

ASEAN NEWSLETTER

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ASEAN News Updates

Asean Set To Spur Investments For Region's Small Businesses

(September 30, 2012)

The Association of Southeast Asian Nations has approved a development project that will encourage investments in small and medium enterprises throughout the region. The Asean-backed project, which was launched last week, involves the development of 19 case studies in three priority SME sectors: agro-processing, electronics and information and communications technology.

(Source: Philippine Daily Inquirer)

ASEAN Asks Thailand to Coordinate SCS Resolution Meetings

(September 29, 2012)

Asean ministers have agreed to let Thailand hold a meeting of Asean senior officials in an attempt to solve the South China Sea conflict. The Informal Asean Ministerial Meeting, attended by Foreign Minister Surapong Tovichakchaikul and other Association of Southeast Asian Nations foreign ministers on the sidelines of the United Nations General Assembly in New York, agreed to allow Thailand, in the capacity of coordinator between Asean and China, to gear up efforts to end the territorial dispute. It also decided that Thailand should hold an Asean senior officials' meeting to consider the code of conduct in the South China Sea.

(Source: Bangkok Post)

ASEAN Exchanges Launched

(September 18, 2012)

Asean Exchanges is a collaboration between seven bourses from Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. It will create more investment opportunities across the region, facilitating and increasing the accessibility of inter-Asean trade.

(Source: The Star)

ASEAN Backs Viet Nam Bid For Rights Council

(September 30, 2012)

ASEAN members have pledged to support each other's bids for seats at the United Nations, including Viet Nam's candidacy for the 2014-16 UN Human Rights Council tenure. The bloc's foreign ministers confirmed the arrangement at the recent Informal ASEAN Foreign Ministers' Meeting (IAMM), which took place on September 27 on the sidelines of the UN General Assembly session in New York.

(Source: Viet Nam News)

ASEAN +3 Regional Financial Cooperation Strengthens

(September 26, 2012)

ASEAN has identified priority areas as countries work to develop an electronic trade facilitation system for the region. The National Single Window (NSW) and ASEAN Single Window (ASW), is an electronic trade facility that allows importers and exporters to conduct trade procedures online. It enables them to submit documents and secure permits with multiple government agencies in one integrated process. ASEAN members have pledged to launch their own NSWs by 2012, and these will be later integrated into an ASW by 2015. Once linked up, the ASW will transmit exports information from one country to be received as imports data in another.

(Source: Business World Online)

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The Trouble With ‘Triangles’: The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)

By Steven C.M. Wong,

Senior Director, ISIS Malaysia

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) is not new, having been adopted by leaders at the ASEAN Summit back in 1993. But despite the decision having been taken at the highest possible level and despite the formation of an IMT-GT Joint Business Council to ensure private sector participation, progress was scant even after the first dozen years.

In 2005, an effort was made to try and accelerate momentum with regular Summits, of which there have now been six. In 2007, the Centre for IMT-GT Subregional Cooperation (CIST) was established to be a coordinating and monitoring centre in Kuala Lumpur, and a Roadmap for Development (2007-2011) was adopted. In that same year, the Asian Development Bank became a development partner.

One would have thought that with the greater attention and resources available, progress would have been smoother and greater. However, the results of the Roadmap turned out to be disappointing, something that the Director of CIST himself acknowledged in January 2011 when he wrote:

We cannot really congratulate ourselves that the Roadmap 2007 – 2011 has been well executed thus far. Many programmes in the Roadmap could not be carried out for lack of proper planning, lack of project details, and more importantly lack of financing due to lack of coherent strategy in terms of tying up subregional with national programmes.

The problems identified are not unusual in ASEAN, having afflicted in one form or another, many (if not most) of its initiatives and programmes. An admission so late in the day, however, is really worrying and raises the question as to whether growth triangles, for all their promise and potential, really work in practice.

Notwithstanding, leaders decided to forge ahead in April 2012 by approving an Implementation Blueprint (IB) for 2012-2016. The IB, which focuses on project development and improvements, was substantially prepared with the assistance of the ADB. In addition, the ADB also provides capacity building for project development, management and monitoring, as well as regional technical assistance.

Is the participation of the ADB a game changer? Can we now expect much improved performance and progress going forward in so far as the IMT-GT's goals are concerned?

Personally, while I think that participation of the ADB which, while constructive, is not sufficient is not going to be sufficient to break the many impasses that are largely endemic to the administrative system.

To recap, the IMT-GT has five strategic goals. The first is obviously to facilitate and promote intra- and inter-IMT-GT trade and investments. The second is sectoral in nature and that is to promote agriculture, in particular, high-value agriculture, as well as agro-industry and tourism.

