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ASEAN AT THE THIRD TRANSITION: GROPING  
FOR A NEW REGIONALISM IN EAST ASIA

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# **ASEAN AT THE THIRD TRANSITION: GROPING FOR A NEW REGIONALISM IN EAST ASIA**

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## **Abstract**

The nature of Southeast Asian regionalism has been altered three times during the past three decades. Each time, it was largely external factors that helped shape the extent and direction of Southeast Asian regionalism. Especially, after the devastating financial crisis in 1997, ASEAN decided to pursue a larger regional strategy in the name of "ASEAN plus three". Without any doubt, it is not problem-free to promote East Asian regionalism and the potential workability of the proposed regionalism remains to be seen. Given the changing nature of Southeast Asian international relations, this study intends to trace the unique development of a new regionalism in East Asia, known as the ASEAN+3, and to analyze whether or not this ASEAN+3 is viable enough to reinvigorate a tainted Southeast Asian regionalism.

Key words: ASEAN+3, new regionalism, East Asian regionalism

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## **Introduction**

The nature and direction of Southeast Asian regionalism has been altered several times during the past three decades. Each time, it was largely external factors that helped shape the extent and direction of Southeast Asian regionalism. The establishment of the Association of Southeast Asian Nations (ASEAN) in August 1967 was not an exception. Indeed, the Cold War in Southeast Asia was not only a confrontation among great powers, but also a struggle among Southeast Asians themselves. During the devastating Vietnam War (1964-1975), for instance, Hanoi regarded ASEAN as pursuing a Washington-dictated confrontation policy against the communist bloc. However, the end of the Vietnam War in 1975 opened a new venue for ASEAN, which quickly seized the opportunity to embark on its search for a new regional order. ASEAN thus decided to hold its very first summit in Bali in February 1976, followed by the second summit in Kuala Lumpur in August 1977.

Concomitantly, the dawn of the post-Cold War era, as a result of the 1989 Malta Summit, witnessed the reduction of tension in the Asia-Pacific region, leading ultimately to a re-alignment of Cold War forces, such as Sino-Soviet, Sino-Vietnamese, and U.S.- Vietnamese. At the same time, ASEAN's diplomatic efforts led to a political settlement in September 1991 of the thirteen year old Cambodian conflict, therefore diffusing the polarization of the region. Moreover, the termination of the Cambodian conflict prompted ASEAN to embark on another round of efforts to build constructive relations with former adversaries and seek a new direction for itself. In so doing, ASEAN has begun to broaden the horizon of regional cooperation traditionally framed by economic nationalism and bilateral foreign policies. Until 1997, this had been accomplished with great finesse.

Then came the devastating financial crisis that erupted in 1997. With the collapse of the Suharto regime in 1998, ASEAN faced its biggest crisis of how to overcome its third transition. After two years of regional search for a new order, ASEAN decided to pursue a larger regional strategy in the name of "ASEAN plus three". Without any doubt, it is not problem-free to promote East Asian regionalism and the potential workability of the proposed regionalism remains to be seen.

Given the changing nature of Southeast Asian international relations, this study intends, first of all, to trace the unique development of a new regionalism in East Asia, known as the ASEAN+3, and then to analyze whether or not this ASEAN+3 is viable enough to reinvigorate a tainted Southeast Asian regionalism.

In order to fully understand the nature of the third transition and the way ASEAN has been trying to resolve, we need to examine the first and second transition.

## The End of the Vietnam War in 1975: The First Transition

Throughout the Cold War era, Southeast Asia had been characterized by its bipolarity, predicated on interactions among the three great powers --- the United States, the former Soviet Union (Russia) and China (Sudo 2002). American policy toward Southeast Asia had been to maintain a balance of power in the region by bilaterally extending explicit support for Thailand and the Philippines while containing China and Vietnam. In addition, the region had a strategic significance for Washington with the U.S. bases in the Philippines, serving as the keystone of American defense policy in the Asia-Pacific region. Thus, when the first Indochina War broke out between France and Vietnam, Washington supported France, albeit in a limited way. The defeat of France at Dien Bien Phu came as a shock to Washington, which felt compelled to create the Southeast Asian Treaty Organization (SEATO) in 1954. Although only Thailand and the Philippines joined SEATO, a rigid American containment policy left little room for Southeast Asian countries to maneuver their own *raison d'etre*, except for Sukarno's Indonesia and isolated Burma (Myanmar) which joined the first Asia-Africa conference in 1955 (better known as the Bandung Conference). Thus, a polarization of Southeast Asia along the lines of the East-West rivalry was firmly established, continuing even after the outbreak of the Indochina War between the United States and Vietnam in 1965.

During the second Indochina War (1965-1975), a policy of bilateralism was maintained, although indigenous regionalism emerged in the form of ASEAN in 1967. In fact, since the immediate task for ASEAN was the development of a basis for mutual trust among member states, the Bangkok Declaration did not specify a mechanism for formal dealings with the external powers. As such, this earlier sub-regional organization was inward looking and did not produce any tangible results until the first ASEAN summit in 1976, with the exception of an agreement in November 1971 to pursue a Zone of Peace, Freedom and Neutrality (ZOPFAN). The fact that all member states but Indonesia had foreign bases and supported American aims in Vietnam clearly indicated the nature and limits of the Association. Economically, both ASEAN and non-ASEAN states alike relied upon their patron's assistance and market for their products, in effect strengthening

polarization of the region as well as bilateralism in their foreign policies.

The end of the Vietnam War in 1973 and the partial realization of the domino theory, that is the emergence of the communist bloc in 1975, therefore, compelled ASEAN to restructure its basic posture of regional cooperation. Convening the first and second summit meetings in 1976 and 1977 respectively, the ASEAN countries decided to strengthen its organizational foundation so as to deal with pressing regional issues. Under the Treaty of Amity and Cooperation (TAC) adopted at the Bali meeting of 1976, ASEAN members agreed to abide by the following principles (Article 2): (1) mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations, (2) the right of every state to lead its national existence free from external interference, subversion, or coercion, (3) noninterference in internal affairs of one another, (4) settlement of differences or disputes by peaceful means, (5) renunciation of the threat or use of force, and (6) effective cooperation among themselves.

