

ASEAN NEWSLETTER

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

ASEAN News Updates

China's First Ambassador to ASEAN

(Jakarta, July 27, 2012)

China's first ambassador to ASEAN, Yang Xiuping, arrived in the Indonesian capital city of Jakarta saying that she will work with friends and colleagues from all circles to forge ahead the strategic partnership between China and ASEAN. In November 2011 during the 14th China-ASEAN Summit, Chinese Premier Wen Jiabao announced the plan to establish a Chinese Mission to ASEAN.

Japan-ASEAN Business Dialogue

(Bangkok, July 25, 2012)

The 5th meeting between Dr. Surin and the Federation of Japanese Chamber of Commerce and Industry in ASEAN (FJCCIA) has seen strong resurgence on ASEAN-Japanese economic ties, where Japan in 2011 turned out to be ASEAN's largest export market valued at US\$ 147.41 billion - a significant growth of 43.27% compared to 2010.

Secretary of State, Hillary Clinton attends ASEAN Summit

(Phnom Penh, July 9-13, 2012)

US Secretary of State Hillary Clinton and her Chinese counterpart Yang Jiechi have said their countries will co-operate on Asia issues. The Summit convened its signature assemblage—the 45th ASEAN Foreign Minister's Meeting (AMM)/Post Ministerial Conference (PMC). Apart from this annual feature, the Summit also saw the participation of ASEAN partners from 17 countries under the aegis of 19th ASEAN Regional Forum (ARF), 13th ASEAN Plus Three (APT) and the 2nd East Asia Summit (EAS). On July 12, Catherine Ashton, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission, signed the Instrument of Accession of the European Union (EU) to the Treaty of Amity and Cooperation in Southeast Asia (TAC).

Tobacco Not in AFTA

(Phuket, July 6, 2012)

A consensus was reached at the 11th Asean Health Ministers Meeting when Asean member nations agreed to withdraw tobacco from the Asean Free Trade Area (AFTA) list for implementation by 2015.

East Asia FTA (EAFTA) between China, Japan and South Korea

(Seoul, July, 2012)

China, Japan and South Korea have agreed to begin negotiations in November on a Free Trade Agreement (FTA). Described as a milestone development by Chinese analysts, the EAFTA reflects the growing economic convergence of these countries in a tense region. Read More: http://www.chinadaily.com.cn/china/2012-07/04/content_15546502.htm

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Failed Joint Communiqué: ASEAN's Collective Responsibility

Dr. Tang Siew Mun

Director for Foreign Policy and Security Studies

Institute of Strategic and International Studies (ISIS) Malaysia

The 45th ASEAN Ministerial Meeting will loom large in the annals of ASEAN's history. It will be remembered as the first (and hopefully the only) time, when the ten member organisation failed to issue a joint communiqué. This failure was attributed to, according to one perspective, the inflexibility of the host and Chair of the meeting – Cambodia – to accommodate a request by the Philippines to include the on-going South China Sea dispute into the official document. The other perspective lays the responsibility on the shoulders of the Philippines for its unmoving stance and insistence to highlight Manila's run-ins with Beijing on the Scarborough Shoal issue.

It is counterproductive to finger point. Nor does it serve anyone's interest, least of all ASEAN's, for assigning blame to any party. Instead, ASEAN must take collective responsibility for what many observers label as a debacle. In many ways, the Phnom Penh meeting was instructive and raises interesting questions for ASEAN and China to grapple with in the months and years to come.

Firstly, ASEAN needs to address the matter of dealing with and managing its intra-mural differences. ASEAN has always prided itself with speaking with one voice. The illusion of unity was shattered and laid bare for all to see at Phnom Penh. To be sure, "speaking with one voice" does not necessarily mean a unity of positions and interests. ASEAN has, in the main, been adept at moderating these differences and negotiating common positions. This would mean ASEAN has to work harder to achieve this unity of purpose and expression. Is the ASEAN Chair, who is also concurrently the minister of foreign affairs of his/her home state, up to this increasing complicated task? Should the Secretary-General be given a larger mandate and more responsibility to support and work with the Chair?

Secondly, from the vantage point of an aggrieved Philippines, what is the strategic relevance of ASEAN if it were unable or unwilling to champion an issue affecting one of its members? If ASEAN is incapable of even providing diplomatic support for one of its members, what can be expected of ASEAN when the dispute becomes more intractable and reach crisis proportions? Can ASEAN shed its "talk shop" mantle and take effective measures to managing and solving conflicts?

