

ASEAN NEWSLETTER

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ASEAN News Updates

Yudhoyono talks borders, ASEAN with Timor Leste's Gusmao

(March 21, 2013)

President Susilo Bambang Yudhoyono has promised Timor Leste Prime Minister Xanana Gusmao a resolution of the border dispute between the two countries before the end of his presidency in 2014. The three sections left with unsettled demarcations on the Indonesia-Timor Leste border are Diluil/Memo, Bijael Sunan Oben and Noel Besi/Citrana. (Source: The Jakarta Post)

ASEAN-Russian Federation 11th Joint Cooperation Committee Meeting

(March 21, 2013)

The 11th Meeting of the ASEAN-Russia Joint Cooperation Committee (ARJCC) reviewed the current status of the Roadmap on the Comprehensive Programme of Action (CPA) to Promote Cooperation between ASEAN and the Russian Federation (2005-2015). The Meeting had an in-depth exchange of views with regard to the ways to enhance ASEAN-Russia cooperation in the political and security, economic and socio-cultural priority areas, namely, combating terrorism and transnational crimes, trade and economy, investment, energy, transport, agriculture and food security, tourism, science and technology, disaster management and culture, as well as the ASEAN connectivity. (Source: Ministry of Foreign Affairs, Malaysia and Xinhuanet)

Iraq Expressed Interest to Forge Cooperation with ASEAN

(March, 21, 2013)

With some ASEAN Member States currently having cooperation with Iraq on oil production and construction projects investment, H.E. Mr. Ismieal S. Muhsin, Ambassador of the Republic of Iraq to ASEAN, expressed Iraq's desire to further forge cooperation with ASEAN as a whole in the fields of counter-terrorism and energy, especially crude oil and petroleum products. (Source: ASEAN Secretariat)

Asean FDI future brighter than China's

(March 15, 2013)

Foreign direct investment into the Asean countries has risen strongly in the past few years and is now at par with FDI into China. The change is partly a result of political issues such as recent territorial tensions between Japan and China which are diverting some Japanese investment south. But it is also driven by social and economic factors such as demographics that will not change direction any time soon. As has been well reported, rising wages in China have eroded the country's competitive edge and caused many multinational companies to relocate manufacturing to Asean countries and even to developed Europe and the US. (Source: The Financial Times)

New Publication: Surveys on ASEAN Community Building Effort

(March 14, 2013)

According to the poll, while over 80 percent of the populations living in the capital cities of the regional consortium are familiar with the Asean name, 76 percent of people lack a basic understanding about what the group actually does. However, the challenge now is for Asean to intensify its imprint and understanding among its citizens in capital cities and rural communities alike. The survey findings will serve as an important foundation to further develop the draft ASEAN Communication Master Plan and related Communication Plans. (Source: ASEAN Secretariat and The Jakarta Globe)

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ASEAN's Diplomatic Dance with North Korea

By: *Natalie Shobana Ambrose*

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ASEAN has been far from silent on North Korea's headline strategy threatening to disrupt security in the Asia Pacific region. In April last year with an imminent threat of a missile launch, the then Cambodian ASEAN Chair brought up the issue at the ASEAN leaders summit retreat¹, assuring that it will be addressed in the Chairman's statement. North Korea nevertheless deployed a rocket though it was not successful, breaking apart within the first few minutes of lift-off².

Fast forward to December of 2012, ASEAN Chair Hun Sen once again found himself in the position of having to rebuke DPRK for another planned rocket launch saying "In the name of the ASEAN chair, I appeal to North Korea to postpone the launch forever. The launch will bring no benefits but only fear in the region and tension"³. He said this after ASEAN Foreign Ministers failed to reach a consensus on the launch⁴. Though widely viewed as a ballistic missile test⁵, DPRK continued with its rocket launch saying it was a peaceful mission aimed at putting a satellite in orbit. This time it was successful according to the North American Aerospace Defence Command (NORAD)⁶.

