PSI. US officials approached likeminded states to develop a framework for action and President George W. Bush announced the PSI in Poland on May 31, 2003, along with its initial participants: the United States, Australia, France, Germany, Italy, Japan, the Netherlands, Poland, Portugal, Spain, and the United Kingdom. These states met over several months to determine how the PSI would operate, ultimately publishing a Statement of Interdiction Principles and encouraging other states to participate in the Initiative.

The PSI is a political agreement among states promising to take action, individually or collectively, to interdict WMD shipments over land, in the air, or at sea to and from states and non-state actors of proliferation concern. Because the goal was to react quickly to an urgent problem, its initial participants sought to facilitate interdictions not by creating new laws, but by working through existing domestic and international legal frameworks to enhance intelligence sharing and increase coordination of military and law enforcement assets. That is also why the PSI does not define the "rules of the road" for interdiction and leaves it up to the participating countries to decide how to do so -- to maximize flexibility.

Many states, notably some prominent members of the Non-Aligned Movement (NAM), were skeptical of the PSI. They were critical of "coalitions of the willing" and its focus on "counterproliferation", seeing them as evidence of the Bush administration's disregard for formal multilateral arms control instruments and preference for military tools to respond to WMD threats. Such misgivings were perhaps understandable: the PSI was promulgated within months of the invasion of Iraq, which was launched without a clear mandate from the United Nations and where the search for WMD came to naught. Furthermore, some legal authorities concluded that the PSI was at odds with the 1982 UN Convention of the Law of the Seas, or UNCLOS.

Over time, however, the PSI has gained traction in the international community. It has been credited with a number of successful interdictions, such as that of the well-publicized *BBC China* in October 2003, a German-owned ship that transported centrifuge parts procured through the A.Q. Khan proliferation network to Libya. It has also led to important international legal developments to facilitate interdictions, and its model has been adopted to craft new initiatives, such as the Global Initiative to Combat Nuclear Terrorism, or GICNT. Significantly, President Obama's intention to make the PSI "a durable international institution" has helped turn it into more of a mainstream policy instrument. The fact that all PSI operations to date have been conducted in accordance with international law has also helped mute criticism of the initiative.

Thus, participation in the PSI has grown from its 11 founding states to 102 today. A number of factors nudged states toward the PSI. In ASEAN, however, the governments that have endorsed it seem to have done so primarily as a concession to the United States: while ASEAN states worry about proliferation and acts of WMD terrorism, they have lower threat perceptions than the United States, which emphasizes nonproliferation, nuclear security, and counterproliferation measures. ASEAN states have more pressing priorities (development and

nation-building, notably) and believe that these measures carry considerable costs. But this can be outweighed by a visible US commitment to the bilateral relationship, such as a presidential visit (as in the case of Thailand) or promises for US capacity building: both Brunei and the Philippines have looked at the PSI as an instrument to enhance maritime security, for instance.

In the nonproliferation and nuclear security domains, ASEAN states have made similar concessions to Washington. Although it had been in the works for some time, it is probably not coincidence that Malaysia passed its Strategic Trade Bill (which considerably strengthens export controls of WMD items) just a few days before the Obama-led April 2010 Nuclear Security Summit in Washington. Similarly, in November 2012, it looked like President Thein Sein of Myanmar felt the need to reward Obama's historic visit to his country by pledging to sign an Additional Protocol (AP) with the International Atomic Energy Agency and allow nuclear inspectors on its territory -- a step that the international community had urged Myanmar to take for years.

All of this might be viewed as successes for US diplomacy in Southeast Asia. The results have thus far been impressive. As long as Thailand, a US treaty ally, remained outside the PSI, Washington's attempts to persuade other ASEAN countries to join the Initiative looked suspect; that obstacle has been eliminated. Likewise, while sharp-eyed legalists note that Malaysia has still not endorsed the PSI, Malaysia's export control laws complicate the transshipment of sensitive dual-use materials to countries of proliferation concern. And if Myanmar's conclusion of an AP materializes, it will go a long way toward addressing concerns over its nuclear activities, including its dealings with North Korea. In sum, these developments suggest that the glass is half full.

Not so fast. Political declarations of intent are one thing, bureaucratic implementation is another. As long as action against WMD threats is seen as a concession to the United States, or as an agenda foisted upon the region by Washington, meaningful steps toward implementation are likely to be few and far between. At the very least, such steps will depend on constant prodding from Washington. Significantly, while implementation of nonproliferation and nuclear security measures is (more) visible and measurable, that is not the case of counterproliferation initiatives like the PSI, which calls for independent, often secretive operations in a non-binding fashion. This means that states can pick and choose when to conduct PSI operations or, worse, they can choose to join the Initiative and then free ride. Proper implementation of the PSI, therefore, requires strong buy-in from regional states. It requires them to see the inherent value of proactively countering WMD threats, and thus must go beyond mere promises of endorsement made in the belief that they will help to bolster their relations with the US or build capacities.

What, then, should be done to promote the PSI in ASEAN? For starters, it would be useful for states other than the United States to advertise its merits so that it is no longer seen as something of interest just to Washington. US Asian allies, notably Australia, Japan, and South Korea, should do more to encourage ASEAN states to endorse the PSI; to avoid being seen as acting on behalf of Washington (as "deputy sheriffs"), they should be engaging ASEAN as a whole, not individual countries. Over the longer term, support and advocacy for the PSI should come from a more diverse range of countries. As much as it might seem farfetched today, efforts to get Chinese, Indian, and even Indonesian endorsements should be redoubled; they would be powerful examples and incentives for other regional states to follow suit.

The promotion of the PSI would also be enhanced if ASEAN officials and security experts pushed harder for its adoption and thorough implementation, both at the national and regional levels. Championing PSI is more likely to succeed if pressure comes from within, not from outside, ASEAN. This can be encouraged through regional threat assessment studies conducted in partnership with Western states and others to raise awareness not only of WMD threats in ASEAN (a reality often underestimated by regional governments), but also of the PSI's value to address these threats. Such joint studies would help show that *all* states are vulnerable to WMD threats and that it is thus important that they join forces to combat them, notably through the PSI. Significantly, these studies may also help to dispel NAM concerns that the PSI is supposedly (and uselessly) bending, if not breaking, international law.

Although the PSI has gained traction over the past decade, the number of states signing up should not be equated to the number of states convinced of its usefulness. The glass is half empty, not half full. More convincing is needed for the PSI to operate at its fullest. It is an urgent endeavor because proliferation and acts of WMD terrorism are serious threats to peace and security, including in Southeast Asia.