Thirdly, China has reportedly lobbied against the inclusion of the South China Sea dispute in the ASEAN agenda. Beijing steadfastly maintains that the disputes are a bilateral problem and is anxious not to frame the South China Sea dispute as one between ASEAN and China. Herein lies the problematique. It would be difficult for ASEAN to engage China if the latter does not want to involve ASEAN into the matter. The bottom line is that the present line of communication is ineffective. ASEAN needs to convince Beijing of the imperatives to deal with ASEAN on the South China Sea – at least for the time being. Alternatively, ASEAN needs to find a different modality to engage China.

Notwithstanding the immediate disappointment, the Phnom Penh meeting may well mark an important juncture in ASEAN's history. It is compelling ASEAN to reconsider the "old ways" and perhaps usher in much need reforms to reinvigorate the 45-year old organisation. It also gives pause for ASEAN and China to reflect on their management of bilateral relations. Phnom Penh will indeed be a failure if only ASEAN does not learn from the shortcomings of the meeting.

ASEAN and China: New Phase of Unpredictability

Mr. Yang Razali Kassim

*Senior Fellow, S. Rajaratnam School of International Studies, Nanyang Technological University
Visiting Fellow at the Lowy Institute for International Policy, Sydney*

Indonesia's 36-hour shuttle diplomacy to reunify ASEAN following the shock outcome of the foreign ministers meeting in Phnom Penh was swift and timely. Any further delay would have left the 10 ASEAN members in sixes and sevens. ASEAN was stunned by the unprecedented failure of its top foreign policymakers to end their annual meeting on 13 July with the customary display of cohesion through a joint communiqué. By stepping in to provide leadership during a moment of confusion, Jakarta has prevented the ASEAN ship from being set adrift-without a clear direction.

The underlying cause was the delicate issue of the territorial disputes over the South China Sea, principally between some ASEAN states and China, the region's emerging power. "Last week we were tested, there have been some difficulties, but we have grown the wiser from it," Foreign Minister Marty Natalegawa said. "Indonesia took the initiative to recalibrate ASEAN through the 36-hour effort, shuttle diplomacy, visits and working the phones and we can now reach a common position again on the South China Sea," added Dr Marty.

Three Concerns

A common position presupposes unity of purpose. This in turn defines the clear direction that ASEAN critically needs now. "You can only have an ASEAN that is central in the region if ASEAN itself is united and cohesive," said Dr Marty. Centrality is most urgent because the group cannot afford to lose focus on its big immediate goal – 2015. This is the deadline, just three years away, when the ASEAN Community is to be realised. A united ASEAN is key to its role as a central player in the evolving East Asian and Pacific economic and security architecture.

Whilst Indonesia's intervention is commendable, I am, nonetheless, not optimistic that ASEAN is totally free from troubles. Moving forward, ASEAN is entering a period of great uncertainty as the Phnom Penh episode has exposed three core concerns. The first, and most serious, is the rupture of an underlying intra-ASEAN fault line.

For some time since the expansion of the group to ten, there has been talk of a "two-tier ASEAN". What this essentially means is a potentially bifurcated group – differentiated, or split, between two halves. One is the ASEAN core comprising the original five founding members Indonesia, Malaysia, Thailand, Singapore and Philippines plus Brunei which joined in 1984. The other is the new layer of ASEAN. This comprises four Southeast Asian states that were once on the margins of the ASEAN core – some even ideologically opposed – but were incorporated after the end of the Cold War. Collectively they are referred to as the CLMV countries – Cambodia, Laos, Myanmar and Vietnam.

The incorporation of the CLMV states was motivated by the vision of ASEAN's founding fathers of a unified Southeast Asia. The Cold War's end in the early 1990s provided a strong impetus. Some members were, however, concerned about ASEAN expanding its ranks too soon, too fast, the post-Cold War era notwithstanding. Among the worries were whether the CLMV countries, being essentially socialist or central command states, could really fit into the norm, political culture and values of mainstream ASEAN. But the regional unifiers were persuasive and won the day. Indeed, over the following decade, a unified Southeast Asia through an expanded ASEAN made its mark on the wider region, supporting such initiatives as APEC, the ASEAN Plus 3 and the East Asia Summit. The confidence that a unified Southeast Asia developed was such that ASEAN even pursued the ambitious aim of becoming central to the wider regional security and economic architecture. "ASEAN Centrality" which Dr Marty cited to justify his intervention, has now become not just a diplomatic strategy but almost like a doctrine.