In February this year, ASEAN member states in a statement expressed their deep concern of a report that DPRK was conducting underground nuclear test and urged North Korea to fully comply with the relevant United Nations Security Council (UNSC) Resolutions⁷. This was said in the hopes that the Six-Party talks would be promptly resumed and members reaffirm their full-support for the denuclearisation of the Korean Peninsula⁸.

This too fell on deaf ears. Pyongyang has continued to escalate tensions, the latest of which has been loading two medium-range missiles onto mobile launchers forcing South Korea and the United States to be on alert by the said missile movement. According to navy sources, South Korea has sent two Aegis destroyers equipped with advanced radar systems to both of its coasts⁹ while the US has sent F-22 jets¹⁰ to South Korea, on top of their yearly joint-military exercises. But what does North Korea being in a 'state of war with South Korea'¹¹ mean for ASEAN?

Clearly this is one of the many reminders that the region needs a formal mechanism for conflict resolution¹². The ASEAN Regional Forum (ARF) which North Korea has participated in since 2000 and the East Asian Summit (EAS) have attempted to address security concerns but have never really developed deep roots to be recognised as a credible mechanism unlike the Council for Security Cooperation in the Asia Pacific (CSCAP) which has a serious mandate allowing for frank discussion on sensitive multilateral issues and concern¹³.

Back to the possibility of an impending war, why should ASEAN seriously be concerned? South Korean shares have drop to a three-month low due to foreign selling associated to the continued tensions in the Korean Peninsula. North Korea has also suspended work after blocking South Korean workers from entering the joint

¹ Aquino gets Asean backing vs North Korea's planned rocket launch <http://globalnation.inquirer.net/31483/aquino-gets-asean-backing-vs-north-korea%E2%80%99s-planned-rocket-launch>

² N. Korea experts see repercussions in rocket's success <http://www.usatoday.com/story/news/world/2012/12/11/south-korea-north-korea-rocket/1762567/>

³ ASEAN chair urges NKorea to call off rocket launch <http://newsinfo.inquirer.net/321857/asean-chair-urges-nkorea-to-call-off-rocket-launch>

⁴ *ibid*

⁵ North Korean Missile Said to Have Military Purpose http://www.nytimes.com/2012/12/24/world/asia/north-korean-rocket-had-military-purpose-seoul-says.html?_r=0

⁶ North Korea rocket launch raises nuclear stakes <http://www.reuters.com/article/2012/12/12/us-korea-north-rocket-idUSBRE8BB02K20121212>

⁷ 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

⁸ Statement by the Chairman of the Association of Southeast Asian Nations on the underground nuclear test by the democratic people's republic of Korea <http://www.asean.org/news/asean-statement-communicues/item/statement-by-the-chairman-of-the-association-of-southeast-asian-nations-on-the-underground-nuclear-test-by-the-democratic-people-s-republic-of-korea>

⁹ CNN Seoul believes North Korea may test missile this week http://edition.cnn.com/2013/04/07/world/asia/koreas-tensions/index.html?hpt=hp_t1

¹⁰ US sends F-22 jets to join South Korea drills <http://www.foxnews.com/world/2013/04/01/us-reportedly-sends-f-22-jets-to-join-south-korea-drills/>

¹¹ North Korea Says It Is in 'State of War' with South Korea <http://abcnews.go.com/International/north-korea-state-war-south-korea/story?id=18846180#.UWJqcZPLrpw>

¹² Need for Calm Amid Asian War Cries <http://www.thejakartaglobe.com/opinion/need-for-calm-amid-asian-war-cries/583258>

¹³ Council for Security Cooperation in the Asia Pacific (CSCAP) <http://csis.org/programs/pacific-forum-csis/cscap>

inter-Korean factory complex Kaesong Industrial Zone which is located north of the Demilitarized Zone¹⁴ forcing 13 of the 123 factories to temporarily close¹⁵.

