

ASEAN NEWSLETTER

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

ASEAN News Updates

◆ **ASEAN – U.S. Cooperation on Food Security initiative "MARKET" Project Reduces Market Volatility through Increased Regional Trade** (Jakarta, March 29, 2012)

The United States Government and ASEAN marked the launch of a three-year project to facilitate the trade of food commodities in Southeast Asia—Maximizing Agricultural Revue through Knowledge, Enterprise Development, and Trade (MARKET). It aims to improve food security for ASEAN Member States and contribute to ASEAN regional integration by enabling freer movement of food products and commodities.

◆ **Myanmar invites ASEAN Secretariat, ASEAN Member states and Media to Observe April By-Election** (Jakarta, March 20, 2012)

Myanmar has invited the ASEAN Secretariat to send a five-member Observer Delegation, accompanied by three media personnel, to observe the 1 April 2012, By-Election. Myanmar has also invited two Members of Parliament, accompanied by three media representatives, from each ASEAN Member State.

◆ **ASEAN and the United Nations See Good Potential for Greater Cooperation and Exchange of Ideas** (Jakarta, 20 March 2012)

United Nations Secretary General Ban Ki-Moon and ASEAN Secretary General Dr Surin Pitsuwan met at the ASEAN Secretariat opening up opportunities for the two bodies to exchange ideas and cooperate on many issues.

◆ **Asian Nations to Double Currency Swap Deal** (March 17, 2012)

Japan, China, South Korea and the 10 members of the Association of Southeast Asian Nations (ASEAN) are to agree to double the fund from the current \$120 billion this month. The currency swap deal, known as the Chiang Mai Initiative, is designed to prevent a financial crisis in countries with relatively small foreign exchange reserves by giving them a safety net against future liquidity shortages.

◆ **ASEAN Law Ministers Explored More Cooperation on Model Treaty** (Bangkok 12-14 March 2012)

Thailand, as Chair of the 4th Meeting of the Working Group (WG) on the Model ASEAN Extradition Treaty, hosted a seminar on cooperation the treaty, stressing the important work of ASEAN Senior Law Officials Meeting (ASLOM) in putting in place legal instruments to support ASEAN as rules-based organisation.

◆ **8th Meeting of the ASEAN Intergovernmental Commission on Human Rights and 3rd Meeting of AICHR on the ASEAN Human Rights Declaration (AHRD)** (Jakarta 9-13 March 2012)

The ASEAN Intergovernmental Commission on Human Rights (AICHR) convened the Eighth Meeting of AICHR and the Third Meeting of AICHR on the ASEAN Human Rights Declaration (AHRD). AICHR has agreed on the Advanced Programme on Human Rights and the AICHR-Training programme on promoting Access to Justice to be implemented later in the year.

◆ **New Permanent Representatives Present Letter of Credentials to ASEAN** (Jakarta, March 2012)

H.E. Ms. Emaleen Abd Rahman Teo presented her letter of credentials, as the new Permanent Representative to ASEAN of Brunei Darussalam. Also Malaysia's Permanent Representative to ASEAN, H.E. Mr. Dato' Hasnudin Bin Hamzah, presented his letter of credentials to the Secretary-General of ASEAN, H.E. Dr. Surin Pitsuwan.

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Avoiding Russia's Path in Myanmar

Bridget Welsh

Associate Professor of Political Science, Singapore Management University

The political reforms that have occurred from August 2011 in Myanmar have captured international attention due in part to the overwhelming desire for the pariah of ASEAN to move toward better governance and greater political liberalization. The unexpected changes began in August 2011 when the current president Thein Sein rallied reformers in his Cabinet and sat down with the country's de facto opposition leader Aung San Suu Kyi to move the country toward national reconciliation. Over the last seven months, Myanmar's military leadership has begun a process of liberalization that is unprecedented.

Focus is on the April 1st by-elections – where the opposition leader and some members of her party are expected to win seats in the 48 seats open for election. These contests are perhaps the most important indicator of the new reality of Myanmar's politics. The changes however include greater media openness, diffusion of political power, new laws in the economy and greater accommodation of ethnic minorities (especially those in the south).

Given Myanmar's new political reality, it is important to understand the different trajectories of political change and the obstacles ahead. History shows us that top-down transitions such as that in Russia are rife with problems, inherently fragile, and often drawn out affairs. Myanmar is no exception; political liberalization in Myanmar will not be a linear process and there are serious hurdles ahead.