Strains waiting to happen

But the strains of expansion were becoming evident. Firstly, Myanmar's inclusion was proving to be controversial and has come at a cost to mainstream ASEAN which, however, withstood the pressure. Their patience paid off when the diplomatic dividend came with a reforming Myanmar, albeit a brittle one. Secondly, Cambodia is also proving to be a difficult addition. Since ASEAN's founding, members have squabbled over bilateral disputes, but never had they resorted to a "shooting war". For the first time in 2008, however, when Cambodia and Thailand clashed over a border dispute, bullets were fired. The easy and unprecedented slide to armed conflict, harking back to historical animosities, was ominous. Is there a deeper problem between mainstream ASEAN and outlier ASEAN?

Evidently, a two-tier ASEAN is not just talk. The second-tier, as initially feared, has brought in a new set of challenges. Some argue these are growing pains that should be tolerated. They have a point. But the failure of the Phnom Penh meeting to conclude with a joint communiqué was reflective of the widening underlying divide within. I doubt an ASEAN core member in the role of chair would have allowed the annual meeting to close without a joint communiqué – which is an important record of key decisions. An ASEAN core member would have resorted to some finessing of diplomatic language in the text to still reflect common concerns. The ease in which the Cambodia chair ditched the joint communiqué is again reflective of a deeper problem. Do the CLMV countries have the same commitment to ASEAN and all that it stands for?

ASEAN Community 2015?

The second concern is the impact of this fissure on the creation of the ASEAN Community 2015. As it stands, this project is on the brink of disruption. ASEAN Community 2015 now very much hinges on who will chair the group for the next three years. On record, they are Brunei, Myanmar and Malaysia in that order. Cambodia's controversial execution of its role demonstrated how crucial the chair is. Brunei and Malaysia are members of mainstream ASEAN; Myanmar is not. Indeed, Myanmar will be steering ASEAN at this crucial and sensitive moment after a significant step back from the mainstream. ASEAN's hope is that Naypyidaw will not be the next to pull a shocker. The third source of concern is China's growing intrusion into the foreign policy-making domain of ASEAN. In the aftermath of the Phnom Penh meeting, it is clear that Beijing had leaned on Phnom Penh, a close ally, to influence the handling of the South China Sea disputes in ASEAN's joint communiqué. What China had done will only sharpen deep concerns within the region that its rise as an emergent power will be intrusive, and that the road ahead for ASEAN-China relations will be as difficult as it will be mutually beneficial.

China has imposed its presence on ASEAN without lifting a finger. All it needs to do is whisper in the ears of a regional ally to advance its interests. Long a dormant source of tension waiting to explode, the South China Sea has indeed become the flashpoint that many fear it is. ASEAN is in a new phase of unpredictability.

Cyber-security in Southeast Asia: An Imperative for ASEAN?

Mr. Herman Joseph S. Kraft

*Associate Professor, Department of Political Science
University of the Philippines at Diliman, Quezon City.*

At the Shangri-la Dialogue held in Singapore on 3 June 2012, Malaysian Defense Minister Ahmad Zahid Hamidi called for the development of an ASEAN master plan for security connectivity. This was in response to the increasing threat posed by the vulnerabilities created by the increasing dependence on computer networks and cyber connectivity of fundamental state activities and functions, especially those of a sensitive nature. With the adoption of the Master Plan for ASEAN Connectivity on 28 October 2010, which calls for (among other things) the introduction of a multimodal transport system, enhanced Information and Communications Technology (ICT) infrastructure, a regional energy security framework, and multiple institutional arrangements intended to ease the movement of vehicles, the flow of goods, people and services, these vulnerabilities will only be too easily highlighted. Should ASEAN then take the call of the Malaysian Defense Minister seriously? Should ASEAN be more concerned with cyber-security in the region so much so that the member-states of the Association must take into consideration a concerted plan for security connectivity?