Clearly the domino effects of such jolts will be felt in ASEAN as South Korean exports to the region totalled \$71.8 billion and imports from ASEAN accounted for \$53.1 billion¹⁶ making ASEAN Korea's second largest trade partner (trade grew by 15 times during 1989-2011). ASEAN is also, Korea's largest investment market (2012, first half), its second largest foreign construction market and a major partner for knowledge sharing programs (KSP)¹⁷ while ROK is ASEAN's fifth largest source of FDI (US\$2.4 billion)¹⁸.

It is not just ASEAN's economy that is at stake but the global economy too. South Korea may not be an oil-producing country but as the world's 15th largest economy, it is a key-player in the global supply chain and is home to large corporations such as Samsung and Hyundai to name a few¹⁹. Such threats have caused companies like General Motors to come up with contingency plans if a war breaks out but if tensions are not diffused, G.M will be forced to move production elsewhere leaving a dent in South Korea's economy²⁰. Even if this war cry is just a form of intimidation, it has worked and already Kim Jong-un's threats have become an economic liability to the South.

On a humanitarian level, in the event of a war, the panic it will invoke will cause too much damage to South Korea and its neighbours. There will be a massive flow of refugees into neighbouring countries not just from the North but DPRK's largest trading partner China will feel it most.

But what can ASEAN do for now? We must acknowledge that ASEAN has many weaknesses and at times the bloc is unable to reach a consensus. Perhaps then what ASEAN can contribute in helping to defuse the situation in the Korean Peninsula is to continue making statements to address the issue in a constructive manner as it has been doing. Perhaps it can up the frequency of such statements to demonstrate its disapproval of such threats. The ASEAN Chair must not mince words highlighting the importance of a stable region for the interest of all states and the need for maximum restraint and composure from all countries involved. ASEAN could also use the ARF, EAS and Six-Party Talks as a means for diplomatically finding an amicable solution which will be a long-drawn out process but a good avenue nonetheless.

Furthermore those member states who have diplomatic ties with North Korea and embassies within the country should continually impress upon Pyongyang the statements and views of ASEAN. Countries such as Indonesia, Malaysia, Philippines, Cambodia, Vietnam and Laos that have diplomatic relations can go further through closed door meetings and track two diplomacy to urge North Korea to defuse the situation.

Finally, ASEAN can also further diplomatically engage with China to consult and see what can be done with the aim of China playing a more direct role in soothing tensions. Being North Korea's number one trading partner, China has the greatest leverage especially since previous leaders in the Kim dynasty have had friendly ties with China. It is clear from China's hard statement to the hermit kingdom that China is not in favour of the young Kim's plans saying 'no state should sow chaos'²¹. China however may be in a bind. Imposing trade sanctions on North Korea might mean a forced defusing however the alternative of a unified Korea would also mean a greater US presence too close to its borders, a scenario China is not in favour of.

The current situation between South Korea and DPRK proves to be an ideal opportunity for the newly launched Asean Institute for Peace and Reconciliation (AIPR) to step up and take its place in addressing grave issues such as a possible breach of security within the region. Indonesian Foreign Minister Marty Natalegawa at the recent ASEAN-UN Workshop on 'Lessons Learned and Best Practices in Conflict Prevention and Preventive Diplomacy' lamented that "ASEAN must continue to remain a net contributor to international peace and

¹⁴ No New North Korean Threats as More South Koreans Leave Joint Factory <http://abcnews.go.com/International/north-korea-tensions-threats-south-koreans-leave-joint/story?id=18895290#.UWJYc5PLrpw>

¹⁵ North Korean Employees Don't Report for Work at Gaeseong Complex <http://www.bloomberg.com/news/2013-04-09/north-korean-employees-don-t-report-for-work-at-gaeseong-complex.html>

¹⁶ How attractive is Asean to S Korea? <http://www.nationmultimedia.com/aec/How-attractive-is-Asean-to-S-Korea-30186279.html>

¹⁷ Korea's Role in Asia -Creating a Better Future Together talk given by Dr. PARK, Jin, Executive President, Asia Future Institute Seoul, Korea March 2013

¹⁸ ASEAN-Republic of Korea Dialogue Relations <http://www.asean.org/asean/external-relations/rok/item/asean-republic-of-korea-dialogue-relations>