By renewing its foundations, ASEAN also came to stress the importance of cultivating its external relations for the first time, as the second ASEAN summit suggests. In promoting dialogue relations, ASEAN adopted four guidelines in the 1976 Declaration of Concord and the Treaty of Amity. They consist of the following: first, cooperation with ASEAN as a group should not be at the expense of existing bilateral arrangements; second, cooperation should serve to complement ASEAN's capabilities and not to supplant them; third, cooperation should be for projects conceived by ASEAN which are of a regional character and for the benefit of all ASEAN countries; and fourth, cooperation should be unconditional (Hamzah 1989, 9).

Equally important, ASEAN has come to meet every year with all its dialogue partners, following the annual Foreign Ministers' Meeting which has been held since 1979. In explicating why this unique style of consultation with external powers began taking place, we need to understand a most critical event when the then Foreign Minister Sunao Sonoda initiated the Japan-ASEAN foreign ministers' meeting in June 1978. During the meeting, Sonoda promised to "take into account the concern of ASEAN countries, at the forthcoming Summit Meeting of Industrialized Nations in Bonn in July 1978," while reaffirming Japan's promises made by Prime Minister Fukuda just a year ago (Sudo 1992).

Moreover, given the deterioration of regional problems, Sonoda suggested to the ASEAN leaders that an expanded foreign ministers' meeting would be

necessary by inviting external powers such as the United States, Australia and New Zealand. Especially noteworthy, Sonoda asked U.S. Secretary of State Vance to meet with ASEAN foreign ministers in April 1978 in order to express jointly their strong support for ASEAN. It was thus quite significant that the Post-Ministerial Conference (PMC) in the present form --- the new template for security cooperation --- was inaugurated in July 1979. Attended by the chief diplomats of Japan, the United States, Australia, New Zealand, and the European Community, ASEAN could demonstrate that ASEAN states were not alone and that they were valued by influential states. In particular, "ASEAN members were glad to see the United States accept their invitation and so restore some of strategic balance in the region" (Antolik 1990, 141). Since then, once a year, almost all the major world powers have met with their Southeast Asian counterparts to discuss various issues and problems, ranging from economic to social and political matters of mutual concern. Although their agreements have no binding power, the fact that such a discussion even takes place is itself of great importance.

During the 1980s, the Cambodian conflict, initiated by Vietnam's invasion of Cambodia in December 1978, threatened the security of ASEAN countries for several reasons. First, the Vietnamese action presented a serious challenge to the regional order ASEAN had earlier envisaged. To ASEAN, Vietnam was violating the hallowed principle of non-interference that was the core of the 1976 Treaty of Amity and Cooperation. Second, Vietnam had come to be portrayed by the frontline state of Thailand as a security threat. Third, ASEAN deemed the Vietnamese occupation of Cambodia as undermining its policy of making the region free from great-power rivalry. Thus, the third Indochina conflict was a source of contention between the ASEAN countries and Vietnam, thereby reinforcing the polarization of the region.

Under these difficult circumstances, ASEAN emerged as a united actor to be reckoned with. Especially during the third Indochina conflict period, the ASEAN region developed a modus operandi among its member countries in three respects. First, as a sub-regional organization, the countries of ASEAN have developed a rule of consensus in that individual initiatives are subjected to collective agreement as a means of strengthening ASEAN's regional resilience. Second, while ASEAN's security perspectives have not been identical --- for instance, among the countries of Singapore, Thailand, and the Philippines, who stressed reliance upon a U.S. military presence in the region, and the countries of Malaysia and Indonesia, who advocated a policy of neutrality --- they have come to accept ZOPFAN as a

long-term supreme goal of the organization. Third, in TAC lies the basis for a regional order which includes mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations; the right of states to be free from external interference; pacific settlement of disputes; renunciation of the threat or use of force; and effective cooperation. Suffice it to say that ASEAN stood up against Hanoi's invasion of Cambodia in order to preserve the rationale and spirit of TAC, while taking full advantage of the PMC networks.

It was during this time that ASEAN developed its unique style of regional cooperation, hence the formation of a new regionalism, which has the following four characteristics: (1) non-interference in the internal affairs of member countries; (2) amicable settlement of conflicts between members; (3) joint efforts toward the outside world; and (4) close consultations and consensus decision-making. Indeed, these four traits have come to be regarded as "the ASEAN way." (Haacke 2003; Johnston 2003)

## **The End of the Cold War in 1989: The Second Transition**

The advent of the post-Cold War era, however, has led many to consider that ASEAN lost a major centripetal force in its political underpinning, once the Cambodian conflict was over. In order to dispel this negative view, ASEAN succeeded in convening another summit in January 1992, thereby consolidating the new regionalism in Southeast Asia. This fourth Singapore summit will be remembered as having produced four tangible agreements, as stipulated in the Singapore Declaration. The ASEAN heads of government agreed to: (1) move to a higher plane of political and economic cooperation to secure regional peace and security; (2) seek to safeguard its collective interests in response to the formation of large and powerful economic groupings; (3) seek avenues to engage member states in new areas of cooperation in security matters; (4) forge closer relations based on friendship and cooperation with the Indochinese countries, following the settlement of the Cambodian conflict.

Accordingly, since the fourth ASEAN Summit, ASEAN has come to emphasize the following three policies with which it can play a greater stabilizing role in the region: economic integration, an extra-regional grouping aiming at a greater voice in international economic relations, and security cooperation. In a way, the pursuit of these deepening and widening policies is thought to insure ASEAN's survival and/or competition in the wealth game that will be played out in

this part of the world (Palmujoki 2001).

### *Toward an Economic Integration: AFTA*

It is rather a cliché to state that ASEAN's economic cooperation is of less significance than its well-articulated political and diplomatic cooperation. In the real sense of the term, ASEAN came to agreement with the issue of regional economic cooperation only after the inception of the Economic Ministers' Meeting in 1975. Afterwards, four major schemes were introduced: ASEAN Industrial Project (AIP) in 1976; Preferential Trading Arrangements (PTA) in 1977; ASEAN Industrial Complementation (AIC) in 1981; and ASEAN Industrial Joint Ventures (AIJV) in 1983. Promising as they seemed, however, these schemes produced little impact on intra-regional trade (Narine 2002a, 24).

