



ASEAN NEWSLETTER

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ASEAN News Updates

India reacts to Regional Comprehensive Economic Partnership (RCEP)

(October 31, 2012)

India is caught in a bind over the new RCEP trade grouping that ASEAN is trying to create with countries that have bilateral agreements with the trading bloc. Although New Delhi is keen to join the group, the proposed alliance will have China as one of the members. For several years, India has resisted efforts to sign a free trade agreement with its neighbour as it fears that the trade deficit will widen further accounting for over a fifth of the country's trade deficit of \$183 billion. (Source: Times of India)

ASEAN Initiates Code of Conduct Talks for South China Sea Dispute

(October 30, 2012)

The territorial dispute between the Association of Southeast Asian Nations (ASEAN) and China over the Spratly Islands – which sits on blocks of potentially rich oil and gas resources – could reach some form of amicable resolution by next month as ASEAN countries have started discussions on a code of conduct in the South China Sea. (Source: Rigzone News)

Republic of Korea opens mission to ASEAN

(October 30, 2012)

The Republic of Korea (ROK) opened a mission to ASEAN on Monday in Jakarta and appointed an Ambassador — a move welcomed by ASEAN members. Two-way trade between ASEAN member states and the ROK grew to US\$124.5 billion in 2011, up from \$98.6 billion in 2010. (Source: Jakarta Post)

ASEAN-China SOM Retreat

(October 29, 2012)

On 29 October, SOM leaders of ASEAN and China met in Pattaya, Thailand for a retreat to prepare for the 15th ASEAN-China Summit, the ASEAN Plus Three Commemorative Summit, and the 7th East Asia Summit to be held next month in Phnom Penh. They also had a candid and in-depth exchange of views on regional developments, ASEAN-China relations and other matters. (Source: ASEAN Secretariat News)

AICHR launches Website and Booklet

(October 23, 2012)

In conjunction with the 3rd anniversary of its inauguration, the ASEAN Intergovernmental Commission on Human Rights (AICHR) celebrates the official launch of its regional website and booklet. (Source: AICHR Website)

ASEAN-Colombia to Boost Trade and Economic Cooperation

(October 16, 2012)

The Secretary-General of ASEAN, Dr Surin Pitsuwan, received credentials from H.E. Mr. Alfonso Garzón Méndez, Ambassador of the Republic of Colombia to ASEAN today. Ambassador Alfonso Garzón Méndez expressed his gratitude to ASEAN for approving his accreditation and committed himself to work closer with the Committee of Permanent Representatives (CPR) and the ASEAN Secretariat to explore potential and concrete cooperation between Colombia and ASEAN.

(Source: ASEAN Secretariat News)

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Thailand's Responses and Preparations for the AEC

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Those who visited Thailand in the past year would be surprised with the magnitude of interest on ASEAN among the Thai people. Public discussions on ASEAN are abundant. In both public and private sectors, any seminar or event will always have either "AEC" or "ASEAN Community" in the title, regardless of relevancy. Thus, there is a seminar/event regarding AEC or ASEAN almost on a daily basis somewhere in the nation. This is quite a contrast to a survey conducted by Thompson and Thianthai in 2007, which found that the Thais have relatively less awareness about ASEAN, particularly when compared to CLMV countries. How has Thailand responded and prepared to the ASEAN Economic Community (AEC)? Why so? And does this mean that the Thais really have high awareness?

The Thai Responses to the AEC

There are several notable trends regarding Thailand's responses to the AEC. *First, the interest in ASEAN has virtually reached all circles in Thai society.* It is apparent that the interest has moved beyond the elites, as the discussion on ASEAN is no longer confined to the government agencies and big businesses, but also extended to small businesses and the general public. Most schools are now decorated with the flags of ASEAN member countries; school pupils are assigned to make an information board detailing basic data of all ASEAN countries including information on population, GDP, religion, and their leaders (but nothing beyond that).

Second, the Thais do not have a clear boundary about ASEAN; in most case, China is also included, owing to the connectivity promoted by ASEAN which is also linked to Southern provinces of China, namely Yunnan and Guangxi, through road and railway. Education Minister Suchart Thadathamrongvech recently asked a Chinese representative to send more Chinese language teachers from 10,000 to 30,000 annually, citing the necessity to be prepared for the ASEAN Community.