The issue of cyber-security is not an area that is new to ASEAN. ASEAN Telecommunications and IT Ministers have been holding meetings to discuss the coordination of efforts towards making ASEAN more competitive by taking advantage of technological advancements. This is part of what has become the e-ASEAN process – an endeavor that was initiated in 1999 intended to collectively explore means to address the digital divide in Southeast Asia. In 2003, the Telecommunications and IT Ministers Meeting (TELMIN) adopted the Singapore Declaration which included the aspiration to establish the ASEAN Information Infrastructure. This was supposed to promote interoperability, interconnectivity, security and integrity. It included the commitment from all the ASEAN member countries to “develop and operationalize national Computer Emergency Response Teams (CERTs) by 2005 in line with mutually agreed minimum performance criteria.” This has been described by the ASEAN TELMIN as a virtual forum for ASEAN cyber-security as it seeks to develop a common framework to coordinate exchange of information, establishment of standards and cooperation among enforcement agencies. At the time of the adoption of the Declaration, Singapore, Malaysia, Thailand and Indonesia already had national CERTs in place with most of the other countries establishing theirs within the next few years. Furthermore, the ASEAN+3 process also pushed the development of deeper cyber linkages and capacities within and between the ASEAN states, and between ASEAN, China, Japan and South Korea.

These efforts, however, point less to how much the issue of cyber-security has been addressed in ASEAN as to the increasing areas of vulnerabilities faced by the ASEAN member-states and, therefore, the increasing importance of cyber-security to the region. The expansion of linkages among the ASEAN states, its partners, and its people increase dependence on cyber networks, thus creating more areas of vulnerability and insecurity. This certainly strengthens the argument in favor of establishing an “ASEAN Master Plan for Security Connectivity.”

Even as such a master plan should be considered, however, there has to be recognition of current limitations that have to be addressed by the individual member-states. The argument that more intensive cyber-security measures have to be adopted at the level of ASEAN presumes a consensus on the issues to be addressed. Unfortunately, this is where technical runs into path of the cultural. The political and economic diversity of ASEAN has led to different appreciations of the nature of the issues concerned. For example, more politically liberal societies like the Philippines are debating the idea of giving people easier access to state information, a situation that would not be replicated in countries like Laos or Vietnam where even access to the Internet can be restricted. These kinds of conditions, however, create divergences in definition of the security concern involved, which means divergences in the security measures that need to be adopted. In this kind of environment where the politico-strategic considerations do not easily cohere, what could be done at the regional level?

An even more fundamental concern is capacity. The ASEAN member-states could establish common frameworks and standards in order to establish a minimal level of expectation and coordination at the regional level as has been discussed by the TELMIN. The question, however, is how much standard-setting and coordination has actually been put into place? How much capacity have the ASEAN states placed into meeting the needs established by these standards and levels of coordination? Clearly, these will be affected by questions of internet penetration and use by social and economic institutions in each of these countries. In this context, the extent of cooperation will be affected by differences in capabilities and needs not only of state institutions but also of extra-state institutions.

There is more than just merit in the proposal to set up an ASEAN Master Plan for Security Connectivity. It, however, must contend with the continuing limitation imposed upon ASEAN by the absence of a common strategic perspective that would be the basis for a common regional security framework. Efforts at establishing the foundations for such a master plan could be initiated by base lining the regional situation as far cyber vulnerabilities are concerned. A listing of national concerns and perceptions of cyber insecurity might draw up common grounds for action. Perhaps, instead of proceeding from a master plan, the master plan might have to proceed from a survey of vulnerabilities and capabilities. In this way, common action and effort especially on more sensitive and immediate concerns do not have to await the drafting of a master plan on security connectivity.

Energy Transition in ASEAN

Dr Adnan A. Hezri

*Senior Fellow, Technology, Innovation, Environment, and Sustainability Programme,
Institute of Strategic and International Studies (ISIS) Malaysia.*

The ASEAN region is well endowed with energy resources although unevenly distributed. Eight of the ASEAN member states have proven oil and gas reserves. Indonesia is the world's biggest exporter of coal for power stations with more than 70% of the region's reserves located in this country. Brunei and Malaysia are two of the largest exporters of liquid natural gas (LNG) in the world. Philippines has been ranked fourth geothermal power producers in the world. Although Singapore does not have any energy resources, it possesses substantial refinery capacity.

