



# ASEAN NEWSLETTER

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

## ASEAN News Updates

### 15th Anniversary of the ASEAN+3 Summit

(November 20, 2012 )

The Summit led by Cambodian Prime Minister Hun Sen, was attended by the leaders of ASEAN member states and the leaders of the +3 countries including Chinese Premier Wen Jiabao, South Korean President Lee Myung-bak, and Japanese Prime Minister Yoshihiko Noda. The Summit reviewed the progress of ASEAN+3 Cooperation to date and discussed future cooperation directions, exchanging views on regional and international issues. (Source: Xinhua News)

### Launch of the AEC handbook for business

(November 19, 2012 )

Two business publications; the ASEAN Economic Community Handbook for Business 2012 and the Directory of Innovative SMEs in ASEAN 2012 were launched as part of the ASEAN Economic Community (AEC) initiative. The publications provide a progress update and details the achievements of ASEAN's agreements, arrangements, and decisions as well as key challenges facing all the sectoral bodies under the purview of AEC in a reader-friendly and handy format. (Source: ASEAN Secretariat)

### 21 ASEAN Summit Outcome

(November 19, 2012)

ASEAN leaders met in Phnom Penh and agreed to sign, adopt and note the following documents as the outcome documents:

- Phnom Penh Statement on the Adoption of the ASEAN Human Rights Declaration;
- ASEAN Human Rights Declaration (AHRD);
- ASEAN Leaders' Joint Statement on the Establishment of an ASEAN Regional Mine Action Centre (ARMAC);
- Concept Paper on the Establishment of an ASEAN Regional Mine Action Centre (ARMAC) (Source: ASEAN Secretariat News)

### ASEAN Defence Ministers Meeting (ADMM)

(November 16, 2012)

The ASEAN Defence Ministers Meeting discussed the implementation of the ASEAN Political Security Community Blueprint, ASEAN centrality including cross-sectoral coordination. They welcomed the good progress in practical cooperation under the ambit of the ASEAN Defence Ministers' Meeting (ADMM) and the ADMM-Plus, which includes other countries like the United States, China and Japan. The ASEAN Defence Ministers showed strong support for the ADMM-Plus Humanitarian Assistance and Disaster Relief/Military Medicine Exercise that will be held in Brunei next year. (Source: Chanel News Asia)

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## **From Phnom Penh towards a more integrated ASEAN market**

*By Mr. Novan Iman Santosa,  
Deputy World Editor,  
The Jakarta Post*

The recently concluded 21<sup>st</sup> ASEAN Summit and related Summits held in the Cambodian capital city of Phnom Penh may have broken the cynicism that ASEAN is a mere talk shop without any tangible results. It is safe to say that this year's summits ended with mixed results on various fronts. Economic issues seemed to dominate the summits although regional security, in particular the South China Sea issue, hovered through discussions.

The outcomes meant that some ASEAN members were left disappointed that there is still no clear commitment from China to settle territorial disputes with regards to the Code of Conduct on the South China Sea while observers and human rights activists criticized the ASEAN Human Rights Declaration (AHRD) as a feeble one for not meeting universal standards in monitoring, promotion and protection of human rights.

Top ASEAN diplomats have insisted the AHRD reaffirms ASEAN member states commitment to the Charter of the United Nations, the Universal Declaration of Human Rights, the Vienna Declaration and Program of Action and other international human rights instruments, as laid out in the Phnom Penh Statement on the Adoption of the ASEAN Human Rights Declaration. The diplomats reiterated that it was better to have the declaration readily issued, despite several perceived flaws, instead of waiting for a perfect one with no deadline.

The outcomes were not all gloomy though as there are several achievements on the economic front such as the decision to launch the ASEAN Economic Community (AEC) on Dec. 31, 2015 – not any earlier in order to allow member states the opportunity to fulfill all requirements. To add, the Regional Comprehensive Economic Partnership (RCEP) Negotiation was launched with the deadline to coincide with the start of the AEC.

To date, ASEAN member states have achieved 74.5% in the implementation of the AEC Blueprint with all parties admitting the challenges faced domestically in implementing the economic community are not easy to overcome while realizing that it would be too difficult to reach a clean, 100% requirement of the AEC.

Indonesian Trade Minister Gita Wirjawan said even achieving between 90% and 95% of all the requirements by 2015 would still be a realisation toward closer market integration in the region.

