

ASEAN NEWSLETTER

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ASEAN News Updates

Pacific Alliance Keen On Starting Talks With Asean

(May 27, 2013)

The Pacific Alliance will develop “bloc-to-bloc” negotiations with other trade blocs such as the Association of Southeast Asian Nations (ASEAN), Peru’s Minister of Foreign Trade and Tourism Jose Luis Silva announced Sunday. The minister said the Pacific Alliance is a regional bloc which transcends commercial interests so that it can also undertake tasks such as the joint promotion of its member countries and achieve cooperation agreements in various areas of interest.

(Source: NAM News Network)

Thailand calls for ASEAN ministers' meeting in August

(May 23, 2013)

Thailand proposed that Southeast Asian ministers meet in August to firm up its position on the protracted South China Sea disputes before meeting with China in Beijing in September to discuss the sea disputes, including how to move forward a proposed regional code of conduct aimed at reducing territorial and maritime conflicts in the South China Sea. Mr Sihasak Phuanketkeow, Thailand's permanent secretary of the Foreign Ministry, told Kyodo News he circulated the proposal during the ASEAN Senior Officials Meeting in the Brunei capital. Thailand is the coordinator for ASEAN-China relations.

7th ASEAN Defence Ministers' Meeting (ADMM)

(May 7, 2013)

The ASEAN Defence Ministers' Meeting (ADMM) has continued to grow as a robust and active mechanism that contributes to regional peace and stability as the region heads to ASEAN Community 2015. In efforts to further strengthen regional defence cooperation, the Ministers endorsed two new ADMM initiatives - Establishing ASEAN Defence Interaction Programmes (ADIP) and the Establishment of Logistics Support Framework. To enhance their cooperation with eight of ASEAN's Dialogue Partners in the ADMM-Plus, the Defence Ministers, also adopted, among others, a Concept Papers on Establishment of Experts' Working Group (EWG) on Humanitarian Mine Action (HMA). This new EWG adds to the existing five EWGs on Maritime Security, Humanitarian Assistance and Disaster Relief, Peacekeeping Operations, Military Medicine, and Counter Terrorism under the ADMM-Pus framework. (Source: ASEAN Secretariat News)

The 26th ASEAN-U.S. Dialogue to Further Enhance Partnership

(May 2-4, 2013)

The ASEAN-U.S. Dialogue took place in Washington D.C., where Senior Officials from all ten ASEAN Member States, the ASEAN Secretariat and the United States met to discuss pressing regional issues across ASEAN's political-security, economic, and socio-cultural pillars. The Meeting discussed a wide range of issues in the ASEAN-U.S. relationship, including maritime security, transnational crime, humanitarian assistance/disaster relief, the ASEAN-U.S. Expanded Economic Engagement (E3) Initiative, energy, education, rule of law, and development in the Lower Mekong Sub-region. The Senior Officials also discussed preparations for the ASEAN Post Ministerial Conference (PMC) Session with the United States, and the first ever inaugural ASEAN-U.S. Summit scheduled later this year. (Source: ASEAN Secretariat News)

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Rise of ASEAN Defence Diplomacy and Some Implications on ASEAN Centrality

By: *Termsak Chalermpananupap**

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Defence diplomacy in ASEAN involving Defence Ministers of ASEAN Member States is relatively new in the 46-year-old organization. Their first formal meeting was convened on 9 May 2006 in Kuala Lumpur. The latest one, the 7th ASEAN Defence Ministers Meeting (ADMM), was held in Bandar Seri Begawan on 7 May 2013.

The emergence of the ADMM came after the ASEAN Security Community concept had already been laid down by the ASEAN Foreign Ministers Meeting (AMM). The Bali Concord II Declaration of ASEAN Leaders at their 9th ASEAN Summit in Bali, 7 October 2003, mentioned bringing ASEAN's "*political and security cooperation to a higher plane ...*" But there was no mentioning of defence cooperation in ASEAN *per se*, except in recognizing the sovereign right of Member States "*to pursue their individual foreign policies and defense arrangements...*" and in confirming that ASEAN was not going to pursue "*a defense pact, military alliance or a joint foreign policy.*"

Under the rather restrictive framework of the ASEAN Security Community, the ADMM has to create its own niche role. Nevertheless, in just seven years, the ASEAN defence diplomacy has grown in leaps and bounds, especially after the launching in 2010 of the ADMM-Plus process to engage the eight Dialogue Partners of ASEAN. The rapid rise of the ADMM will undoubtedly affect the ascendancy of the AMM in regional security affairs.