Because of these negligible results, major efforts were undertaken in the late 1980s by a series of groups and institutions in the ASEAN region to explore the ways and means of expanding regional economic cooperation. It was through these efforts that ideas of "a customs union" and "a free trade area" were spelled out. Therefore, when the heads of the ASEAN governments met in Singapore in January 1992, they were ready to agree on a major commitment to regional economic cooperation, as indicated in the Singapore Declaration: "ASEAN shall establish the ASEAN Free Trade Area using the Common Effective Preferential Tariff (CEPT) Scheme as the main mechanism within a time frame of 15 years beginning 1 January 1993 with the ultimate effective tariffs ranging from 0% to 5%." Singapore Foreign Minister, Wong Kan Seng explained the historical significance of this declaration: "It shows that Asean countries have understood the profound international changes that have occurred and have responded to them in a realistic and confident manner" (*Straits Times*, April 18, 1992).

As such, the adoption of the ASEAN Free Trade Area (AFTA) in November 1992, by which ASEAN intends to liberalize and stimulate its intra-regional trade, would be a major achievement if it succeeds. In particular, having shifted to a strategy of foreign investment sponsored export-led growth since the late 1980s, ASEAN states were compelled to prevent the possible diversion of investment in the aftermath of the Gulf War and the collapse of Soviet Union. Indeed, ASEAN has high expectations for AFTA because in theory the agreement would create an integrated market of 330 million people with a combined GDP of \$293 billion, growing at 7 percent a year. Thus, if it is materialized by the projected deadline of

2008, AFTA would have far-reaching effects by attracting non-ASEAN investment to the region, especially from Japan, in addition to spurring intra-regional trade and investment. This is made possible by a clause in the agreement which stipulates that all manufactured products, including capital goods and processed agricultural products with at least 40 percent of their content originating from any ASEAN state, are entitled to tariff reductions under the CEPT scheme. Furthermore, to ensure that the AFTA plan is fully carried out, the agreement stipulates that a ministerial council be established to supervise, coordinate and review implementation of the plan (Tan 1996).

However, only a few countries, such as Malaysia and Singapore, have complied with the agreed schedule of tariff cuts. Other members faced varied difficulties with a liberalization schedule that required some countries to start lowering tariffs earlier than others, and left many goods temporarily or permanently out of the framework, that is on the exclusion list. At the Economic Ministers' Meeting in October 1993, therefore, ASEAN readjusted the AFTA scheme. The new package policy took effect on January 1, 1994, with one major difference: unprocessed as well as processed agricultural goods will now be covered, in addition to manufactures. As a consequence, the new CEPT product lists cover about 84 percent of the total intra-ASEAN trade values and about 88 percent of the total 46,505 ASEAN tariff lines. In the absence of concrete details, however, the effect and impact of the new scheme remains to be seen (Stubbs 2000). Nevertheless, the fact that the Director-General of GATT, Peter Sutherland, attended the October 1993 meeting seems to have increased ASEAN's potential for economic integration.

In accelerating the region's economy, ASEAN has also strengthened its micro-level regional cooperation. For instance, in December 1989, the then Deputy Prime Minister of Singapore, Goh Chok Tong, first extended the idea of a "growth triangle," with Singapore at the center providing investment and technologies and the Malaysian state of Johore and the Indonesian province of Riau furnishing land and cheap labor. The success of this so-called "Sijori" model of micro-level regional cooperation is said to be based on the following factors: first, a highly developed city that has run out of land and labor; second, a surrounding area plentiful in both land and labor; and third, the political will to reduce the visible and invisible barriers separating the city from the hinterland (Thambipillai 1998). Although the applicability of this model remains to be seen, it cannot be debated that the success of Sijori has inspired other growth triangles, such as the North Growth Triangle of

Indonesia, Malaysia and Thailand, and the Eastern Growth Triangle of Malaysia, Indonesia and the Philippines. The appeal of many such triangles underscores the fact that market forces are gradually driving economic integration in this part of the world.

All in all, these ambitious schemes of securing foreign investment seem to face many obstacles, including different levels of development and clashes between national and regional interests, even if they do turn out to be a success by the projected deadline of 2008. Nevertheless, given the fact that economic integration is something the organization's founders had never intended, AFTA has to be understood in terms of ASEAN's novel political commitment to go beyond a narrowly defined economic nationalism of its member states. With this kind of commitment, the primacy of economics as a focus in ASEAN regional cooperation will be strengthened.

### *Toward Greater Political Leadership: EAEC*

In order to "seek to safeguard its collective interests in response to the formation of large and powerful economic groupings", ASEAN designated the East Asian Economic Caucus (EAEC) in 1990. This ASEAN plan was first presented by Malaysian Prime Minister Mahathir in December of that year, with the rationale that cooperation and speaking in one voice was necessary among the East Asian nations (*New Straits Times*, December 11, 1990). Although EAEC gained ASEAN approval, the initial debacle associated with the birth of the East Asian Economic Group (EAEG) still remained a major obstacle. In a nutshell, the core of the problem was Japan, because "East Asia" meant Japan. As Mahathir palpably put it: "We are asking you to join us and play a leading role. You have the stature and the means. We know that Japan has foreshown war and military adventures. We merely want you to be our partner, to be our equal but to be also the first among equals. If you really wish to make amends for your past, this is your chance" (Mahathir 1994, 9).

Partly in reaction to trade blocs springing up in Europe and North America and in part because of the aborted negotiation of the Uruguay Round in late 1990, Mahathir announced the formation of EAEG which, rhetoric aside, was not intended to be a trade bloc but rather a low level economic alliance similar to the Cairns Group. EAEG's principles were intended to be consistent with those of the General Agreement on Tariffs and Trade (GATT) as well as other Asian regional

groups, including ASEAN and APEC. Then, why did EAEG not receive early approval? The most significant opposition came from those excluded from the scheme, which in turn resulted in the cautious attitude adopted by Japan and some of the ASEAN countries. The United States, for instance, insisted that EAEG would be inward-looking and detrimental to the APEC process, and also feared the possibility that Japan would dominate the proposed regional body (*Straits Times*, December 22, 1990). Moreover, within ASEAN there emerged strong objections from Indonesia, partly because Mahathir did not consult Suharto before the announcement and in part because Jakarta was concerned with the economic repercussions of excluding the U.S. (*Jakarta Post*, January 9, 1991; *Far Eastern Economic Review*, February 7, 1991).