Power of Personality

While there are some who continue to point to the persistence of former military leader General Than Shwe as a "man behind the scenes", the success of the current political liberalization process rests heavily on two individuals – Thein Sein and Aung San Suu Kyi. The current president – often labeled Myanmar's Gorbachev - has built on his devout Buddhist background and generated good will broadly. Seen as a man to be trusted and clean, he has used his personal power and his office to overturn controversial decisions and facilitate change. Yet, his health is challenged by a heart problem. He is seen as a one-term president. The contenders for his position are not seen to be as committed to reform. Thein Sein faces a situation of diminishing power, with enemies within the system patiently waiting for his tenure to end.

The Lady, on her part, is arguably currently similarly at the height of her power, as she is not compromised and constrained by the system. Her likely entry into parliament will provide a new platform, but simultaneously frame her engagement within the system she is de facto legitimizing. Considerable pressure will be placed on ASSK to engage inside a system, the same system she has fought from outside. Simultaneously there are great expectations for her to deliver, but she will be operating from a small base within the parliament. Even if her party won all of the seats it is contesting in the by-elections, the NLD would only hold 9% of the overall seats, and will not be positioned to serve as a check on the incumbent regime. She will be required to build bridges in the system. This will be difficult as her relationships with other opposition MPs has been soured by personal back-biting, a deep seated trait in Myanmar that featured prominently in the 1950s failed experience with democracy. Further liberalization will require considerable compromise and flexibility – traits that have not always characterized Aung San Suu Kyi's leadership.

Transitions resting on individuals are inherently fragile. Transitions resting on individuals who arguably are diminishing in power are even more so. Myanmar politics has traditionally been plagued by personal power. The test ahead will be whether these dynamic leaders extend the liberalization process beyond themselves.

Governance Vacuum

What makes the extension of the liberalization difficult is the gutted nature of the bureaucracy. While there is considerable goodwill in the system, the liberalization process has brought to the fore policy challenges, from fiscal policy to poverty reduction. The administration in Myanmar seriously lacks expertise and even a basic understanding of problem resolution. The government has not really governed since the 1970s. With the deepening of the liberalization process, especially as the 2015 election approaches, there will be more demands to deliver, and the shortcomings in the system will become more pronounced.

This governance vacuum is multi-faceted and reinforced by years of institutional decay. The country still lacks basic information to carry out policy. A census has not been conducted for decades and is not expected to be completed for another three years. The upper echelon of the bureaucracy was most affected by the closure of universities after 1988 and the purges that occurred within ministries, as many lack even basic skills. There are limited effective implementers within the bureaucracy, as a culture of fear is widely held. Moreover, in the last decade the bureaucracy has become the signature generation, deeply embroiled in the endemic corruption within the system that extends from contracts and licenses to the privatization of state assets over the last two years.

Entrenched Resistance

To get a clear sense of the political landscape in Myanmar it is also important to acknowledge that the authoritarian elements in the system are still there. There is limited substantive engagement with society, and a powerful political elite that acts with impunity. Despite the promise of liberalization, Myanmar lacks basic laws and those close to power act with impunity. The military still holds onto to extensive privileges and in many of the periphery areas acts without checks on its power. This is most obvious in places such as the Kachin state. The preeminent position of the incumbent remains, as no real power has been transferred to either the opposition or the people at large.

The authoritarian political culture is deeply rooted. The red signs warning citizens of external enemies have been reworded to demand the society protect the nation, as the nationalistic public dictates persist albeit in slightly different emphases. For all the liberalization that is taking place in Yangon, actions on the periphery regions such as the Shan or Rakhine states feature contradictory and conflicting initiatives, as changes in the shadows are less substantive. The incumbent control and limited debate in regional assemblies illustrate the fact that changes have been concentrated in cities and in the center of power.

Overcoming Hurdles

As the news of the by-election pours in, a reality check is needed. Liberalization in Myanmar has and will continue to make progress, but underlying conditions within the state, the political culture and its dependence on key individuals make for obstacles ahead. With steps forward, there will be retreats. Democracy is not guaranteed. The analogy to Russia's transition is striking, in that contemporary conditions in Russia illustrate the limits to opening up a system from above without substantively reforming the system as a whole and building a state that can govern. To assure greater success in Myanmar's liberalization, the focus needs to move beyond elections and elites, to conditions outside of the capital and within the bowels of the system itself; it is necessary to build a foundation to support change – from a second line of leaders and capable bureaucrats to facilitating openings in the periphery. Only when light is shined in the darkest areas of resistance to change, can political liberalization take root and grow.