The first question that comes to mind is, how will the ADMM-Plus affect the ASEAN Regional Forum (ARF)? Two consequences are clear: Many ASEAN defence officials and military officers will lose interest in the ARF's Defence Officials Dialogue (ARF-DOD), and the ARF Security Policy Conference (ASPC) in particular. Outcomes of the ARF-DOD and the ASPC have, at best, been merely "noted" in the ARF SOM and the ARF meeting of foreign ministers. Now they would rather concentrate on the ADMM-Plus where their ideas and efforts count more.

Another consequence is the wasteful overlapping of efforts in the ARF and the ADMM-Plus, as well as in ASEAN's civilian preparedness in humanitarian assistance and disaster relief (HADR). The ADMM and the ADMM-Plus have found fertile ground for cooperation in HADR operations. From 17-20 June 2013, the ADMM-Plus will conduct its HADR and Military Medicine Exercise in Brunei Darussalam, which will involve up to 2,000 military personnel.

Last month in Thailand, the ARF already conducted its ARF-DiRex from 7-11 May. Moreover, from 24-29 October 2013, the ASEAN Committee on Disaster Management will conduct its Disaster Emergency Response Exercise in Viet Nam, to test ASEAN's response mechanisms under the ASEAN Agreement on Disaster Management and Emergency Response and the readiness of the ASEAN Coordinating Centre for Humanitarian Assistance on disaster management (AHA Centre located in Jakarta). In the meantime, Indonesia will host activities under the framework of Mentawai Megathrust Exercise 2013-2014, which will involve the East Asia Summit participating countries. It is unclear how these four exercises will complement one another and enhance the ASEAN preparedness.

A follow-up question is whether it is time for the AMM and the ARF to move on to pursue and implement preventive diplomacy, and leave HADR operations to the ADMM and the ADMM-Plus. The defence and military establishments clearly have the comparative advantage; they have necessary resources (personnel, transport, and training) for HADR operations. Civil-military coordination, standby arrangements, and rules of procedure for utilization of military personnel and assets have already been laid down, at least in ASEAN, and occasionally tested. In a major natural disaster, HADR action must be deployed wasting time on political delays or diplomatic negotiations. This is one clear lesson from the Cyclone Nargis disaster in Myanmar in 2008.

Another question is how ASEAN is going to maintain its centrality, while at the same time sustain the momentum of practical cooperation in the ADMM-Plus. One solution is to increase the frequency of the ADMM-Plus to once every two years, instead of three, starting with the third ADMM-Plus in Malaysia in 2015.

Another solution is to rotate the co-chairmanship of the Experts Working Groups (EWGs) so that every participating country has a chance to be proactive in one particular area.¹

The keen interest of China and the U.S. in the ADMM and the ADMM-Plus poses yet another question about how ASEAN is going to manage the power rivalry between these two powers. Chinese Defence Minister Gen. Chang Wanquan met informally with ASEAN Defence Ministers on 8 May 2013 in Bandar Seri Begawan. This was the third such informal meeting; the two previous meetings were held in Jakarta (2011) and in Phnom Penh (2012). The U.S. Defence Secretary will also have an informal meeting with the ASEAN Defence Ministers in Bandar Seri Begawan in August 2013, back to back with the Second ADMM-Plus on 29 August. The same also happened in the retreat of the ADMM in Bali (2011), and in Siem Reap (2012).

Moreover, U.S. Defence Secretary Chuck Hagel reportedly mentioned during the Shangri-La Dialogue in Singapore on 1 June 2013 that he planned to invite ASEAN Defence Ministers to a meeting in Hawaii in 2014. ASEAN Defence Ministers will have to come up with a good response to this rather unusual U.S. overture. The ASEAN centrality is at stake here. If they accept and go to meet the U.S. Defence Secretary in Hawaii, they would certainly have to prepare to respond to a similar invitation from the Chinese Defence Minister to go to meet in China. China reportedly wishes to go as far as making the ADMM-China meeting a regular annual formal event. Other defence ministers may soon also request some more attention from their ASEAN hosts or invite them to meet in their countries.