Despite mounting pressure from the U.S. and other excluded countries, ASEAN did not forgo the scheme, due mainly to the fact that Malaysia chaired the ASEAN Standing Committee. Subsequently, ASEAN foreign and trade ministers tried to flesh out the EAEG proposal at their meetings in July and October 1991, respectively. At the latter meeting, EAEG became an ASEAN idea and was renamed EAEC so as to defuse allegations that it was intended as a trading bloc (*New Straits Times*, October 10, 1991). With this minimum agreement, EAEC was placed on the agenda of the fourth ASEAN summit for January 1992. The 1992 Singapore Summit, however, could not come up with a unanimous vote, and the Singapore Declaration ended up merely stating: "With respect to EAEC, ASEAN recognizes that consultations on issues of common concern among East Asian economies, as and when the need arises, could contribute to expanding cooperation among the region's economies, and the promotion of an open and free global trading system" (*Far Eastern Economic Review*, February 6, 1992).

However, the notion of a fortress Europe and North American Free Trade Agreement (NAFTA) has brought home the fact that ASEAN might become marginalized, with major consequences for the region's economy and security. Thus, despite the early debacle between Malaysia and Indonesia, the ASEAN countries have agreed to promote it as an ASEAN scheme, as a result of mutual consultation among its member countries. In particular, Mahathir-Suharto talks in July 1993 concluded in an agreement that APEC should not develop at ASEAN's expense, and objections to plans to turn APEC into a forum for trade negotiations were raised. After the meeting, Suharto became more favorably disposed toward EAEC (*Bangkok Post*, August 5, 1993).

While designating EAEC as a "Caucus within APEC," the next step toward

realization of the scheme was to launch an informal meeting, especially for the purpose of securing Japanese attendance. This meeting transpired in July 1994. Bringing together potential members from Japan, China and South Korea for the first time, EAEC saw its first informal meeting off the ground, although the outcome was inconclusive due mainly to indecision on the part of the non-ASEAN countries. As then ASEAN Secretary General, Ajit Singh explained: "We also need input from China, South Korea and Japan. This consultation will continue and we'll reassure the others and try to help overcome any misconception or misgivings they may have" (*The Nation*, July 26, 1994).

In January 1995, an ASEAN foreign ministers' meeting issued a joint communiqué stressing the fact that "the member countries reaffirm their commitment to a nearly launching of the EAEC and that they recognize the usefulness of more focused discussions on specific economic and development issues, particularly on matters that will contribute to greater development of the East Asian region" (*Japan Times*, August 1, 1995). The EAEC concept was given a major boost at the fifth ASEAN summit in December 1995, which endorsed Malaysia's two proposals for the East Asian region: namely, the Mekong Basin Development, and the Trans-Asia Railway (*Nihon Keizai Shimbun*, December 16, 1995). In a way, ASEAN revived EAEC by adopting specific policies to be pursued by the East Asian countries.

Moreover, in March 1996 in Bangkok, ASEAN held its first meeting between East Asia and Europe and celebrated the establishment of a multilateral dialogue, which became known as the Asia-Europe Meeting (ASEM). Since, objectively, it seems desirable for ASEAN to have some countervailing force when dealing with such superpowers as the United States and Europe, EAEC and ASEM would boost ASEAN's efforts to deal with such asymmetry (*Yomiuri Shimbun*, December 16, 1997). In any event, ASEAN needs to resolve the dilemma of America's concern about Japan's dominance in East Asia as well as ASEAN's concern about achieving a balance between China and Japan.

### *Toward Multilateral Security Cooperation: ARF*

Although not a military organization itself, ASEAN has been concerned with security problems that stem from both internal and external environments. Nevertheless, up until 1975, the ASEAN countries saw their primary security problems as internal to each society, emphasizing a combination of policies to

achieve economic growth and the integration of various ethnic groups. In other words, they sought to deal with internal security questions --- including the issue of subversive forces --- on their own, by pursuing a goal of national resilience. Externally, the ASEAN countries agreed in November 1971 to establish a Zone of Peace, Freedom and Neutrality (ZOPFAN). The idea was to achieve a neutralized Southeast Asia as a long-term regional solution in which the great powers would agree to foreswear involvement in the region. ASEAN's first commitment to security cooperation came with the 1976 Bali Concord, which officially recognized "continuation of cooperation on a non-ASEAN basis between the member states in security matters in accordance with their mutual needs and interests," while maintaining that "the stability of each member state and of the ASEAN region is an essential contribution to international peace and security. Each member state resolves to eliminate threats posed by subversion to its stability, thus strengthening national and ASEAN resilience." In other words, the ASEAN states have come to share the concept of "comprehensive security" based on collective internal security (Alagappa 1998).

In the post-Cold War era, however, it appears that ASEAN's second major commitment to security cooperation has occurred for the following two reasons. First, in parallel with the resolution of the Cambodian conflict, the naval and air forces of several ASEAN countries have been upgraded to a large extent because of the high stakes of control of the South China Sea. In fact, Malaysia and the Philippines had a quiet dispute in April 1988, not to mention the fact that a month earlier, ASEAN had observed with considerable trepidation the struggle between China and Vietnam over this same conflict zone. What happened was that Hanoi challenged China's fortification of eight of the islands by sending a navy patrol. The result was a bloody clash that left 77 Vietnamese dead and three ships sunk. Hence, the South China Sea conflict was designated as the latest trouble spot for the ASEAN countries, resulting in an arms race in the region. The critical issue in this instance is not so much conflicting territorial claims, but an expanding Chinese naval capability. Should the current trend in China's naval modernization program continue, the so-called "China Threat" would become a reality with some rather serious consequences. As one scholar suggests, "ASEAN countries will not only continue to upgrade their defenses, but they may join more closely together with Vietnam and even seek countervailing power from outside the region to balance China" (Yahuda 1993, 47).