The third thrust is to strengthen infrastructure linkages and support integration. This is particularly important in light of the Master Plan on ASEAN Connectivity. The fourth goal is to address cross-sectoral concerns such as human resource development, labour and environment issues. These ultimately raise the level of quality of human participation and standards of living.

The fifth goal, which I would say is questionable, has arguably seen the most successes, is to strengthen institutional arrangements and mechanisms. I say questionable because institutional arrangements and mechanisms can often be as much impediments to integration as facilitators.

Even a cursory review of the IMT-GT organizational structure shows a replica of the dense web of meetings and committees that seem to be *de jure* in ASEAN. The process is overtly top-down, government-driven and multi-level in hierarchy.

To put this in another way, the institutional architecture is large and unwieldy, decision-making is slow and transaction costs are high as a result.

Private investment decisions are difficult enough where one sovereign government is involved, let alone where two or more are involved. And when decisions are further subject to multiple levels of organizational hierarchy, regulatory risks can rise dramatically and interest can quickly dissipate, if not disappear.

While the private sector appears to have a parallel structure, this is more apparent on paper than in practice. Second, the private sector in question involves national chambers of commerce (NCCs) that, depending on their specific situations, may or may not be in a position to work with their interested members.

NCCs can often do no better than the governments in intermediating information by promoting projects, organizing seminars and conferences and so forth. When it comes to identifying and implementing specific business, they have little role, if any, to play and are frequently relegated to being by-standers in the process.

Given that project identification, scoping and planning is one of the major issues in impeding progress, a more practical means would seem to be necessary to enable private companies to more directly scope out, plan and implement projects, thereby shortening the lag time to take products and services to markets.

In the case of the southern Malaysian state of Johor, Singaporean and other foreign investors deal primarily with the Iskandar Regional Development Authority (IRDA), which has substantial authority to negotiate and implement investment decisions. IRDA not only promotes investment through information but also fiscal and other incentives. It also acts as an active facilitator and guide for such investments.

IRDA, however, is an exclusively national (Malaysian) federal authority with the legislative powers to do so. In the case of the IMT-GT, a tripartite commission could be considered to give private investors a similar single entity to deal with.

Another often heard complaint is that there is no monitoring and accountability to deliver outcomes. CIMT does not currently have the power to do so and plays no more than a secretariat role. Here again a IMT-GT Commission could play the role since it is already an investment focal point.

The challenges of establishing such a cross-border commission cannot be lightly discounted. If they ultimately prove too challenging, however, the alternative would be to create a tripartite system that devolves executive power for the IMT-GT to Malaysia's Northern Corridor Economic Region, Thailand's Southern Border Provinces Administrative Center and Indonesia's Investment and Promotion Board of North Sumatra (for example).

The current institutional structure of Working Groups and Sub-Working Groups can be dispensed with, perhaps also along the Senior Officials Meeting. This could be replaced by the tripartite commission (or, alternatively, the three regional authorities) supporting the IMT-GT Ministerial Meeting.

In short, the IMT-GT has real and significant potential to be a major pillar on regional integration. Despite the high-level government decision and attention, progress has been modest to say the least. The present outdated institutional structure could be largely at fault. Two ideas have been proposed to increase efficiency and effectiveness, a tripartite commission or delegation of powers to the three countries' respective regional authorities.

Source: The organisation chart can be accessed at <http://www.imtgt.org/Structure.htm>

Governing Climate Change: Challenges for a coherent ASEAN policy on Climate change

*By Alizan Mahadi,
Analyst, ISIS Malaysia*

Many studies have indicated that Southeast Asia is one of the worst affected regions in the world by climate change. This was highlighted in various studies including the Asian Development Bank's study on the economics of climate change in 2009. The study indicated that the total damage in four ASEAN countries, (Indonesia, Philippines, Thailand and Vietnam) could cost the region twice as much as the global average by 2100, equating to a losing 6.7 per cent of GDP per year.

ASEAN as a region is vulnerable to climate change due to a range of factors. Firstly, coastal areas are densely populated with economic activities taking place within these areas. Secondly, the ASEAN region is mega-bio diverse, accounting for more than 20 per cent of the global diversity with ASEAN mainly consisting of resource-based economies. Finally, geographically, ASEAN is one of the world's most geologically active regions consisting of the ring of fire as well as being exposed to a range of natural hazards such as typhoons and sea level rises.