Canada, the E.U. and France (which is not a Dialogue Partner of ASEAN) are interested in joining the ADMM-Plus. The more participants in the ADMM-Plus, the more difficulties ASEAN will face in managing it to absolutely everyone's satisfaction.

Finally, how will the AMM maintain control of the overall directions of ASEAN's external relations? The ASEAN Charter has assigned a significant role to the AMM in recommending strategic directions of ASEAN's external relations to the ASEAN Summit. But it looks increasingly unlikely that ASEAN Foreign Ministers have the whole picture of what is happening in all areas of ASEAN's external relations.

At the 7th ADMM, Vietnamese Defence Minister proposed a new agreement on no first use of force among the claimants of disputed areas in the South China Sea. In fact such an obligation can already be found in the Treaty of Amity and Cooperation in Southeast Asia, of which all the claimants are among the 31 High Contracting Parties. The existing ASEAN-China confidence-building framework of the 2002 Declaration of Conduct of Parties in the South China Sea involves all 10 ASEAN Member States and China, not just the claimants. Likewise, the upcoming ASEAN-China official talks on a code of conduct in the South China Sea will also involve all 10 ASEAN Member States and China.

In light of the lack of coordination among ASEAN ministerial bodies both within the same community pillar and across community pillars, the 22nd ASEAN Summit last April assigned the ASEAN Coordinating Council (which is constituted by the ASEAN Foreign Ministers) to review "*ASEAN's process and institutions in order to safeguard ASEAN centrality in the regional architecture, ...*". One crucial area that must be seriously examined is how to improve the coordination between the AMM and the ADMM, and between the ARF and the ADMM-Plus.

ASEAN centrality requires all ASEAN ministers with active external relations to pull together in the same general direction. And wherever possible they should be able to speak with one ASEAN voice when engaging any Dialogue Partner.

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¹ Starting in April 2014, the EWG on HADR will be co-chaired by Laos and Japan (replacing Viet Nam and China); on Maritime Security, by Brunei Darussalam and New Zealand (Malaysia and Australia); on Counter-Terrorism, by Singapore and Australia (Indonesia and the US); on Peace-Keeping Operations, by Cambodia and the RoK (the Philippines and New Zealand); and on Military Medicine, by Thailand and Russia (Singapore and Japan). The new sixth EWG on Humanitarian Mine Action will be co-chaired by Viet Nam and India. Indonesia, Malaysia, the Philippines, the US, and China will not have any co-chairmanship role in any of the EWGs. Neither will Myanmar, even though it will chair ASEAN (and the ADMM) in 2014.

An ASEAN-China Trade Bloc: Examining trade dependence between ASEAN and China

By: Mr. Justin Lim, Research Associate, Institute of Strategic and International Studies (ISIS) Malaysia & Mr. Steven C.M. Wong, Senior Director, Institute of Strategic and International Studies (ISIS) Malaysia

In the years following China's accession to the World Trade Organization in 2001, its total exports to the world, in particular to North America and Europe rose very significantly. By 2010, it even overtook Germany as the world's largest exporter.

Its trade with ASEAN has also received special attention in recent years: regional trade is more and more concentrated in parts and components goods, stemming from its production networks, whereby China acts as a final assembling and export point. Also, ASEAN countries are heavily endowed with abundant natural resources, which are vital for resource intensive, rapidly industrializing China.

These factors suggest that a unique economic relationship is forming between the two countries, which can be seen as a driving force behind the ASEAN-China Free Trade Agreement (ACFTA), the ASEAN Economic Community (AEC) and now the Regional Comprehensive Economic Partnership (RCEP).