Second, then-Philippine Foreign Minister Raul Manglapus proposed that

ASEAN countries should assume joint political responsibility for the American presence or otherwise secure a redistribution of the bases, in light of the growing prospect of a total withdrawal of U.S. bases. When the Philippine Senate rejected the new bases treaty in September 1991, the prospect for total withdrawal loomed large --- even after September 1992 --- to which some ASEAN countries responded by advocating further security cooperation. Clearly, spurred by the possible phasing out of American bases and the South China Sea conflict, the ASEAN countries have begun their quest for a viable alternative.

Facing a rapidly changing security environment in the region, and after considering the various proposals made by Canada, Australia and Russia, ASEAN members finally agreed to establish a regional body in July 1993, which they formally called the "ASEAN Regional Forum (ARF)." The fact that they did not name the forum "Asian" suggests that the Association was intended to be the backbone of future security discussions, with its PMC acting as a centrifugal body, to which decision such external powers as the United States, Russia, China, and Japan gave their full support. In fact, a proposal by the Japanese government to utilize ASEAN's PMC as a security forum contributed to the formation of the ARF. This decision was a major step for ASEAN, in that the Forum holds the potential to generate its own momentum toward a new regionalism and become the focus of all matters relating to political and security issues (Kerr 1994).

Furthermore, ASEAN-ISIS has come to play a prominent role in the so-called Track Two process. In May 1991, for instance, ASEAN-ISIS organized a "senior officials' meeting" made up of senior officials of the ASEAN countries and dialogue partners in order to support the ASEAN PMC process. And then, together with a few other Asia-Pacific think tanks, ASEAN-ISIS established the Council for Security Cooperation in the Asia-Pacific (CSCAP) to provide a non-governmental dialogue and give direction and research support for the ARF, in the same manner that the Pacific Economic Cooperation Conference (PECC) used to function for APEC (Singh 1997). Without a doubt, the establishment of CSCAP is one of the most important milestones in the development of institutionalized dialogue and cooperation concerning security matters in the region. It may be expected that the resulting CSCAP-PMC-ARF nucleus could serve as a basic security network in the Asia-Pacific region.

The first ASEAN Regional Forum was held in July 1994 in Bangkok with six member nations of ASEAN, seven dialogue partners and five observers and guests (Russia, China, Vietnam, Laos, and Papua New Guinea) attending --- this broad

representation implicitly underscoring the centrality of ASEAN. After a three-hour discussion on Asian security, the chairman issued a brief statement stressing that "the ARF would be in a position to make significant contributions to efforts toward confidence-building and preventive diplomacy" and peaceful settlement of disputes in the region. Since this was an inaugural meeting, the eighteen participants simply agreed to only two future actions: to convene the ARF on an annual basis and hold the second meeting in Brunei Darussalam in 1995, and to endorse the purposes and principles of ASEAN's Treaty of Amity and Cooperation in Southeast Asia, as a code of conduct governing relations between states and a unique diplomatic instrument for regional confidence building, preventive diplomacy, and political and security cooperation (*The Nation*, July 26, 1994). Most importantly, securing China and Russia's participation would constitute a major breakthrough, bringing together for the first time all the major powers in the Asia-Pacific region.

In February 1995, the Philippines revealed that China had built military-style structures on Mischief Reef, which has since come to be regarded as a great security challenge to ASEAN. As a result, after holding successive ARFs, ASEAN's intentions were becoming clearer. As one scholar explains: "ARF is seen primarily as a means of engaging China in a multilateral security dialogue without expectation of solving disputes or building a comprehensive regional security structure" (Whiting 1997, 300). With the birth of ARF, therefore, the channels of dialogue for Asia-Pacific regional security have now taken on multi-layered structures, centering on the ASEAN-PMC framework and Track II dialogue. These developments bode well for the initiation of "security networking" in the region.

Ever since ASEAN pledged in January 1992 to move the Association "toward a higher plane," it was able to fulfill this pledge over the following five years by adopting a higher profile in the wider Asia-Pacific region, based on the ASEAN way. By introducing a new element of multilateral interaction and cooperation, ASEAN's deepening and widening efforts led to the new regionalism in Southeast Asia as a way to deal more confidently with the post-Cold War conditions that are presently unfolding, as evidenced by AFTA, EAEC, ARF, ASEM, and a unified "one Southeast Asia."

## **The 1997 Financial Crisis and the Third Transition**

In July 1997, however, a pervasive financial crisis occurred in Thailand, which

soon engulfed East and Southeast Asian countries. Especially hard hit were Indonesia and South Korea. Although exact reasons for the economic turmoil vary from country to country, there are several common factors: (1) an over-reliance on short term foreign borrowing by private firms and banks; (2) over-investment in real estate; (3) inadequate supervision of financial institutions; and (4) over-dependence on the U.S. dollar (Hirakawa 2001; Lukauskas and Rivera-Batiz 2001; Bustelo 2003). These factors were exacerbated by the lack of democratization. In August, Thailand entered into an agreement with the International Monetary Fund (IMF) for an emergency stand-by credit, in exchange for the adoption of stringent fiscal austerity and a range of structural reforms. However, by the time the informal summit meeting in Kuala Lumpur started on December 14, 1997, "many were helpless spectators to a mauling of their currencies, stock markets and economies in general by forces they barely comprehended" (*The Economist*, December 20, 1997).

As such, the crisis became so pervasive that Asia is said to have lost its confidence in the "Asian Miracle." Although this conclusion needs to be debated, it seems undeniable that the prolonged economic crisis is likely to have some important politico-security implications. Since Southeast Asian countries have based their legitimacy largely on promoting rapid economic growth, the following four implications of the financial crisis could be extrapolated: (1) the end of developmental states, for instance, Indonesia's Suharto regime; (2) slower defense modernization; (3) a divisive ASEAN; and (4) the retreat of the new ASEAN regionalism, for instance, AFTA and ARF. Now that some of these implications have become reality, the pessimists may claim that "the ASEAN way no longer works" (*The Economist*, February 28, 1998).

Especially, the collapse of the longest regime in Southeast Asia in May 1998 brought home the fact that ASEAN without Indonesian leadership could be ineffective, as the East Timor debacle amply suggests. The consequences for Indonesia's national cohesion could be catastrophic. While a complete breakdown in Jakarta's authority remains unlikely, as one observer explains, "Concerned neighbours and interested powers will need to coordinate their planning for such a contingency" (Huxley 2002, 91).