¹⁹ How a Second Korean War Would Harm the U.S. Economy <http://www.usnews.com/news/blogs/rick-newman/2013/04/03/how-a-second-korean-war-would-harm-the-us-economy>

²⁰ Tensions With North Korea Unsettle South's Economy <http://www.nytimes.com/2013/04/06/world/asia/tensions-with-north-korea-unsettle-souths-economy.html?pagewanted=all>

²¹ China rebukes North Korea, says no state should sow chaos <http://www.reuters.com/article/2013/04/07/us-korea-north-idUSBRE93408020130407>

security.”²². At the moment ASEAN reacts to issues responding through statement releases but what ASEAN could do better is to spearhead dialogues to diffuse tensions which seems to be an old-fashion and unhip position to take judging by the various fall-outs, flexing of muscles and beefing up of military capability seen within the region.

As the famous saying goes ‘there are no winners in war’. For now, tempers need to be tapered by all means to avoid the high cost that war will bring to the region, its neighbours and civilians.

²²ASEAN seeks way to create effective peace body <http://www.thejakartapost.com/news/2013/04/06/asean-seeks-way-create-effective-peace-body.html>

ASEAN's Multiple Overlapping Borders: Managing Historical Claims in Southeast Asia

By: Dr Farish A Noor

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When talking about Southeast Asia, we need to bear in mind two facts: The first is that prior to the age of colonialism and the modern nation-state, Southeast Asia was a region where overlapping borders were the norm and where diaspora communities constantly moved across the region, often having multiple loyalties. Secondly, it also has to be remembered that when the Association of Southeast Asian Nations ASEAN was formed in 1967, the modern postcolonial nation-states had by and large agreed that the present-day borders of Southeast Asia were set and fixed.

ASEAN was formed at the height of the Cold War, and when Southeast Asia was dubbed the 'second front' in the war against Communism. The rise of Communism in Vietnam, Indonesia (up to 1965), Philippines, etc meant that there was the genuine fear that the region would come under the dominance of either Moscow or Peking. Indonesia up to 1965 claimed to have the third biggest Communist party in the world- until the anti-Communist purge of 1965 that wiped the party out.

It was under those trying circumstances that the borders of Southeast Asia were settled, with the hope that the new states of Southeast Asia would be able to reconcile their differences and to work together. The aim of ASEAN was to ensure peace in the region, to prevent inter-state conflict, and to present a united bloc in the face of external aggression, if that ever came.

But what ASEAN was not able to do – thanks in part to its policy of non-intervention in the internal politics of other neighbouring states – was resolve the internal domestic conflicts that arose in some of the member countries.

By the 1960s, it became clear that long-held primordial attachments to land, place and culture across the region were becoming focus points for local unrest. In some parts of ASEAN such as Southern Thailand and Southern Philippines, local communities that had previously been of a more fluid character during the pre-colonial era chafed at the borders of the modern postcolonial nation-state, which they felt hindered the long-standing sense of attachment and belonging to a wider world: The Malays of Southern Thailand felt a closer affinity to the Malay-Muslims of Peninsula Malaysia; while the Muslims of Southern Philippines felt themselves marginalised in the modern Philippine state and looked to other Muslim-majority countries like Malaysia and Indonesia with perhaps a sense of belonging.

ASEAN has always operated on the basis that the nation-state is the primary actor on the stage of international relations, and as such it has been accused of being a lobby for state and governmental interests alone. It remains a fact that despite ASEAN's relative age (it is 46 years old this year), ASEAN has not really succeeded in creating a sense of common ASEAN identity among Southeast Asians. Nor do the history textbooks of ASEAN country really delve into the complex and inter-twinned histories of the peoples of the region. Sadder still is the relatively little amount of information given in the history books of ASEAN countries about ASEAN itself, how and why it was formed, and why it remains relevant to the people of ASEAN today. Few ASEAN citizens appreciate the fact that apart from the European Union, ASEAN is perhaps the only other multinational body that has prevented war since the end of World War II, and we ASEAN citizens take our peace and stability for granted.