With a population of some 600 million people, ASEAN is one of the world's fastest growing region full of potential both as a unified market and production center. The region has a combined GDP of some US\$1.8 trillion and is expected to grow larger in the future especially as the CLMV countries of Cambodia, Laos, Myanmar and Vietnam are narrowing their development gap with the ASEAN-6 of Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

ASEAN leaders have also agreed toward further services liberalization and integration with the ASEAN Agreement on Movement of Natural Persons which will allow the movement of ASEAN people engaging in trade in goods, trade in services and investment in the region. Further integration in people movement can be reached as soon as all ASEAN member states ratify and implement the 2006 ASEAN Framework Agreement for Visa Exemption for ASEAN Nationals. Once these two movement regimes are in place, we can say that ASEAN is the Schengen of the East.

Other than the ASEAN Summit, there were also separate ASEAN+1 summits with major dialog partners - China, India, Japan, South Korea, and the United States; the ASEAN Plus Three Summit with China, Japan and South Korea as well as the East Asian Summit which also involved Australia, New Zealand and Russia.

According to a statement given at the ASEAN-China Summit, China is ASEAN's largest trading partner since 2009, while ASEAN has now become China's third largest trading partner, stepping from fourth place in 2010. The statement also shows that according to ASEAN statistics, bilateral trade between ASEAN and China has increased by 20.9 % from US\$232 billion in 2010 to US\$280.4 in 2011.

Foreign direct investment (FDI) from China to ASEAN has also shown strong growth, doubling from US\$2.7 billion in 2010 to US\$5.9 billion in the following year. Both parties also welcomed Hong Kong's desire to join the ASEAN-China Free Trade Area and "took note of the findings of the study on the implications of Hong Kong's Accession" as it is important "to ensure that the conclusion of Hong Kong would provide mutual benefits to all parties".

Meanwhile, Japan was ASEAN's second largest trading partner, with a trade volume of US\$273.34 billion but recorded a higher FDI of US\$15.25 billion in 2011. South Korea was in the third place with a trade volume of US\$124.9 billion in 2011, compared to US\$97.3 billion in the previous year. Both ASEAN and South Korea have agreed to achieve a two-way trade target of US\$150 billion by 2015.

Bilateral trade with India has also shown significant increase of 43%, reaching US\$74.9 billion in 2011, well above the US\$70 billion target set for 2012. Both parties have also set a target of US\$100 billion by 2015 for ASEAN-India trade.

In order to streamline and harmonize the individual ASEAN+1 FTAs, ASEAN has come up with the idea to repack-age all FTAs into a single, more integrated RCEP. Once realized, RCEP will become the world's largest trading bloc with a population of over 3 billion and a market size of some US\$15 trillion with the almost certain potential to grow bigger by 2015 and beyond.

Launched by Cambodian Prime Minister Hun Sen, the RCEP Negotiation comes with a set of guiding principles and objectives.

Aware that ASEAN members and the six trading partners are not at the same stage of development, it was agreed that "the RCEP will have broader and deeper engagement with significant improvements over the existing ASEAN+1 FTAs, while recognizing the individual and diverse circumstances of the participating countries".

A similar approach has also been taken in negotiations and talks for the ASEAN Free Trade Area (AFTA) and the AEC. Countries which were not ready to fulfill the requirements were given more time to put their house in order before being fully integrated.

RCEP will also include "provisions to facilitate trade and investment and to enhance transparency in trade and investment relations between the participating countries, as well as to facilitate the participating countries' engagement in global and regional supply chains".

Another important point was that "the RCEP will include appropriate forms of flexibility including provisions for special and differential treatment, plus additional flexibility to the least-developed ASEAN Member States, consistent with the existing ASEAN+1 FTAs, as applicable".

Such guidelines allow member states to manage their pace without sacrificing their national interests while at the same time reaping the most of a wider, regional market.

RCEP would maintain ASEAN centrality in the negotiation process, making sure that ASEAN member states are being treated fairly from their larger, much more powerful trading partners. This is ensured by another point in the guidelines which states that "provisions for technical assistance and capacity building may be made available, building upon the ASEAN+1 FTAs, to the developing and least-developed countries participating in the RCEP to enable all parties to fully participate in the negotiations, implement obligations under the RCEP and enjoy the benefits from the RCEP".

Indonesian top trade negotiator Iman Pambagyo said the prospect of RCEP negotiations was much brighter than the competing Trans-Pacific Partnership (TPP) for several reasons.

First, RCEP does not start from scratch as there are already five FTAs between ASEAN and its six major trading partners of Australia and New Zealand, China, India, Japan and South Korea.