Whilst various studies and impacts of climate change have been well documented, the regional response towards climate change is still unclear. On-going efforts have emphasised the importance of combating climate change within the region, though challenges remain for a coherent ASEAN policy on climate change.

One of the main stumbling blocks for a regional response is due to the unique nature of the problem. Climate change's impacts are discriminatory and vulnerability differs amongst the ASEAN countries.

The priorities in response measures depend on the particular impact on each country. Philippines for example, is vulnerable to natural disasters, as witnessed by the recent flood events, has to deal with the imminent issue of adaptation as the impact of climate change are already being felt. Other countries may prioritise longer term issues such as water security, rising sea levels and warming sea surface temperatures where mitigation measures may be more critical.

Furthermore, many tend to forget that vulnerability to the adverse effects of climate change is not purely based on natural conditions but also political, economic and social circumstances. ASEAN countries vary widely in stages of development, and hence, in their capacities to adapt to climate change.

This has led to non-traditional alliances to be established that transcends regional and geographical boundaries. Singapore, for example, is the only ASEAN country in the Alliance of Small Island States (AOSIS), an intergovernmental organization of low-lying coastal and small Island countries. G77 has also been active in international climate negotiations, representing a coalition of developing nations rather than any particular region. These alliances demonstrate that the priorities in responding to climate change may not necessarily be tied to regional factors. This poses the question to what extent can a coherent ASEAN policy be effective.

Progress has been made in establishing climate change as an agenda for ASEAN. The ASEAN Climate Change Initiative (ACCI), a consultative platform to strengthen regional coordination and cooperation in addressing climate change was established in 2010. The mandate was to undertake concrete actions to respond to climate change and its adverse impacts, including policy and strategy formulation, information sharing, capacity building and technology transfer.

Due to its cross cutting nature, climate change related issues have been embedded in various initiatives. The ASEAN Committee on Disaster Management (ACDM) has included climate change adaptation (CCA) as part of the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) Work Programme, 2010-2015. In 2009, the ASEAN Plan of Action for Energy Cooperation (APAEC) 2010-2015 was adopted with the theme of "Bringing Policy to Actions Towards a Cleaner, More Efficient and Sustainable ASEAN Energy

Community", which includes achieving a collective target of 15% for regional renewable energy for total power installed capacity by 2015.

Whilst these efforts are encouraging, the end results are still unclear. With ASEAN's policy of non-intervention, it is unlikely for ASEAN to commit to concrete action such as setting a regional cap on carbon emissions, or setting up a climate fund to finance mitigation and adaptation measures. Many adaptation measures are still heavily reliant on external funding through Official Development Assistance (ODA) and bilateral agreements such as EU-funded projects.

Recent criticisms of international treaties on climate change have challenged their effectiveness along with any multilateral agreements and regional policies on climate change. The Conference of Parties (COP) meetings have not yielded much end results and it is increasingly being recognised that policy innovation must go beyond international treaties and regional policies.

Surprisingly, despite the perceived failure, a case for optimism can be found at the Rio+20 Sustainable Development summit which was held this summer. By establishing the green economy as its primary focus, private sector participation is seen to be a crucial part in responding to sustainable development issues.

While the summit was not attended by many influential worlds' leaders, the private sector provided key representatives to the event. Statements from the private sector highlighted their commitment to act on their own. Tangible examples of success stories were presented such as a claim by Tensie Whelan and Paul Polman, respectively President of the Rainbow Alliance and CEO of Unilever, that their efforts led to an increase of 'three percent of the world's working forests, 10 percent of the world's tea production and 15 per cent of the world's bananas' coming under sustainable management'.

The success stories were presented as evidence of a transformation of global markets evolving away from government decree and towards a market led governance of sustainable development and climate change.

Despite the promising commitments laid out by the private sector, one has to take this new found optimism with caution and not divert all responsibility towards the private sector. Perhaps more importantly is the recognition of the role and positioning of the private sector in the future dimensions of climate change policies. ASEAN should leverage on non-state actors to respond to the adverse impacts of climate change and provide a platform and policies that guide their actions towards concrete solutions in combating climate change within the region.

China-ASEAN Trade Boost

By Natalie Shobana Ambrose
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China has been actively in the news the past few months in particular finding itself in the mix when ASEAN Ministers failed for the first time to issue the customary joint statement with regards to the South China Sea Disputes. It now, finds itself embroiled in a dispute with Japan over the uninhabited islets Diaoyu islands in China (Japan calls Senkaku) which is said to hold rich natural gas reserves. Yet, with all these escalating disputes, China's trade relationship with ASEAN has not rifted though its effects will linger as there is no resolve in sight.