Despite huge energy resources enabling it to be a net energy exporter, ASEAN still imports about 60 per cent of its oil requirement from countries outside the region particularly from the Middle East. This owes to the creation of the large-scale industries in Southeast Asia which has required a higher level of energy intensity in the recent decades. The energy demand among ASEAN member states is expected to continue rising. According to the ASEAN Centre for Energy, energy consumption in ASEAN is expected to increase from 200 million tons of oil equivalent (MTOE) in 2000 to approximately 580 MTOE in 2020. This rising demand will escalate further in the future as by 2020, the region will have the world's third-largest population at more than 650 million, trailing behind China and India. The growing energy demand puts a pressure on the region's energy access and security. In addition, because fossil fuel constitutes the main energy consumption in the region, its CO₂ emissions into the Earth's atmosphere are also rising steadily. The Tokyo based Asia Pacific Energy Research Centre (APEREC) projects a fourfold increase in total CO₂ emissions from 2002 to 2030 produced by Southeast Asian countries. This contributes to the cumulative global threat of global warming at a time when the rest of the world is struggling to control the climate.

To cope with the climate change challenge, the world is progressively switching to sustainable energy systems as well as better managing energy demand and supply. According to the findings of the *Renewables Global Status Report*, renewable energy sources have grown to supply 16.7 % of global final energy consumption. Of that, traditional biomass's share has declined slightly, while modern renewable energy's share have risen. By 2011, photovoltaic module prices fell by close to 50%, and onshore wind turbine prices by around 10%. These changes brought these two leading renewable power technologies closer to competitiveness with fossil-fuel mainstays such as coal and gas. Indeed, the energy transition also witnesses the race between countries to go greener. In 2011, Europe invested \$101 billion on renewables ahead of other regions. At country level, China is leading with \$52 billion of renewables investment, closely followed by the US with \$51 billion. India through its National Solar Mission recorded an impressive 62% increase in renewable energy investment to \$12 billion, the fastest investment expansion of any large renewables market in the world. Indeed, global experience has shown that it is possible to transition to sustainable energy sources within a few decades if governments recognize a national imperative.

Mirroring the trend of energy transition elsewhere, ASEAN member states have recently set ambitious targets for a substantial redirection of their energy systems away from fossil fuels towards greater sustainability. For example, Malaysia has set quantitative targets of six per cent (or 985 megawatts) of national energy-mix to come from renewables by 2015 and 11 per cent (two gigawatts) by 2020. These targets are backed by a statutory provision, the Renewable Energy Act 2011, and administered by the Sustainable Energy Development Authority. Indonesia's geothermal contribution in power generation will increase at an average rate of 6.6% per annum over the 2007 to 2030 period. From a regional policy perspective, the Renewable Energy Program under ASEAN Plan of Action on Energy Cooperation (APAEC) 2010-2015 aims to increase the development and utilization of renewables to achieve the 15% target share of renewable energy in the ASEAN power generation mix.

ASEAN market potential in energy efficiency is huge. A study by the Roland Berger Strategy consultant indicates that by 2020, Southeast Asia could achieve efficiency gains of between 12% and 30%, a projection that would translate into power savings ranging between 119 TWh and 297 TWh. This essentially means a saving between USD 15 billion and USD 43 billion. Some ASEAN countries have taken positive steps to improve their energy efficiency. Singapore's energy intensity has improved by 15% between 1990 and 2005. In its National Energy Efficiency Program (VNEEP), Vietnam aimed to reduce energy consumption by 3-5% (2010) and 5-8% (2010-2015). Similarly, Brunei aimed to reduce energy intensity at 25% by 2030 with 2005 as the base year.

Despite encouraging policy targets, renewable energy remains underutilized within ASEAN member states. An assessment conducted by the International Energy Agency warned that conventional energy subsidies still dominated the Southeast Asian energy market and countries still constrained by huge gaps in policy and regulatory frameworks. In other words, there is an implementation deficit. More is needed to be done to remove non-technical barriers to improve markets, attract investment, and foster innovation on renewables in the region. Energy cooperation within ASEAN which thus far has been limited and far from ideal should be scaled up with a significant redirection towards a greater emphasis on renewables rather than conventional energy sources. Indeed the energy transition in ASEAN will need to be more rapid and more focused.