While resolving in their Vision 2020 statement to move closer toward regional cohesion and economic integration in December 1997, the hard-hit ASEAN countries, individually and collectively, turned to Japan for assistance. Thailand, for instance, sent its finance minister to Tokyo before asking for IMF

assistance. For its part, Japan agreed to play an important part in facilitating assurances of continued Japanese investment in Thailand and agreement from Japanese banks to roll over existing loans, and any additional Japanese support that might be available (Funston 1998). Collectively, Japan and ASEAN tried to set up an "Asian Monetary Fund" to deal with the IMF deficiency. As Thai Finance Minister Thanong explained, the scheme envisions Japan becoming "a pillar of economic stability in the region comparable to the United States and Europe in their own continents" (*Bangkok Post*, September 20, 1997). However, this ambitious plan was rejected by the United States, and thus never materialized (Amyx 2002).

On the other hand, the financial crisis also seems to have had some unifying effects on ASEAN. Most importantly, the crisis has provided additional impetus to liberalization while emphasizing that regionalism is not only important politically, but also economically (Palmujoki 2001). Indeed, if the affected countries can adopt much needed structural reforms --- including greater accountability and transparency in their financial systems and more open markets --- the crisis may provide opportunities for them (Kuroda and Kawai 2002, 15). The 1998 Summit in Hanoi is the case in point. Following the Manila agreement in November 1997, ASEAN financial ministers agreed to set up a peer surveillance system to supervise macroeconomic policies, financial regulations and transparency of member countries. Furthermore, the sixth ASEAN summit in Hanoi adopted the so-called Hanoi Action Plan as part of a series of action plans to achieve the ASEAN Vision 2020, bonded together in partnership. This action plan has six-year time frame of 1999 to 2004. While producing three agreements, namely, the Hanoi Plan of Action, the Hanoi Declaration of 1998, and a Statement of Bold Measures, ASEAN could send the right message that moves toward further regional integration (*The Economist*, December 19, 1998). However, the main problem with the action plan is that it is all-embracing, covering a wide range of issues. Thus the plan appears overly ambitious (Hew and Anthony 2000, 23).

Since the financial crisis has exacerbated its inherent weakness, ASEAN needs to undergo reforms. Otherwise, its role in the region could be marginalized. As one scholar explains: "ASEAN is likely to lose its pre-eminent regional status to other institutions, and may even fade into irrelevance, in the next century" (Narine 1999, 358).

## Groping for an ASEAN+3: Double-Edged Sword?

ASEAN's another response to the financial crisis was to forge a new regionalism in East Asia while retaining ASEAN's position as "driver's seat." The EAEC debacle has definitely affected the ways and means of formulating the content and direction of a new regionalism. As former Philippine Foreign Minister Domingo Siazon cogently put it: "EAEC . . . provided the initial rationale for the establishment of an East Asian grouping (Terada 2003, 256).

Accordingly, the ASEAN+3 (Japan, China, South Korea) framework emerged from an increasing drive among the East Asian countries to learn from the currency and financial crisis and strengthen regional cooperation (Rowena and Layador 2000; Lincoln 2004). Now that ASEAN could not deal with the financial crisis, Asian leaders turned to East Asian cooperation instead of Asia-Pacific (Stubbs 2002; Webber 2003). The first summit took place in December 1997, with leaders agreeing at the second summit in December 1998 to regularize the event. Since some countries in the region were reluctant to commit themselves to cooperation in East Asia, the ASEAN +3 began in quite a low-key way. No joint statement was launched. Moreover, the term 'ASEAN +3' was cautiously and rarely used in the first two meetings, much less in the agenda for the meeting. It was only after the ASEAN+3 meeting of finance ministers in March 1999 that the term 'ASEAN+3' was widely used (Terada 2003, 264). Let us see more closely how this process has been evolving.

At the third meeting in 1999, the plus three leaders adopted the "Joint Statement on East Asia Cooperation," in which leaders resolved to promote cooperation in a wide range of areas encompassing monetary and financial cooperation, social and human resources development, scientific and technical development, the cultural and information area, development cooperation, political-security, and transnational issues, as the first ever joint statement within the framework of the meeting. Given the importance of steadily implementing the Joint Statement in the future, as a result of a Japanese proposal, it was decided that the first ASEAN+3 Foreign Ministers' Meeting would be held on the occasion of the ASEAN PMC in Bangkok in July 2000. At this summit, the first dialogue among the leaders of Japan, China and South Korea took place as a breakfast meeting at the proposal of Prime Minister Obuchi (*Nihon Keizai Shimbun*, November 29, 1999).

In May 2000, the ASEAN+3 financial ministers surprised the world leaders

when they launched an initiative to form a network of regional bilateral currency swap arrangements designed to shield regional currencies from strong and unexpected depreciation (Hund 2003, 407). The so-called Chiang Mai initiative is a highly significant watershed in the history of East Asian regionalism, as Nabers explains: "The extension of the currency swap accord epitomizes the sincerity of East Asian attempts to strengthen regional cooperation (Nabers 2003, 120)".

The first ASEAN+3 Foreign Ministers' Meeting took place on the margins of the ASEAN PMC in Bangkok in July 2000, with the main purpose of conducting an interim review of the implementation of the Joint Statement (*Nihon Keizai Shimbun*, July 27, 2000). At the meeting, Foreign Minister Kono called for "open regional cooperation" and a Japan-East Asia Partnership Initiative, identifying human resources development and intra-ASEAN economic disparities as concrete areas for cooperation. Discussion also took place on the Korean Peninsula and Indonesian situations, with the meeting adopting the Joint Statement of the ASEAN+3 in support of the sovereignty, territorial integrity and national unity of Indonesia.