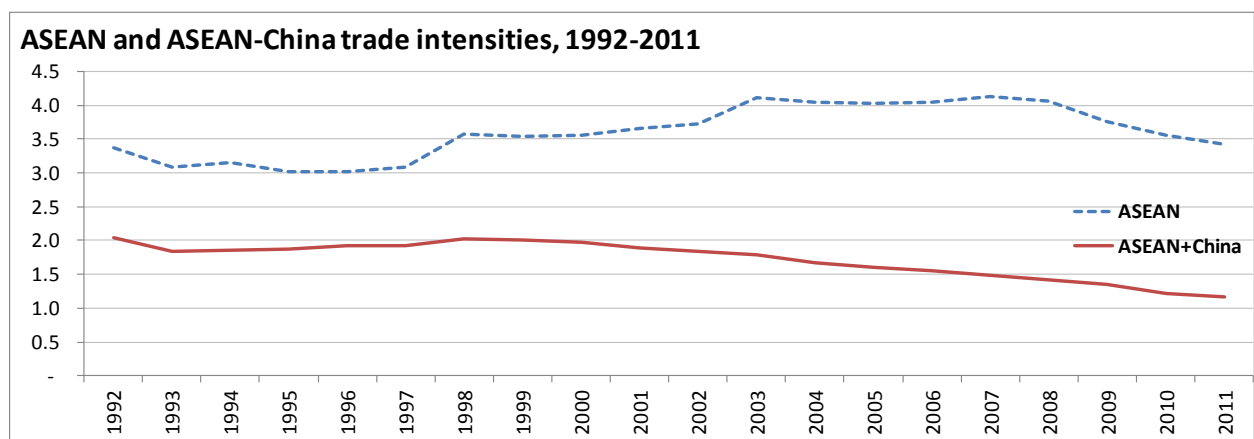
This phenomenon even heralded a much needed economic 'balancing' from the United States, which, if left unchecked, may further cement China's solidarity in the region.

But our understanding of the China-ASEAN economic relationship has changed dramatically in recent years; In order to show that ASEAN has a unique position, it would have to be demonstrated that trade between China and ASEAN, in relative terms, had risen faster (or was more trade intensive) than their respective trade with the rest of the world.

But closer examination, however, indicates that this is highly questionable. Trade between the two entities are below that of other countries and regions, and, in some cases, appear to even be declining in relative terms.

In our yet to be published paper, we examined trade dependence between the main members of ASEAN² and China using the regional trade intensity and country-pair gravity model approaches.

Firstly, the regional trade intensities shown in the graph below already debunks this prevalent fallacy. It compares the intensities of trade³ between ASEAN and an ASEAN-China grouping. An intensity that is greater than one indicates greater trade concentration within the region vis-à-vis rest of the world, and vice versa. ASEAN members are found to be more intensely traded among themselves, with an average of more than three, whereas the ASEAN-China grouping has trended downwards to the global average: one.



Furthermore, our country-pair gravity model regressions show that trade between ASEAN and the rest of the world – since the signing of AFTA in 1992 – is found to be lower than usual. This was expected as preferential treatments under an FTA would divert trade from non-members to members. However, the signing of ACFTA in 2010 increases ASEAN-China's trade with the rest of the world instead.

² The main members are Malaysia, Singapore, Philippines, Indonesia, Thailand and Vietnam.

³ Regional trade intensity is the ratio of the intra-regional trade shares to the region's share of global trade.

This appears counter-intuitive at first, but should not come as a surprise. Since trade is concentrated on a narrow range of goods, particularly parts and components (intermediary) which are essentially complementary goods, costs reductions in some increases demand for the remaining components (income effect), which can be further sourced from within or outside the region. Both ASEAN and China will not only import from the region, but from many others too. The latter is much more significant to China's trade since it is a global trader and a final assembling point compared to ASEAN, and thus increasing trade from outside the bloc.

At the product level, fuel related goods were found to be of much higher intensity in the ASEAN-China grouping, reflecting the importance of energy security in the region. Moreover, together with semiconductors goods, their trade creation with the rest of the world are much higher than any other product types. Lastly, some trade creation within ASEAN-China is found to be significant too for parts and components (intermediary) (with the exception of semiconductors) trade.

Trade within ASEAN, however, remains highly concentrated – automobile trade is nearly thirty times the world average – but has declined substantially for most other goods, as it has progressively traded more with the rest of the world (including China) in relative terms over the years.

Clearly, ASEAN's trade is much more integrated on its own and China does not share such a special trade relationship with them. As for the ACFTA, not only is there no evidence of regional integration, there is substantial support for 'open regionalism' instead.