Third, the Thais tend to overly respond to the AEC. In fact, "AEC" has probably been the most popular buzzword among the Thais since last year. It is almost compulsory for those who delivers a speech at any occasion to mention ASEAN. Even the recent appointment of the national police commander, Prime Minister Yingluck Shinawatra vaguely cited the preparedness for the ASEAN Community as a reason for choosing one candidate over another. It is unclear why the chosen candidate was more suitable, as far as ASEAN is concerned. In short, AEC has become a fad in Thai society. Any activity has to be justified as a response to ASEAN in one way or another.

Fourth, there are high concerns of the AEC, most of which are unfounded. The highest concern has to do with labor movement. The Thais generally fear the influx of non-skilled labor from neighboring countries. In reality, immigrant labor has already flooded the sectors which do not attract Thai workers. Further, the AEC stipulates only the movement of high-skilled labor. As such, the Thais are worried about both massive brain drain out of Thailand and flooding professionals from other ASEAN countries, though such scenarios seem unlikely to happen. If it does, it would hardly be attributed to ASEAN, but can be credited to the market force of a globalization era. This is because the AEC allows the movement of only eight professions which are still subjected to passing a national exam before being able to practice. Since the exam will be conducted in the host country's national language, the chances of qualifying seem very slim.

The Thais are also suspicious about the flooding of imports from ASEAN countries, once the AEC is completed in 2015. In fact, imports from China have infiltrated ASEAN markets the most. Thailand, together as other older ASEAN members, has already completed the ASEAN Free Trade Area (AFTA) since January 2010. But it has yet to see much substantial impact from the market opening. What we can see is merely some imports of Proton cars from Malaysia.

In short, the concern and the hope placed on ASEAN seems more theoretical or mythic with unfounded beliefs. The perceptions of ASEAN in Thailand thus tends to be like a discourse, being shaped by what people say, in many cases far from reality.

The Thai Preparations to the AEC

On substantive preparations for the AEC, there have been quite a few schemes and activities undertaken by various organizations. On the governmental level, three committees have been set up in accordance with the three pillars of the ASEAN Community. The committee on AEC is chaired by the Ministry of Commerce (namely the Department of Trade Negotiation), while the ASEAN Political-Security Community (APSC) is chaired by the Ministry of Foreign Affairs (Department of ASEAN) and the committee for the ASEAN Socio-Cultural Community (ASCC) is placed under the Ministry of Social Development and Human Security. However, the cabinet recently assigned the National Economic and Social Development Board to be the key agency to issue a document titled “Strategy towards the AEC,” which will be released soon.

On the business level, the Board of Trade (BOT) of Thailand created a committee named the “AEC Prompt” to analyze and educate their members on the AEC. The Federation of Thai Industry (FTI) also set up a unit to support their members to cope with the impact of FTAs, including AFTA.

Within academia, the response has been enthusiastic. The Council of University Presidents of Thailand (CUPT) agreed to adjust the academic calendar allegedly in line with universities in other ASEAN countries. From 2014 onwards, Thai universities will start their academic year from August, instead of June, the traditional kick-off month. Major universities like Thammasat and Chulalongkorn have recently set up an ASEAN Studies Center respectively. Related existing institutions are reenergized and receive larger budgets, for example, Myanmar Studies Center at Naresuan University, Mekong Studies Center at universities in Khon Khaen Ubolratchathani, and Chiang Mai. The Thailand Research Fund (TRF) also launched the “ASEAN Watch Project” to monitor happening within ASEAN and its member countries as well as to facilitate research relevant to ASEAN.

The media is also active in reporting and producing special programs on ASEAN. Importantly, there are two cable TV channels dedicated to ASEAN namely ASEAN TV and the Thailand ASEAN Network (TAN).

In conclusion, the Thais tend to overestimate ASEAN and still lack proper knowledge about ASEAN. However, it is promising that so many Thais are aware and eager to learn about ASEAN. The key is how to turn unfounded awareness to real solid awareness backed up with knowledge.