Compounding matters is how the school books of all ASEAN countries tell the history of each country retrospectively – by backdating the state to the past. In the process of doing so, the students of each ASEAN country only gets to see the past through the lens of the present-day state, and as such fails to appreciate the manifold nuances and complexities that bind the region together. From such a starting point, it is no surprise if ASEAN of late has been blighted by all kinds of cultural debates and contestations, such as which country can claim to have invented Batik cloth for instance.

The incursion into Malaysia by a band of Suluk militiamen loyal to the claimant to the Sulu throne that took place in March 2013 is a case in point: Here we have a conundrum that ASEAN will have to address sooner or later. How would the nation-states of ASEAN deal with the claim of those communities who still feel a sense of belonging and entitlement that stretches beyond the borders of their countries? Can ASEAN cope with the competing demands of the nation-state on the one hand (that seeks to delineate, define and police borders) and

the demands of communities that may have shared loyalties? The Suluks are not the only community who feel this, for there are also other diaspora communities like the Bugis, Bajao, Hmongs, Karens, etc whose presence straddles the borders of several countries.

As both the governments of Malaysia and Philippines work together to resolve the problem of the armed incursion into Malaysia, all the governments of ASEAN need to put their heads together to think of how this sense of shared identity, history and culture can be reconciled with the reality of a modern ASEAN in the 21st century. This is by no means an easy task, and nobody is deluded enough to suggest that it will happen tomorrow. But it is something that ASEAN ought to start thinking about, for those primordial loyalties to a pre-modern past are not about to go away, and they present real strategic and security dilemmas for ASEAN to face in the decades to come.

How Likely Is An ASEAN-EU FTA?

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In his remarks at the ASEAN-EU Business Summit in Vietnam last month, the European Commissioner for Trade Karel de Gucht reminded his audience that while progress was being made on trade negotiations between the EU and individual ASEAN nations, these were just “stepping stones” on the way to a full agreement between the EU and ASEAN as a whole²³.

But while de Gucht remains bullish on the final goal of a full ASEAN-EU free trade agreement (AEUFTA) in the wake of recent progress, the path to a full agreement is far from assured and both sides will need to overcome several challenges over the next few years.

Plans for AEUFTA were first launched in 2007 but were abandoned two years later due to disagreements about whether to include Myanmar and the wide disparities between ASEAN countries²⁴. As an alternative, the EU has since begun launching bilateral FTA negotiations with individual ASEAN countries, hoping that these would constitute the ‘building blocks’ eventually leading to the ultimate goal of a region-to-region agreement.

There are reasons to believe this approach could work. For one, the value proposition is still attractive. The EU, it is worth recalling, is ASEAN’s third largest trading partner and is by far the largest investor in ASEAN countries²⁵. Strategically, an AEUFTA gives ASEAN greater access to a combined EU market of 500 million and will draw Europe closer to Asia as a useful counterpoint to growing U.S.-China rivalry, while the EU would forge tighter links with rapidly growing Southeast Asian economies. Quantitatively, an AEUFTA would see ASEAN exports to the EU rise by 18.5 percent and GDP grow by more than 2 percent by 2020²⁶.

Recent regional developments in Asia and progress on the bilateral front have also added some steam to the idea. Regionally, Myanmar’s reformist turn removes an old headache for both sides, while the EU’s increased footprint in Asia over the past year or so has been a shot in the arm for EU-ASEAN ties²⁷. Bilaterally, the momentum for an AEUFTA was boosted when the EU concluded its first individual ASEAN FTA with Singapore last December and reached an agreement with Thailand to launch negotiations in March 2013. The EU is also in negotiations with Malaysia and Vietnam and pre-negotiation talks with Indonesia and the Philippines.