Strengthening regional cooperation in East Asia was the central agenda at the November 2000 ASEAN+3 summit in Singapore, where Prime Minister Mori proposed three principles to guide the promotion of East Asian cooperation toward the 21<sup>st</sup> century, namely (1) building partnership, (2) open regional cooperation, and (3) comprehensive dialogue and cooperation including the field of political security. ASEAN also proposed an East Asian summit and an East Asian Free Trade and Investment Area (*Nihon Keizai Shimbun*, November 25, 2000). It was decided that the East Asian Study Group (EASG) advocated by South Korean President Kim Dae Jung would consider these proposals from a medium-to-long term perspective. The remarks of each leader in response to the statement by the Prime Minister of Singapore, Goh Chok Tong (Chair of the meeting), as he raised the issue of how to promote ASEAN+3 cooperation, while touching on the outcome of the ASEAN Summit Meeting, were as follows:

- (1) Chinese Premier Zhu Rongji defined China's positive stance toward ASEAN+3 while referring to specific cooperation. Premier Zhu Rongji also stressed that China's accession to the World Trade Organization (WTO) would not pose a threat to ASEAN.
- (2) Japanese Prime Minister Yoshiro Mori proposed the following in terms of specific cooperation: 1) Information Communication Technology (IT):

Cooperation of Japan, China, and the Republic of Korea in the e-ASEAN Initiative and holding of the "Joint Conference of Government Officials, Prominent Academics and Business Leaders for IT Cooperation in East Asia."

2) Anti-piracy: Necessity of a comprehensive approach toward piracy and holding of the "Asian Cooperation Conference on Combating Piracy and Armed Robbery against Ships." 3) Chiang Mai Initiative: Prime Minister Mori welcomed the agreement on the basic principles of the swap agreement and announced Japan's support towards the ASEAN Secretariat. 4) Cooperation in political-security fields: Prime Minister Mori emphasized the importance of the Korean Peninsula and Indonesia for the stability of Asia.

- (3) Referring to the "East Asia Vision Group," South Korean President Kim Dae Jung suggested the establishment of an East Asia Study Group in order to review the modalities of cooperation in East Asia by both government and the private sector.
- (4) ASEAN should consider the possibility of holding an "East Asian Summit" to promote cooperation in East Asia. ASEAN+3 should discuss political-security fields in the future. ASEAN should foster partnership in East Asia; Asia should present a candidate for the next United Nations Secretary-General; ASEAN should not forget to see things from both bilateral and multilateral points of view; ASEAN welcomes Japan's US\$15 billion Comprehensive Cooperation Package on Information Technology (IT); ASEAN should carry out research regarding the possibility of creating a free trade and investment area in East Asia in the East Asia Study Group (<http://www.asean.or.id>).

Prime Minister Goh summarized the discussions, commenting that it is conceivable that the "ASEAN+3 Summit Meeting," in which the member countries discuss how Japan, China, and the Republic of Korea should cooperate with ASEAN, will evolve into an "East Asian Summit," in which member countries will participate as an individual member of East Asia, in order to advance cooperation in the East Asia region. Prime Minister Goh said that he would have the East Asia Study Group consider the possibility of an "East Asian Summit" as well as the possibility of a free trade and investment area in East Asia (*Nihon Keizai Shimbun*, November 26, 2000).

The second ASEAN+3 Foreign Ministers Meeting was held in Hanoi in July 2001. At the meeting, the progress of cooperation within the ASEAN+3 framework and the need to strengthen ASEAN+3 as an open regional cooperation was

emphasized (*The Nation*, July 25, 2001). Furthermore, the theme of the November 2001 ASEAN+3 summit in Brunei was building a closer East Asian partnership, in which context leaders exchanged views on terrorism and the progress of ASEAN+3 cooperation in particular (*Nihon Keizai Shimbun*, November 6, 2001). An East Asian Vision Group (EAVG) report was also submitted to the summit, and leaders from the various countries expressed their appreciation for South Korean President Kim's leadership of the EAVG. The East Asian summit was discussed briefly, but leaders decided to wait for the results of deliberations by the EASG. The main discussions of the fifth summit were:

- (1) On the Korean peninsula, Prime Minister Junichiro Koizumi explained that Japan placed the highest priority on the abduction issues and security issues, including the nuclear problem at Japan-North Korea normalization talks. Regarding the nuclear problem, he explained that the Japanese side conveyed the concerns of Japan and the international community to the North Korean side in detail at the normalization talks. He expressed his determination to strenuously work on North Korea for the resolution of the various issues through normalization talks and the security consultations in accordance with the Tokyo-Pyongyang Declaration. Concerning North Korea's nuclear development, several leaders stated that North Korea should observe its international commitments, and this problem should be peacefully resolved. They released a clear message as the Chairman's Press Statement regarding the dismantlement of the nuclear development program.
- (2) On strengthening of economic cooperation, China announced a reduction of debts for developing countries. Also, with regard to the report by the East Asia Study Group (EASG), many leaders emphasized the significance of forming an East Asian free trade area. Prime Minister Koizumi referred to Japan's efforts to strengthen economic partnerships, including the Initiatives for Japan-ASEAN Comprehensive Economic Partnership, and stated that these efforts would lead to the energizing of economic activity and the strengthening of competitiveness in East Asia as a whole.
- (3) On the report of the East Asia Study Group, most leaders referred to the East Asian Free Trade Area and East Asian Summit Meeting mentioned in

the report. Prime Minister Koizumi stated that, for the steady implementation of the report, the state of implementation should be discussed at meetings of related ministers and, if necessary, a progress report should be compiled at the meetings of foreign ministers, and submitted to the annual summit meeting. Prime Minister Kim of ROK proposed the holding of an East Asia Forum.

- (4) Concerning the Initiative for Development in East Asia (IDEA), Prime Minister Koizumi delivered a report on the IDEA ministerial meeting in August. He referred to the importance of a follow-up to that meeting's joint statement and said that he would like to make preparations for the next meeting. Many leaders made statements that they highly evaluated the IDEA.
- (5) Concerning the efforts to strengthen ASEAN Integration, many ASEAN leaders stated that cooperation for the Initiative for ASEAN Integration (IAI) from Japan, China, and the ROK is important. In response, Prime Minister Koizumi announced that Japan wanted to positively contribute to the IAI. The ROK announced that it was prepared to offer US\$5 million to the IAI project.
- (6) Concerning the cooperation for promoting exchange of people, Prime Minister Koizumi proposed that concrete network building among think-tanks, as suggested in the EASG report, should be started and that eminent persons should be asked to submit a report to next year's summit on ways to promote human resources development and exchange of people. He also announced the promotion of tourist exchange. China suggested that a forum should be held in Yunnan Province in October 2003 with the participation of all social sectors.
- (7) On the cooperation for transnational issues, China proposed the holding of a ministerial meeting on transnational crime, and many leaders expressed their support. Regarding terrorism, many leaders declared their antiterrorism intentions. The Philippines proposed the holding of a seminar on antiterrorism measures either in December or at the beginning of next year. Prime Minister Koizumi announced the acceptance of more training seminar personnel as a measure to support antiterrorism capacity building

(<http://www.mofa.go.jp>).