AF-RCEP AND THE FUTURE OF ASEAN ENGAGEMENT WITH ITS TRADING PARTNERS

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During the retreat of the ASEAN Economic Ministers (AEM) on February 26, 2011, the ASEAN Economic Ministers made a bold decision that weighs in on the future of ASEAN's regional integration endeavour. The decision, labeled the Asian Framework for Regional Economic Partnership Agreement (AF-RCEP) was endorsed at the 19th ASEAN Summit in Bali November 2011. The first dialogue of ASEAN Economic Ministers and the six FTA/EPA counterparts (Australia, China, India, Japan, New Zealand and South Korea) that was held in Siem Reap Cambodia on August 2012 led to an agreement to start negotiations in November 2012 and conclude by the end of 2015.

AF-RCEP is aimed at broadening and deepening ASEAN engagement with its FTAs partners and subsequently with other external parties. The scope of RCEP includes trade in goods, trade in services, investment and other areas related to trade investment and economic cooperation. When RCEP negotiations conclude, it will form the world largest trade block in the world!

For ASEAN, given the proliferation of regional initiatives such as Trans Pacific Partnership (TPP), China-Japan-Korea FTA and the Asia Pacific Free Trade Area, which do not include some the ASEAN members, AF-RCEP can be seen as a strategic move to maintain its attractiveness to its trading partners. Unlike TPP, AF-RCEP is tailored to accommodate the differences due to the development stages of ASEAN members.

Currently, ASEAN is engaged in FTA/EPA with Australia, China, India, Japan, New Zealand and South Korea with varying levels of trade liberalization range. The first FTA was signed with China in 2002 - a year after China's accession to the WTO (the ASEAN China Free Trade Agreement/ACFTA). The second agreement was signed with South Korea (AKFTA) on Dec 13, 2005 and entered into force on July 1, 2006. ASEAN's FTA with Japan (AJFTA) was signed in 2008 and entered into force a month later. The last agreement, the most comprehensive one so far, was signed with Australia and New Zealand, AANZFTA on February 27, 2009 and entered into force on 1 July 2009. Meanwhile, ASEAN's FTA with India (AIFTA) was signed early on in 2003 but took a long time to be finalized.

The current level of trade liberalization between ASEAN and its trading partners varies. All ASEAN FTAs have more than 90 percent trade liberalization coverage with AANZFTA recording the highest trade liberalization coverage followed with AKFTA, ACFTA and AJFTA. On the other hand AIFTA has 79.6 percent coverage on average. Services liberalization in ASEAN plus FTAs are limited and less substantial compared to trade in goods. A recent report prepared by Ishido and Fukunaga for ERIA revealed that the trade restrictiveness index in all ASEAN-plus agreements is low. For investment agreements, the achievement is even lower. Investment negotiation is often the last priority in any ASEAN FTA/EPAs. Currently, only AKFTA and ACFTA have adopted investment agreements.

Given the fact that ASEAN FTA/EPA with trading partners has not yet substantially removed impediments, especially behind the border barriers, AF-RCEP can be seen as a way to improve trade liberalization coverage between ASEAN and its trading partners. Although, goods are substantially covered in tariff reduction schemes (except under AIFTA), non-tariff measures remain an issue. Rules of origin seem to be the obstacles for smooth trade in goods. A number of studies reported the significantly low utilization of the FTA/EPA. This might be due to complicated ROO attached to FTAs and EPAs. Even for trade in goods, a significant improvement can be made to transform the ASEAN plus FTAs/EPA.

There is no doubt that large improvements can be made with regards to trades in service. However, a number of ASEAN countries seem to be reluctant to push forward towards the substantial opening up of the services sector. Currently, only AJEPA and AIFTA are yet to have an agreement on services, while others have signed services agreements. In terms of investment agreements, streamlining regulations and commitment for a supportive investment climate is definitely needed.

AF-RCEP is an important milestone in regional integration for Asia. First, it provides an avenue to improve the level of trade liberalization in all ASEAN plus FTAs/EPAs as mentioned earlier. Secondly, it provides ways to harmonize all ASEAN plus FTAs/EPAs. Thirdly, it breaks the 'stale-mate' currently experienced in establishing a more integrated region in East Asia. There have been a number of initiatives to make East Asia into a more integrated region prior to the launching of the AF-RCEP through the initiatives such as the ASEAN Plus Three and the CEPEA (Comprehensive Partnership for East ASIA). None of them however were close to realization when RCEP was launched. Fourth, it puts ASEAN in the steering wheel of regional integration in East Asia. ASEAN centrality, the main component of AF-RCEP, puts the future of regional integration into reality in an ASEAN-way framework: providing flexibility to members on how and when they can commit substantially.