Despite all this, there are still several formidable challenges to getting to a full AEUFTA. First, the EU and individual ASEAN countries will have to reassure various domestic groups that an agreement will not undermine their interests, which will require courage and sustained political will. ASEAN countries – in particular are worried about the impact of stringent regulations (like intellectual property) on their industries – Thailand its booming medical industry, Vietnam its food exporters, and Indonesia its agricultural products²⁸. There are also general areas that are likely to present difficulties, including services and government procurement. Getting past these concerns is no easy process, and the wheels could come off at any point.

Second, the narrowing of regional disparities within ASEAN may not take place as quickly as the EU might like for an AEUFTA to occur. While movement towards an integrated ASEAN Economic Community in 2015 adds momentum for an AEUFTA, even former ASEAN Secretary-General Surin Pitsuwan has repeatedly warned over the past few years that the pace of regional integration has been too slow and that there is a risk of a “two-tiered ASEAN” instead of a coherent bloc²⁹. To its credit, the EU is working with the lesser developed ASEAN countries – Cambodia, Laos, Myanmar and Vietnam (CLMV) – to enhance their FTA negotiating capacity and is supporting regional integration efforts³⁰. Ultimately, though, the ball is in ASEAN’s court.

²³ Karel De Gucht. “Welcoming Remarks: ASEAN-EU Business Summit”. European Commission Website, 9 March 2013.

²⁴ Xuan Loc Doan. “Opportunities and Challenges in EU-ASEAN Trade Relations”. EU-Asia Center, 2 July 2012.

²⁵ European Commission. “Association of Southeast Asian Nations (ASEAN) – Trade”. 2013.

²⁶ “Report of the ASEAN-EU Vision Group: Trans-regional Partnership for Shared and Sustainable Prosperity”. 10 May 2006.

²⁷ Prashanth Parameswaran. “Sustaining Europe’s Pivot to Asia: ASEAN-EU Dimension”. S. Rajaratnam School of International Studies, RSIS Commentaries No. 41, 13 March 2013.

²⁸ For Thailand’s concerns, see: Jake Maxwell Watts. “Thai PM Puts Free Trade Agreement On The Table With EU”. The Financial Times, 7 March 2013. For Vietnam’s, see: Robert Tofani. “EU-Vietnam Weigh FTA”. Asia Times Online, 20 March 2013. For Indonesia’s, see: Alexander C. Chandra et al. “Hopes and Fears: Indonesia’s Prospects in an ASEAN-EU Free Trade Agreement”. Institute for Sustainable Development, 2009.

²⁹ Sanne Brasch Kristensen. “Event Report: Myanmar in the EU-ASEAN Relationship”. European Institute for Asian Studies, 5 February 2013; Prashanth Parameswaran. “Outgoing ASEAN Chief’s Farewell Tour”. The Diplomat, 19 December 2012.

³⁰ Vietnam News Agency. “ASEAN, EU Help CLMV Enhance FTA Negotiating Capacity”. 12 December 2012.

Third, time may not always be on the side of the AEUFTA. The more time passes without progress, the greater the chance that the forces keeping the region-to-region FTA alive, like the momentum in individual bilateral negotiations or improvements in EU-ASEAN relations in the last few months, may dissipate. Meanwhile, the protracted Eurozone debt crisis could also take a toll on individual bilateral trade relationships and lead some ASEAN countries to think twice about Europe's economic relevance as partner, no matter how short-sighted this may seem³¹. After all, the EU is hardly the only game in town, with ASEAN already moving towards the mammoth Regional Comprehensive Economic Partnership (RCEP) with its six regional partners and some members mulling the Trans-Pacific Partnership (TPP) with the United States.

Six years after negotiations first began, an AEUFTA still remains a goal worth pursuing for both the EU and ASEAN. But it is up to the two sides to not only keep that goal alive in the coming years, but to tackle the various obstacles that stand between a closer relationship among the world's two most successful regional integration initiatives.

³¹ For instance, in a November 2012 interview, EU ambassador and Head of Delegation to Malaysia Luc Vandebron was forced to admit that total trade between the EU and Malaysia had decreased by 24 percent as of August that year. See: *The Malaysian Insider*. "Malaysia-EU FTA Will Further Strengthen Ties". 27 November 2012.