This then begs the question of the usefulness of ACFTA: why has trade increased – relatively – elsewhere and less between ASEAN and China, which is undoubtedly the main objective of any FTA formation?

One possible reason is that perhaps the ACFTA, including its Early Harvest Program beginning in 2004, has only been in-force for a relatively short period of time compared to other 'matured' FTAs such as EEC and NAFTA. Baier and Bergstrand (2007)⁴ have shown that it takes at least ten to fifteen years for trade creation effect of a FTA to fully materialize.

Nevertheless, the ultimate aim of ASEAN's trade with China should, however, eventually enhance the region's competitiveness globally, as described by Cheong and Plummer (2009)⁵: liberalising trade, instead of solely increasing intra-regional trade by diverting trade from more efficient non-ACFTA members to less efficient ACFTA members, i.e: ASEAN's motor vehicles trade.

A good FTA, such as AFTA, increases intraregional trade; better ones, such as the European Economic Community (EEC), North American Free Trade Agreement S(NAFTA) and possibly ACFTA would enable the bloc to transition to 'open regionalism', simultaneously increasing intraregional and share of world trade, as a result of improved competitiveness driven by sustained technological transfers, increased productivity and the continuously upgrading of the value creation process.

From this perspective, lower intra-regional trade intensity or trade interdependence, achievable by increasing or maintaining regional trade shares, but with a focus on increasing share of world trade, is desirable.

It is only by making a progressive paradigm shift, from being a regional to global trader, which creates a win-win situation for ASEAN, China, its other immediate Asian neighbours and the rest of the world.

⁴ Baier, S. L., & Bergstrand, J. H. (2007). "Do free trade agreements actually increase members' international trade?" *Journal of International Economics* pg 72-95

⁵ Cheong, D., & Plummer, M. (2009). "FDI Effects on ASEAN Integration". Munich Personal RePec Archive Paper No: 26004

Taiwan-Philippines dispute and the 'indispensable role of ASEAN'

By: Ms. Natalie Shobana Ambrose, Analyst, *Institute of Strategic and International Studies (ISIS) Malaysia*

As Vietnamese Prime Minister Nguyen Tan Dung delivered the keynote address at the 12th Shangri-La Dialogue assuring China that it will not be part of a 'containment' policy, Taiwan and the Philippines were locking horns after *Guang Ta Hsin 28*, a Taiwan fishing boat was attacked by a Philippine government vessel killing Hung Shih-cheng, its 65 year old skipper.

In talking about the 'indispensable role of ASEAN' in maintaining peace, Prime Minister Nguyen called on the countries of the region to 'build strategic trust' to overcome disputes. Yet since the May 9th incident, Taiwan has withdrawn its representative from Manila, imposing a suspension of high-level exchanges, freezing of visas for Filipino workers, announcing a travel alert urging Taiwanese not to visit the Philippines and conducted naval drills. This has affected the Philippines as there are 87,000 Filipinos employed mainly in Taiwan's manufacturing sector, while Taiwan is the Philippines' ninth largest trading partner and also provides the largest group of tourist to the Philippines.

Though some have chided these sanctions as an overreaction, Taiwan may be justified in its reaction. One Taiwanese scholar likened the accusation that the Taiwanese fishing boat was trying to ram the Philippine vessel to a bicycle attacking a large truck. Taipei was also unconvinced with the Philippines apology that the incident was "unfortunate and unintended loss of life" citing its insincerity laid testament by the 50+ bullet holes left on the said fishing boat and the heavy weapons used to fire them. While the Philippines has suspended and is investigating the 11 coast guard staffers and two people from the Fisheries Bureau believed to be involved in the incident, Taiwan has not backed down.

What then is ASEAN's responsibility and can ASEAN play a role in the solution of this dispute?

ASEAN's 'quiet diplomacy' has been highlighted in recent times in its silence to address sudden conflicts such as that in Lahad Datu between Malaysia and the Philippines. It is understandable then that ASEAN continue its noninterventionist position with regards to the dispute Taiwan and the Philippines, as Taiwan does not have formal diplomatic ties with the ASEAN community.