ASEAN 2012: Wisdom For A Concert of Nations

Dinna Wisnu, PhD

*Director, Paramadina University Graduate School of Diplomacy
Jakarta, Indonesia*

ASEAN Foreign Ministers Meeting in Siem Reap, Cambodia, 9-11 January 2012, revealed the theme of Cambodia's ASEAN 2012 chairmanship: "One Community, One Destiny". A fitting theme, indeed, for an association that continues to attract global attention. It implies an urgent need for ASEAN members to materialize their promises under the Bali Concord III, which is to advance "a more coordinated, cohesive and coherent ASEAN position" on the global stage. If all goes well, then the destiny would be bright for everyone as one community. The alternative is not desirable.

There is no doubt that this is a challenging task for whoever holds the position of Chairman. The world in general is still suffering from the plague of low economic growth, insurmountable debt, increasing unemployment (especially among the youth), a growing aging population, expensive healthcare services, and diminishing natural resources and fossil fuels.

This means that the array of economic (and even security) cooperation offers with ASEAN must be understood and responded to within that context. Growth in ASEAN is critical to alleviate the lagged and distressed countries from misery. Given the circumstance, ASEAN is an attractive partner to engage with. It is a great production base for many products and it is a promising laboratory for developing technology-based sectors. The vibrant cities in ASEAN are havens for investment in real estate, hotels, shops, communication, food and many more business opportunities. The modern facilities and exotic aura of ASEAN is appealing for youth from around the world. In short, ASEAN would be one of the most wanted destinations for investment, employment, education and vacation.

If governed properly, ASEAN would be a strong power from the South that can contribute positively to world peace and wisdom, just as desired in ASEAN Vision 2020. Whatever is done by Cambodia this year would set the tone for ASEAN governance.

The target is for ASEAN to be "a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies...where territorial and other disputes are settled through peaceful means, free from nuclear weapons, rich human and natural resources contributing to shared prosperity, and ASEAN as an effective force for peace, justice and moderation in the Asia Pacific and in the world." This is the desired ASEAN in 2020, signed by all members back in 1997.

Indeed, the devil is in the details. Talks, photo-shoots and handshakes alone would not secure desirable results as envisaged in ASEAN Vision 2020. And yet there would be hundreds of meetings, dialogs and handshakes that Cambodia needs to host and facilitate during its chairmanship. Offers for cooperation with ASEAN will continue given the circumstances explained earlier. At the same time smaller scale dialogs would need to be held to begin the implementations of what was agreed to in the past year.

Last year, while Indonesia held the ASEAN Chair, ASEAN had explored business cooperation with the European Union, India, and Russia. With China, an agreement for Free Trade Area made in 2005 was reinforced. In 2011 alone, the Prime Minister of China Wen Jiabao, visited Indonesia 3 times and also visited Malaysia and Brunei to emphasize China's commitment towards continued mutually beneficial cooperation between China and ASEAN. On the security front, Brazil became the first Latin American country to sign the Treaty of Amity and Cooperation (TAC). By signing the TAC, Brazil is eyeing a greater economic cooperation with the region. On November 2011, Japan and ASEAN adopted the Plan of Action to implement the Joint Declaration for Enhancing ASEAN-Japan Strategic Partnership for Prospering Together.

This year, those cooperations and plans of action would need to materialize into tangible, measurable realities. And by 2015, the results are expected to be much more concrete and felt by ordinary citizens, both in ASEAN and in partner countries.

Indeed, Cambodia must think outside the box to keep ASEAN's dynamism alive and partners excited. Its wisdom will make a difference. The key is to make a great-leap-forward through changes in the way people in the member countries think and respond to ASEAN and its agreements with partners.

It is no secret that many ideas for a joint foreign policy of "being present as a concert nations" cannot make significant progress into actions given the divergent (and in some cases also poor) management of domestic politics. Let's take the example of securing food for ASEAN, securing forests for ASEAN, to create open skies policy, to increase connectivity across ASEAN, to create the Trans-ASEAN Gas and Water pipeline, or even to open free-trade with the European Union. There is no such thing as smooth paths for partners to implement agreements; not yet.

Agriculture policies across ASEAN are also very diverse, and in most member countries, the Ministry of Agriculture is not considered a major influencer within the political cabinets. Forest management is highly debated and a tough issue to resolve given the array of big business players that the governments must manage and in some cases the devolution of power to local governments. The open skies policy pertains to territorial claims and nobody wants to address that issue just yet. Connectivity across ASEAN needs land concession and matching contribution from governments in order for foreign investments to materialize. This is a tough call given the land-use debate and limited fiscal space of countries needing the "connectivity". Besides, connectivity is not only about land alone; it should also be about seas and remote areas (such as the Eastern part of Indonesia). Due to the complexities of resource management, this issue is not even on the discussion agenda. The same is true for the creation of the Trans-ASEAN Gas and Water pipeline. It remains unclear as to how and who can regulate the existing management of gas and water for all member countries.