For the benefits of RCEP to be fully realized, it needs to be substantially improved in terms of coverage and quality from the existing commitment. Urata (2011) provides calculation on the benefit of RCEP noting that if the regional wide FTA covers trade facilitation and economic cooperation, it will provide a much higher impact on GDP.

Given ASEAN deliverables in the next two years, AF-RCEP negotiation and establishing AEC by 2015, the challenge for ASEAN will be how it manages competition for resources between ASEAN member governments in delivering a RCEP or EAC commitment. Both initiatives, in addition to other initiatives under ASEAN, would need substantial resources for coordination and consultation to achieve a coherent strategy.

Historically, the progress of regional integration under ASEAN is rather slow and the market has yet to integrate even within ASEAN. Given the competition for resources between governments to deliver AEC and RCEP at the same time, especially within countries with insufficient human resources to prepare for the negotiations, a slow pace is forecasted for RCEP, unless the incentive is very clear for ASEAN to accelerate the implementation of RCEP.

To conclude, although AF-RCEP provides room for flexibility, it remains a significant commitment for ASEAN to enter into. AF-RCEP has to mean substantial liberalization, that the benefits of AF-RCEP will outweigh the cost of negotiations. Substantial liberalization will need political willingness and capacity to prepare for the opening up of countries. Political willingness is often an issue to opening up as some sectors would loose from the competition. Substantial resources need to be devoted to achieve substantial improvement to the quality of the agreements – especially the ones that can accommodate different level of development of the members. The negotiations would need each member country to map out their current conditions and the consequences of all the improvements that they will have to make under RCEP.

The Framework Agreement for peace between the Philippine Government and the Moro Islamic Liberation Front (MILF) and the prospect for peace in the ASEAN region.

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On October 15, 2012, the Government of the Philippines (GPH) and the Moro Islamic Liberation Front (MILF) signed a historic agreement that provides for a roadmap for peace in Mindanao. The Framework Agreement as it is called effectively ended almost 40 years of armed conflict between the two sides. The Agreement created an entity called simply the “Bangsamoro” and provided for provisions to make it a reality. It calls for the creation of a “Transition Commission” which will draft the Basic Laws for the Bangsamoro, and towards the creation of a “Transition Authority” which will effectively govern the Bangsamoro areas during this transition period, until the election of a Bangsamoro government.

The Bangsamoro areas include the areas under the Autonomous Region of Muslim Mindanao (ARMM) – created by the agreement between the GPH and the Moro National Liberation Front in 1996 (the areas that agreed to be part of the ARMM during a plebiscite in 2001, and contiguous areas where at least 10% of the voting population are requesting for a plebiscite to be included in the Bangsamoro). The Framework Agreement includes the division of powers between the Central government and the Bangsamoro government, giving the Bangsamoro government authority to generate income through local taxation and direct investments from within the country and abroad. The Agreement also provides for authority to the Bangsamoro over Syariah law and courts. The implementation process would involve the facilitating country, Malaysia, and those involved in supporting the process, such as the International Contact Group (ICG), the International Monitoring Team (IMT), and the Civilian Protection Mechanism to continue their roles until the process is over. A comprehensive agreement is being worked on and expected to be signed by the end of 2012, while an “exit agreement” which will relinquish the facilitating country of its facilitation duties is expected in 2016. Coincidentally, that is also the time when the term of the current Philippines president, President Benigno Aquino III will end.