Third, member states still have some flexibility against the RCEP regime to ensure their national interests are best

Second, there is proximity in production bases in RCEP to the market as everything is centered around ASEAN, making it easier for goods logistical and traffic purposes.

Third, member states still have some flexibility against the RCEP regime to ensure their national interests are best served while at the same time enjoying the benefits from liberalizing their markets.

After all the agreements were reached and preparations have been made, now each ASEAN member state has to do its part to ensure that each country is ready by 2015 to embrace both the AEC and RCEP, making it a double bang. While there are surely opportunities abound for all parties involved, each country must ensure that the people are not left behind and become repeated victims of free trade and liberalization. However, observing that the ASEAN Way is the approach being used, we can expect that there will be limited negative impact from such regional integration efforts.

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## **THE EAST ASIAN SUMMIT: Prospects of Economic Integration and Thorny Issues**

*Bobby M. Tuazon*

*Director for Policy Studies of the Center for People Empowerment in Governance (CenPEG)  
University of the Philippines, Quezon City*

The consensus to transform East Asia into a region of peace, economic cooperation, and partnership is now overshadowed by territorial rows in the South China Sea and elsewhere in the region. To underscore this point, the seventh East Asian summit held in Phnom Penh, Cambodia last Nov. 20 caught the attention of the foreign press not because of the new economic prospects that the one-day event tried to project but for the internal differences among some member-countries that dampened such spirit.

The latest East Asian summit hosted by Cambodian Prime Minister Hun Sen was attended by 18 member-countries – 10 ASEAN member-states, China, Japan, Republic of Korea, India, Australia, New Zealand, the United States, and Russia. Envisioned by Malaysia in 1991, the East Asian Summit (EAS) was first convened July 2005 in Laos initially with 16 members. The U.S. and Russia joined the summit in 2011.

With the Association of Southeast Asian Nations (ASEAN) serving as the driving force, EAS was conceived to advance member-countries' economic and trade cooperation but it became a forum as well for other common issues. Indeed, the "Phnom Penh Declaration on the East Asia Summit Development Initiative" issued at the end of the summit reiterated the principles of dialogue and cooperation on wide-ranging strategic, security, and economic issues of common concern in order to promote "peace, stability, economic prosperity, and integration in East Asia." Among others, the member-countries resolved to strengthen the global economic recovery – amid the lingering worldwide recession – as well as regional financial and energy cooperation.

To this end, the "Chairman's Statement" manifested the member-countries' renewed commitment "to avoid protectionist measures affecting trade and investment...and to refrain from raising new barriers to investment or trade in goods and services." The statement also noted the progress of cooperation in six priorities areas – environment and energy, education, finance, global health issues and pandemic diseases, natural disaster mitigation, and ASEAN connectivity.

On a positive note, the 10 member-states of ASEAN as well as China, Australia, Japan, India, South Korea, and New Zealand agreed to start negotiation on a trade bloc to be known as the Regional Comprehensive Economic Partnership (RCEP). Fully supported by Chinese Premier Wen Jiabao, the new trade pact does not include the U.S. which has its own trade initiative in the region, the 11-nation Trans-Pacific Partnership (TPP), minus China. RCEP covers nearly half of the world's population and involves the second and third biggest economies, China and Japan, as well as Asian powerhouse South Korea.

These developments, however, were sidelined by strong protests from the Philippines, Singapore, Brunei, Indonesia, and Vietnam over a communiqué drafted by host country Cambodia that cites a supposed "consensus" by the summit member-states not to "internationalize" the South China Sea territorial disputes. Denying that such "consensus" exists, Philippine President Benigno S. Aquino III emphasized the use of other multilateral approaches such as the UN Convention on the Law of the Sea (UNCLOS) to assert his country's territorial claim on the Spratlys and other islands in the South China Sea. Expectedly, Premier Wen reiterated China's historical claims on the disputed territories which constitute its "core interest" arguing – over the five countries' call for a code of conduct – that previous declarations at East Asian summits had upheld free access and navigation in the South China Sea. Through the years, the Beijing government has taken a strong emphasis on bilateral rather than multilateral approaches to settling territorial claims.