Like it or not, partners want progress fast. Critiques are clear, namely that the ASEAN Way is very different to how everyone else is doing business. So, it is very likely that partners would offer partial agreements with some member countries and leave out the others, if necessary. And indeed the concern should be the long-term impact for ASEAN centrality.

This means that at one point or another, the ASEAN Chair and the Secretariat will need to play a firmer role in mainstreaming ASEAN's vision of policy-making among members. This means that ASEAN should be driven closer to local stakeholders. ASEAN needs fresh ideas to get things moving faster.

For that, everyone needs to be part of ASEAN's agenda. Mayors, businesses, associations, youth, women, universities; all need play their part in building the ASEAN Community. For that, ASEAN could cooperate with universities to hold smaller-scale meetings to attract more diverse participation. Such cooperation would help scale down the cost for holding events, assist country the Chair and increase public ownership of ASEAN. This should assist ASEAN member countries to find a solution and to respond as a community of concert nations.

Rethinking ASEAN Food Security: ASEAN Plus Three Emergency Rice Reserve (APTERR) and Other Considerations

By Dr. Larry Wong

Programme Director, Institute of Strategic and International Studies (ISIS) Malaysia

The 2008 global food crisis has thrust food security to the forefront of the development agenda. Another anticipated food crisis in early 2011, resulting from surging prices of sugar, wheat and corn was fortunately averted when rice prices not only lagged but declined in the first Quarter of 2011. Nevertheless, there are still legitimate concerns about recurring food price hikes and volatility in future.

Consequently, many countries have adopted short-term unilateral responses comprising a combination of food safety net programs; subsidies and transfer programs to encourage supply response; increasing self-sufficiency levels of staples; increasing national food reserves; and demand management. Besides this, governments have also pursued multilateral initiatives. The World Summit on Food Security of 2009 expressed its support for open trade and increasing agricultural investments, coordinated action by member governments and the donor community, and multi-lateral response to food security threats.

At the regional level, the ASEAN Summit of March 2009 approved the ASEAN Integrated Food Security (AFIS) Framework, supported by a Strategic Plan of Action on Food Security (SPA-FS) which contains a more concrete set of activities than other food security declarations. The major components of the AIFS Framework are food security arrangements and emergency short-term relief; sustainable food trade development; integrated food security information system; and agricultural innovation. With respect to the first component, a major activity is the establishment of an ASEAN Plus Three (ASEAN +3) Emergency Rice Reserve (APTERR). This reserve builds on the East Asia Emergency Rice Reserve (EAERR), a pilot project of the ASEAN Ministers of Agriculture and Forestry and the Ministers of Agriculture of the People's Republic of China, Japan, and the Republic of Korea (AMAF+3) launched in 2003. The EAERR is, in turn, a revitalization and expansion of the ASEAN Emergency Rice Reserve (AERR) established in 1979.

This commentary focuses on the APTERR together with the role of the private sector as well as the changing role of rice in ASEAN. Its underlying theme is that it is prudent to consider things in proper perspective and recognize the evolving strategic arrangements forged by the private sector as well as the key new dimensions in ASEAN Food Security, especially that of the changing role of rice so as to be able to get the 'basics' and 'balance' right.

The 2008 Global Food Crisis taught us that beyond the 'traditional' dimensions of *availability, accessibility, utilization and stability*, there are a growing set of new dimensions that have rendered food security more complex, multi-scale, and interconnected. These new dimensions include the growing importance of:

- ◆ Cross-border or Regional initiatives/solutions;
- ◆ Food-Feed-Fuel-Finance conundrum;
- ◆ Food-Water-Energy nexus;
- ◆ Traceability and food safety;
- ◆ Self-reliance rather than self-sufficiency;
- ◆ Demand management;
- ◆ Role of private sector – Public-Private Partnerships; and
- ◆ Changing Role of Rice.

Our subsequent preoccupation will be with the last two new dimensions.

APTERR: The policy and practice of maintaining national food reserves (especially of rice) has been widely practiced. However, emergencies that are huge and catastrophic or panic-driven can overwhelm national reserves. This led to the push for international or regional food reserves. International cooperation along such lines was first muted in the aftermath of the global food crisis of 1973-1974. In 1975, the United Nations General Assembly approved the establishment of the International Emergency Food Reserve (IEFR), with initial stocks of 500,000 tons to be created by voluntary contributions of rice and wheat.

At the regional level, ASEAN member states signed an Agreement on the ASEAN Food Security Reserve (AFSR) in 1979 to establish the ASEAN Emergency Rice Reserve (AERR) consisting of national food security stocks voluntarily designated or earmarked to address food emergencies, totaling 50,000 tons which was subsequently increased to 87,000 tons.