This peace process in Mindanao has been difficult to say the least. It has suffered from a lack of sincerity (i.e. an “all-out war” in 2000 during the time of President Estrada while negotiations were going on). There are multiple actors (the Bangsamoro are divided between the MNLF and MILF, both of whom were fighting for more or less the same areas and representing the same people – despite the MNLF being predominantly Tausug-led and the MILF being Maguindanaon-led). To add the presence of various “spoilers” (i.e. resulting in the collapse of the process in 2008 in the aftermath of the Memorandum of Agreement on Ancestral Domain – MOA-AD – debacle, and the process subsequently declared “unlawful” and “unconstitutional” by the Supreme Court of the Philippines). Also the presence of “warlords”, huge amount of weapons, and a large standing army on both sides, which includes “rogue” elements within the MILF (i.e. the Bangsamoro Islamic Freedom Fighters or the BIFF) not to mention a reluctance to disarm on all sides. It is a wonder then that this peace agreement is finally signed and a roadmap to peace is finally put in place.

The success of this process has to do with a number of elements. First, the leadership played by Malaysia in facilitating the process. The choice of Malaysia was received with apprehension by many quarters in the Philippines. It was felt that Malaysia was not an impartial party, given that outstanding issues between the two countries persist, most notably the controversial “Sabah Claim” issue and the immense number as well as treatment of Filipino refugees in the state of Sabah (refugees have been coming to Sabah since the early 1970’s and the estimated number stands at about 300,000).

Malaysia was also seen as being “too close” to the Bangsamoro people, sharing the same identity and religion. Detractors were worried that Malaysia will be one-sided in the deliberations. These worries have proven to be unfounded. To pacify these detractors, Malaysia replaced the former facilitator with the current one in 2011 to appease the GPH. This clearly demonstrated Malaysia’s impartiality to listening to concerns from the parties and sincerity in not wanting the process to be derailed by a decision based on the choice of facilitator.

Secondly, the success of this process has to do with the support system around this process and the roles played by many international and local actors. These actors acted as guarantors to the process. For example, the Malaysian led International Monitoring Team (IMT) made sure that the ceasefire agreement signed in 2001 holds, and together with local partners from both sides investigated cases of ceasefire violations all over the concerned areas. (The other members of the Monitoring Team are Brunei, Libya, and Japan which takes care of socio-economic issues) After the debacles of 2008, the number of guarantors was expanded.

An International Contact Group (ICG) was created, bringing in four countries – the UK, Saudi Arabia, Turkey, and Japan, and four well known international NGOs – Conciliation Resources (UK), Center for Humanitarian Dialogue (Switzerland), the Asia Foundation (US), and Muhammadiyah (Indonesia) as observers to the peace process. They, however, did more than observe and conducted various socialization and consultation activities all over the Philippines. Other local and regional actors involving a wide range of actors from the civil society including the academia (i.e. Universiti Sains Malaysia in partnership with the Japan International Cooperation Agency or JICA conducted a series of Consolidation for Peace for Mindanao programs) were also involved in these consultation process and peace support activities. Lastly, the European Union contributed to a civilian protection mechanism which exposed the actors and stakeholders to aspects of international humanitarian law.

The work of all these actors is by no means finished. In fact, the more difficult work now begins. In Kuala Lumpur, the negotiation process will continue as the details need to be ironed out and the technical committees on both sides will have to put flesh to the Framework Agreement, prior to it being implemented. In Mindanao and other affected areas, explanation needs to be made about what the Agreement is all about, especially to the doubters and potential spoilers everywhere. This will need to be done also in the Congress, Senate, and all the cities in the Philippines, starting with Manila. This is a prelude to the plebiscite that needs to be done as part of the peace process as well as socializing the ideas of peace to the people. The guarantors – the ICG, the IMT and others need to continue their work to ensure the momentum is kept moving.

ASEAN as the main regional organisation in this region has not played a major role in this particular process. What was evident throughout the process though was the acceptance and implementation of ideals behind the ASEAN spirit – of wanting to use peaceful means to resolve conflict issues, of dialogue, of perseverance and patience especially when faced with destabilising prospects, of partnerships in duress, of sincerity in action, of acting responsibly, and of openness and friendships that come with years of trust building and friendship. Never mind that this was not an ASEAN project. This was a project that involved ASEAN members – Malaysia, Indonesia, Brunei, and supported by all, to answer a request by a fellow ASEAN member to solve her problem. This is camaraderie and trust at the highest level. The region will only benefit from the lessons learnt during this experience and the future is bright for peace and reconciliation in the ASEAN region.