In 2010, the China-ASEAN free trade zone was formed and since then as a grouping, trade recorded reached USD 363 billion in 2011 and has continued upward making ASEAN China's 3rd largest trade partner for now. The said FTA is the world's largest FTA for developing countries and has since reduced tariffs by 50 billion yuan. Yet in a recent speech at the opening of the 9th China-ASEAN Business and Investment Summit and 2012 Forum on China-ASEAN Free Trade Area, China's Vice President Xi Jinping said *'We hope that the two sides will continue to implement the various FTA agreements, further improve on trade and investment liberalization and facilitation, and optimize the mix of import and export commodities, so as to meet, as scheduled, the trade volume target of 500 billion U.S. dollars by 2015.'*

To add, China has pumped in foreign direct investment of USD 10 billion to ASEAN countries in 2011 alone doubling the amount since 2008. The zero-tariff arrangement had provided such preferential terms for 90% of trade goods between China and ASEAN for about 7000 items.

The Guangxi Zhuang Autonomous Region is seen as the most convenient gateway to the Pan-Pearl River Delta and the ASEAN region (Diagram 1) which will connect regional markets of South China, Southwest China and ASEAN. Building on this potential, China South City Nanning was built to incorporate the CHINA-ASEAN plaza with a total G.F.A of 4.88 million sqm which provides integrated facilities for logistics, storage, exhibition and trade of industrial materials and products information services, business offices and even housing. This is in the hopes that Nanning will become a modern business and logistics centre and a base for high-end production and service industries. To add, besides the preferential terms, the government provides on-site services including customs, inspection and quarantine, taxation, bonded warehouse and supervised warehouse for all overseas businesses and an annual promotion budget of RMB100 million.

Such promotions such as trade fairs in particular the China-ASEAN Expo (CAEXPO) have definitely aided in exchanges not just in trade but through people to people exchange creating the China-ASEAN Think Tank Strategic Dialogues and the China-ASEAN Cultural Industry Forum. This year's theme at the 9th CAEXPO Science and Technology Cooperation has also meant that senior officials from ministries of science and technology both from China and ASEAN are meeting to explore the possibilities in areas of technology transfer.

At this year's CAEXPO, goods varied from building material to jewellery, electronics and food displayed in over 1500 booths. Divided by countries, the floor space for each country boasted the size of multiple football fields. According to China Daily, the bustling fair reflects customs data showing 7.7% increase in China-ASEAN trade in the first eight months of the year. Although it was lower than the annual rate of more than 10% seen in past years, it outpaced China's combined foreign trade growth of 6.2% in the same period and stood in stark contrast with China's contracting trade with the EU and the US.

With ASEAN countries headed towards industrialisation, creating labour intensive industries, China finds itself with a growing domestic consumption moving towards a consumer-based society and having to cope with an aging population. By 2020, 11.92% of the population will be 65 years or older according to China's 6th National Census in 2011. Yet, Ho Chi-ping the former home affairs secretary of the HKSAR government, feels that though China's factories face a growing labour shortage, ASEAN still has a relatively young workforce and this can be play a complementary role instead of a contradicting role.

As China's regional economic integration continues to expand with Hong Kong recently applying for participation in the FTA, ASEAN however is hoping to include its 5 bilateral partners Australia, New Zealand, India, Japan and the Republic of Korea into the mix to form the world's largest FTA. As the China South City Nanning video states 'A starting point can influence the whole world' – clearly this is where China sees its role not just as a starting point but influencing the world. China is serious about ASEAN. In a recent posting on the China Briefing titled 'Why ASEAN Matters For your China Business', the Chinese government has even set up a China-ASEAN trade office to assist with Chinese trade.

The question remains however, with such dependency on trade with China, how will this influence negotiations of ongoing disputes with ASEAN? Can ASEAN resolve matters amicably and fairly working towards building a strong community or will trade priorities affect ASEAN's unity and put it in a bind?



Source:

Agreement Rise between China, Asean Nations http://www.chinadaily.com.cn/business/2012-09/24/content_15778956.htm

China-ASEAN regionalization: An irreversible healthy trend http://www.chinadaily.com.cn/hkedition/2012-09/27/content_15785869.htm

China, ASEAN should work to improve on FTA Development <http://www.bernama.com/bernama/v6/newsworld.php?id=696230>

Why ASEAN Matters for your China Business <http://www.china-briefing.com/news/2012/05/22/why-asean-matters-for-your-china-business.html>

China South City Nanning <http://www.china-aseanplaza.com>