Both of these cooperation arrangements, however, turned out to be ineffective. In fact, the AERR never made a release from its stocks! A commissioned review pointed out that this dismal record was due to the reserves being too small; the bilateral negotiation procedure for the AERR merely duplicated regular government-to-government transactions; and the ASFR Board was unable to operate AERR as a regional entity due to the lack of funding for the secretariat.

The APTERR has been structured to overcome these weaknesses as well as those encountered in operating the EAERR as a pilot from 2003 to 2010. The establishment of a permanent scheme is under way following the signing of an Agreement on APTERR on 7th October 2011, starting with a reserve of 787,000 MT. However, the agreement left program strategies and operational issues for internal discussion to the APTERR Council and Secretariat, leaving many unresolved technical, financial, and institutional issues. Despite criticism that APTERR is strong on the principles of cooperation but short on specifics, it is generally felt that the APTERR is a step in the right direction towards ASEAN Food Security, especially when taken as one of the four components of the AIFS Framework. To be sure, much needs to be done, such as forging a relationship with the private sector, especially in market-based instruments or initiatives as well as the extension of the reserve beyond rice, step by step.

The Role of the Private Sector: Food security has been widely viewed as a public sector undertaking. However, it is increasingly recognized that the much of the efforts at ensuring food security from both the supply and demand side are more effectively executed by the private sector. In relation to that, the rise of supermarkets and the accompanying development of supply chains and trading networks can also be leveraged to enhance and sustain a more comprehensive and inclusive ASEAN food security. After all, as Willy Brandt succinctly stressed years ago, *'International Cooperation is far too important to be left to Governments alone.'*

There are also other private sector initiatives, for example in rice/food commodities futures such as the Agriculture Futures Exchange Thailand (AFET) and the on-going effort of Singapore Mercantile Exchange (SMEX). There are also interesting configurations of private sector involvement in managing national rice reserves as in the case of BERNAS in Malaysia since 1976 and the more recent case of Myanmar Agribusiness Public Company (MAPCO) in Myanmar in 2012.

At the macro level, ASEAN enjoys a food trade surplus and dominates global markets and trade in rice and palm oil. ASEAN can and will continue to 'feed the world' with increasingly safe, wholesome, and traceable food.

Examples of comprehensive cross border investments in oil palm involving supply chains and trading networks in ASEAN include those of Malaysian companies like Sime Darby, KLK, FELDA and Indonesian companies like Sinar Mas. Similarly, in livestock we find the Charoen Pokphand Group of Thailand (animal feed, layers, broilers, pigs, and shrimp) and Leong Hup Holdings of Malaysia (animal feed, layers, and broilers).

The Changing Role of Rice: Across ASEAN, rice is increasingly the food of the poor and rural segments, which are precisely those impacted most by volatility as well as 'high stable' (incentive) prices often used as mechanism to achieve food security at macro level and high level of self-sufficiency. Relatedly, urbanization lowers per capita consumption of rice of rural migrants, on account of a sudden increase in substitutes and changing diets.

Better food supply chains/systems which have spread to rural growth centers have resulted in rural house-holds being able to afford to be less self-sufficient in food production and consumption, especially rice. Relatedly, modern supply chains/supermarkets have linked and changed interactions between farmers, markets and consumers.

Furthermore, the share of total calories from rice is declining and the food budget share of rice is declining even faster, accounting for less than 20% (higher for poor). This means that they spend more than 80% on other food. As a result of these considerations, the share of rice in agricultural output and in over economy are also declining rapidly.

Therefore, it is worrisome when policy debate appears to be trapped in the mindset of the 1970s: being production-centric, supply-centric, public sector-centric, rice-centric, and nation-centric (still emphasizing self-sufficiency over self-reliance) despite the realities of 2010s stated above.

ASEAN would be better served, if we also focus on supply response to price, exploit biotechnology and innovation, repackage subsidies, treat ecosystem services as public goods, encourage public-private partnerships along entire supply chain on the supply side. At the same time, focus on rationalizing demand (reduce wastage, especially at consumer level), diversify diet (eating less meat, including switching from terrestrial livestock to seafood/aquaculture which have more efficient feed conversion ratios) on the demand side.

Lastly, the increasing private sector efforts in integrating ASEAN-wide modern farming and economic activities along agri-food supply chains and international trading networks could and should be harnessed and leveraged to complement and supplement on-going Government, civil society and international agency efforts in a more holistic, multi-sectoral approach towards ASEAN Food Security.