Underplaying the maritime disputes, China is taking a strong stance to redouble efforts toward trade and economic cooperation and integration in the region with an underlying message that such a roadmap would help ease territorial tensions – or at least allow trade pacts to push through despite the rows. As a major player in the region, China aims to make economic integration and partnership as a centerpiece while member-countries of the EAS are locked in bitter territorial rows involving Japan and China over the Senkaku (Diaoyu) islands, South Korea and Japan over some islands in East China Sea, as well as border clashes between Cambodia and Thailand.

U.S. President Barack Obama, who also attended the summit, urged “restraint” on the territorial differences but repeated the call for “freedom of navigation.” Mr. Obama’s initiative, the 11-country TPP, is seen to rival China’s growing trade ties in the region especially in the light of the launching of the RCEP where Beijing is expected to be a major player. More to the point, Mr. Obama in a presidential debate prior to the Nov. 6 U.S. elections said that trade relations are being organized with countries excluding China so that Beijing “starts feeling more pressure about meeting basic international standards.”

The U.S. president’s presence at the summit – part of an Asian swing that also took him to Myanmar and Thailand – underpins a growing U.S. engagement in Asia as a center of global economic growth. Based on one estimate, by 2030 Asia will account for 49% of the global population, 43% of GDP, 35% of trade, and 38% of market capitalization. Explaining U.S.’ re-balancing diplomacy toward Asia – the so-called “Asian pivot” – Mr. Obama’s National Security Adviser Tom Donilon said “The U.S.’s rebalancing posture toward Asia...is a long-term effort to better position ourselves for the opportunities and challenges we’re most likely to face in the century.” More than a defense posture but deeper economic and political engagement - this essentially is what Donilon sought to convey.

However, in contrast to its trade initiatives in the region Washington’s defense posturing and re-balancing of military resources are being set in place faster and with greater visibility as to underscore a priority on enhancing American military supremacy and a containment strategy on China. This, as well as growing concerns about China’s defense spending – now the second biggest in the world – territorial disputes and other trans-border issues pose critical challenges to the region’s growing shared vision for integration and cooperation.

Clearly, economic integration and partnership remains a long shot and must overcome contentious issues, mutual suspicions, and provocations. Shifts in the internal politics among the region’s countries as well as hegemonic ambitions of certain powers will always affect regional economic initiatives.

What is important is to allow talks to remain open and the East Asian mechanism precisely serves this purpose. Consequently, it may be about time to allow Track-2 or Track-3 diplomacy to play a key role for it has been tested that where Track-1 diplomacy fails other roadmaps provided in the two alternative approaches become more effective.

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\*Bobby M. Tuazon is a political science professor, Tuazon has co-authored and edited nine books on human rights, governance, political parties and electoral reform, foreign policy and security, and the peace process.

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## **The Worrying Indifference of ASEAN in the Spratly Islands Dispute**

*Dr. Roy Anthony Rogers*

*Lecturer, Department of International and Strategic Studies,  
Faculty of Arts and Social Sciences, University of Malaya*

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 with the aim of fostering political, economic and social integration. ASEAN turned 45 in 2012. Member states have increased from its original five member states to ten and three East Asian (China, Japan and South Korea) dialogue partners. However, ASEAN and its dialogue partners remain divided on the South China Sea territorial disputes. South China is alleged to contain oil and gas resources. According to the US Energy Information Administration (EIA) in March 2008, the area contains roughly 28 billion to 213 billion barrels of oil. Hence, it has attracted interest from various states in the area such as Brunei, China, the Philippines, Malaysia, Taiwan and Vietnam.

The disputes involving China and four of the members of ASEAN (Brunei, Philippines, Malaysia and Vietnam) received attention during the 21<sup>st</sup> ASEAN Summit which was chaired by Cambodia, and held in Phnom Penh from 19 to 21 November 2012. It was attended by the leaders of ten members of ASEAN and its East Asian dialogue partners. The East Asian Summit was also held at the same time. The East Asian Summit was attended by the President of the United States, Barak Obama, as part of his Southeast Asian trip to Thailand, Myanmar and Cambodia.

Though the leaders tried to avoid bickering publicly in the media, tension over the South China Sea broke out during the closing statement by the Chairperson from Cambodia, Prime Minister Hun Sen who claimed that ASEAN had reached a consensus not to internationalize the South China Sea disputes. Consequently, it prompted a statement of denial from the Philippines and Singapore. President Benigno Aquino III of the Philippines objected that a consensus had been reached by stating, "For the record, this was not our understanding. The ASEAN route is not the only route for us. As a sovereign state, it is our right to defend our national interest."