A few days after the Shangri-La Dialogue keynote address was delivered, Indonesian Foreign Minister Marty Natalegawa reiterated at the 27th Asia Pacific Roundtable the importance of an Asia-wide treaty that would allow ASEAN nations to deal with disputes within ASEAN and also with other countries in the region.

ASEAN in its bid to stack sandbags against rising tensions and deep divides within the South China Sea dispute has pushed for an agreement of the Code of Conduct (CoC). This however has been met with great intention but little agreement. At the end of May, the eight joint working group meeting on implementing the Declaration on the Conduct of Parties in the South China Sea (DOC) met in Bangkok. All parties had agreed to implement the DOC, promote the CoC and mapped out the work plan for 2013-2014, yet progress is relatively slow, coming to a consensus seems close to impossible.

One lesson to be learnt is that old wounds leave scars and suspicions run deep when it comes to the South China Sea. Taiwan's so called 'over-reaction' could be due to an incident in 1999 when the Philippines deliberately ran aground a navy transport ship on the Second Thomas Shoal (Renai Shoal) in a bid to mark its territory. To add, Philippines trigger could have been influenced by preceding events the day before the fatal shooting such as the arrival of three Chinese ships one of which was a naval frigate on Second Thomas Shoal, escorting a fleet of 30 fishing boats 5 nautical miles (9km) from the Philippine occupied shipwreck. It did not help that a US naval ship and a Chinese fishing boat had entered and damaged Tubbataha Reef, a protected marine habitat. (The Chinese boat was carrying 10 tonnes of illegal killed pangolins.)

Such tit-for-tat behaviour is alarming and irresponsible, and as Prime Minister Nguyen has cautioned could instigate conflict that would cause great interruptions of huge trade flows inevitably triggering detrimental consequences to regional and global trade.

All this comes secondary to the fact that the shooting took place in overlapping waters 164 nautical miles (304km) southeast of Taiwan's southernmost tip, in exclusive economic zones of Taiwan and the Philippines. Still, the Philippines will not agree to a joint investigation but has agreed to a parallel investigation as it is of the position that China trumps Taiwan, adhering to the 'One China' policy.

Whatever the outcomes of the investigations are, the principle of proportionality applies – and deadly force on an unarmed fishing boat is far from peaceful or accidental. The Philippines being party to the UN Convention on the Law of the Seas (UNCLOS) has out rightly failed to act according to the guidelines set out in Article 73 ‘Enforcement of laws and regulations of the coastal State’. However there is room to rectify this according to Article 74 which urges nations in such a bind to *‘make every effort to enter into provisional arrangements of a practical nature and, during this transitional period, not to jeopardize or hamper the reaching of the final agreement. Such arrangements shall be without prejudice to the final delimitation.’*

The immediate solution between both the Philippines and Taiwan is to maintain the status quo and explore the potential of an understanding fashioned around that of the Japan-Taiwan Fisheries Agreement inked in April this year in the midst of the Senkaku – Diaoyutai Islands dispute.

Far from it being a guaranteed or permanent solution, such an understanding would help alleviate tensions, shelving the dispute till cooler heads preside and perhaps lead the way for ASEAN to facilitate a roadmap of constructive steps in maintaining peace and order first and then ease into multilateral negotiations. ASEAN is trying to build a framework for all parties not just within ASEAN member states but one that establishes norms and rules that works for all parties. Indonesia has proposed an Indo-Pacific Treaty of Friendship and Cooperation in the hopes that it will address three key challenges that Mr Natalegawa outlined – trust deficit, territorial disputes and strategic changes. This proposal has traces of ASEAN’s 1976 Treaty of Amity and Cooperation (TAC).

If discussions seem like an acknowledgement of defeat, perhaps it could be then seen as a strategic manoeuvre to drive a wedge between Taiwan and China, something that perhaps might benefit both parties in particular the Philippines who sought international arbitration by taking its disagreement with China’s nine-dash-line to a UN tribunal. China has shown great opposition to the Taiwan-Japan fishing deal and a similar agreement with Manila might further sour relations with China. What the Philippine government might do is to structure the agreement between two non-government entities as has been done for trade ties between the two countries through the Manila Economic and Cultural Office (MECO) in Taiwan, and the Taipei Economic and Cultural Office (TECO) in Manila. For now, this may be the most tangible peaceful solution.