China has always been consistent in its stand in the South China Sea disputes. It claims that the South China Sea as being part of its territorial waters whereas the other four ASEAN member states only claim parts of the territory. As far as China is concerned solution to the problem can only be reached through negotiation with individual claimant rather than the bloc. Therefore, ASEAN consensus to not internationalize the South China Sea disputes can be seen as favoring China's position.

In 2002, ASEAN and China agreed on the Declaration on the Conduct of Parties in the South China Sea (DOC) which was also signed in Phnom Penh. For the past 10 years (2002-2012), ASEAN has been trying to come up with a Code of Conduct (COC) that is accepted by all parties. One of the latest initiatives was undertaken by Indonesia (non-claimant) in September 2012, and senior officials from ASEAN and China met in Thailand in October 2012 prior to the summit to discuss about proposed COC.

Although ASEAN attempted to push forward the COC, China preferred to have further discussions, and thus far, no timeframe has been set. According to Qin Gang, from the Chinese Foreign Ministry "it takes some time for you know, for China and ASEAN to talk about, discuss COC and this is not a waste of time because during the discussion we can build up and accumulate more consensus and mutual trust to find better ways to keep this region peaceful and stable." Therefore the COC remains in limbo.

Moreover, ASEAN remains disunited over the South China Sea disputes. The association was unable to issue a communiqué at the end of the ASEAN Ministerial Meeting held in Phnom Penh, Cambodia on 9 July 2012. During the Ministerial Meeting, Cambodia who was the Chair opposed to include the disputed Scarborough Shoal in the communiqué which led ASEAN to be unable to issue a joint statement.

It is noteworthy to mention over the 45 years history of ASEAN, it never experienced such a diplomatic failure until now. It was indeed unprecedented. Both the Philippines and Vietnam expressed their disappointment over the issue. Secretary General of ASEAN, Surin Pitsuwan said, "ASEAN will need to learn how to consolidate and coordinate positions if it wants to take on the global community." Cambodia, the Chair of ASEAN has been accused of pushing for China's interest during the two ASEAN summits held in Phnom Penh. After all, it is common knowledge that in recent years, China has been providing loans and investments to Cambodia.

Nevertheless, China has repeatedly reiterated that solution can be achieved through bilateral negotiations. The Philippines has offered to host a meeting among the four ASEAN claimants on 12 December. This is part of Philippine efforts to push for a multilateral solution to the South China Sea dispute. According to Philippine Foreign Secretary, Albert del Rosario, "We respect what China is suggesting but we do not accept this." President Benigno Aquino during the ASEAN summit said "Our position has always been that a multilateral problem does not lend itself to a solution on a bilateral basis."

In addition, the US, despite of not being one of the claimants, has expressed its interest in the South China Sea disputes and support for a multilateral solution. Ben Rhodes, the White House Deputy National Security Adviser for Strategic Communications said "These need to be discussed in a multilateral context so that we can reaffirm the principles of maritime security that can guide the resolution to something like the South China Sea." During the East Asian Summit, President Obama told Prime Minister Wen Jiabao of China that both the US and China should "cooperate and build a more secure and prosperous future for the Asia-Pacific region."

It is important to note that the Philippines and Vietnam have increased their military ties with the US whom they consider as leverage against China's presence in the South China Sea. In fact, Vietnam and its former archrival, the US, have conducted joint naval exercises. In June 2012 the US Defense Secretary, Leon Panetta has expressed interest in the importance of Cam Ranh Bay, Vietnam for the US to send more ships into the region. Similarly, the Philippines has also made military arrangements with the US to deploy US P3C Orion spy planes over the disputed South China Sea.

However, some ASEAN members have expressed concern over the proactive role of the US may further complicate the disputes and increase tension between China and ASEAN. Moreover, China has reminded the members of ASEAN not to disrupt the overall cooperation and regional integration. During the ASEAN summit, Qin Gang said "This (South China Sea dispute) is not the key issue and this should not be a stumbling block between China-ASEAN relations."

There have been several proposals to settle the South China Sea disputes peacefully. One of them is ASEAN and China should initiate joint cooperation and exploration. Hence the differences between them can be temporarily shelved. However, this suggestion is yet to be reality due to the political difficulties.

It is noteworthy to mention that the South China Sea disputes have been a litmus test for ASEAN. Despite 45 years of regional integration, ASEAN's unity has remained frail. It is timely for ASEAN to be rejuvenated in order for it to remain relevant in the coming years. It should at the very least reach a common position vis-à-vis China on the South China Sea disputes.

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