In January 2002, visiting five of the ASEAN countries, Prime Minister Koizumi explained Japan's strategy of making maximum use of the ASEAN+3 framework and building up concrete regional cooperation as a means of creating a "community that acts together and advances together" by expanding East Asian cooperation, Australia and New Zealand included, while stressing that promoting open regional cooperation in a form that is transparent to extra-regional countries will contribute to the peace and prosperity of the region. (*Nihon Keizai Shimbun*, January 15, 2002)

The sixth summit was held in November 2002 in Phnom Penh. The ASEAN+3 process has expanded to include regional political and security issues such as the fight against terrorism and transnational crime in the near future. The leaders expressed willingness to explore the phased evolution of the ASEAN+3 summit into an East Asian summit (*Nihon Keizai Shimbun*, November 5, 2002). In addition to supporting ASEAN initiatives, the three countries have been helping integration through their own efforts, notably Japan's Initiative for Development in East Asia (IDEA), the East Asia Vision Group and the East Asia Study Group initiated by the Republic of Korea and the Framework Agreement on ASEAN-China Economic Cooperation. Most importantly, the final report of the Vision Group was submitted to the Summit and twenty six specific measures were recommended. The thirteen leaders tasked their economic ministers to study and formulate options on the gradual formation of an East Asia Free Trade Area and report the results to them at the next summit (ASEAN Secretariat, November 4, 2002, <http://www.asean.or.id>).

The seventh summit was held in October 2003 in Bali, Indonesia. Thirteen leaders discussed several important issues such as the nuclear question on Korean Peninsula, the future of East Asian cooperation, poverty alleviation, human resources development and the development of infrastructures for ASEAN Integration. They also endorsed the Implementation Strategy of the Short-Term Measures of the Final Report of the East Asia Study Group. It was agreed to ensure that the measures would be implemented effectively, efficiently and systemically. They welcomed the Report of the ASEAN+3 Study Group as presented by Japan on Facilitation and Promotion Exchange of People and Human Resources Development and appreciated the initiative taken in implementing the short-term measures as recommended by the Group, while discussing on the

progress of the Initiative for Development in East Asia in the framework of ASEAN+3 cooperation (<http://www.asean.or.id>).

In substance, then, we have not as yet seen any substantial and tangible results due to internal division and uncertainties, as shown by Table-1 below.

**Table 1 Evolution of ASEAN+3**

The First December 1997	Kuala Lumpur	Emphasis on Manila framework Importance of dialogues with Europe
The Second December 1998	Hanoi	Proposal for East Asian Vision Group Agreement on institutionalization of the plus three Importance of Miyazawa initiative
The Third November 1999	Manila	Declaration of East Asian cooperation Announcement of Obuchi Plan
The Fourth November 2000	Singapore	Proposal for East Asian summit Proposal for East Asian FTA Establishment of East Asian Study Group Chiang Mai initiative
The Fifth November 2001	Bandar Suri Bugawan	Submission of EAVG report Discussion of terrorism
The Sixth November 2002	Phnom Penh	Discussion of EAVG report Emphasis on EAFTA and EA summit Discussion of North Korean issues
The Seventh October 2003	Bali	ASEAN's support for six-party dialogue Discussion of EASG report

Nonetheless, the 1997 financial crisis has created new possibilities for ASEAN as a regional politico-economic actor (Narine 2002b). For instance, because of the ASEAN+3 framework, ASEAN has been able to enhance its political leverage vis-à-vis Japan and China, profiting politically and economically from their strategic opposition. ASEAN members can be comfortable with the Northeast Asian giants vying for influence in Southeast Asia and each struggling to accommodate their Southeast Asian neighbours as best they can (Hund 2003, 411). In this respect, the ASEAN+3 has the potential to become the dominant regional

institution in East Asia "because neither APEC nor ASEAN has proven satisfactory in terms of advancing the regional interests of the East Asian governments (Stubbs 2002, 454).

Should the ASEAN+3 be realized, is ASEAN going to be marginalized or fade into irrelevance? Former Indonesian Foreign Minister Ali Alatas denies this claim. "Instead of congratulating ASEAN on its achievement in finding a solution to the Cambodian problem, many remarked that this would be the end of ASEAN because the cement that kept it together, which was to be against Vietnam's incursion, would not hold. Thus the member states would probably go their separate ways. It never happened that way, but this is typical illustration of the rather gloomy assessment every time ASEAN faces new international developments. Once again commentators question ASEAN's relevance and state that ASEAN's future is perhaps better subsumed in the ASEAN Plus Three. This kind of statement misses the point completely." (Alatas 2001, 6)

## **ASEAN's Search for the New Regionalism: Major Tasks Ahead**

Thus far, we have been discussing ASEAN's inclination toward a new regionalism in its external relations, including ASEM, ARF and ASEAN+3. There are three characteristics of the new ASEAN regionalism (Dosch 2003). First of all, ASEAN intends to include external powers, especially Japan, as a safeguard against actual and latent regional problems. In a way, ASEAN's dependence upon Japan both economically and politically contains the North-South relationship. Second, ASEAN's multi-layered regionalism suggests that members are not confined only to the organization, but overlap with other regional groupings and organizations. Third, ASEAN's external orientation embodies "open regionalism," in the sense that it stresses the importance of participating in an international economic system. It is this very dynamism that contributes to the integrated nature of Southeast Asian regionalism, that is, a new regionalism based on the ASEAN way.

However, it has to be pointed out that there are also serious caveats that may jeopardize ASEAN's major multilateral efforts of the 1990s (Denoon and Colbert 1998/99; Ganesan 1999). Three factors will be considered here, namely: (1) growing division among the members, (2) limited regional schemes --- AFTA and ARF, and (3) a circumscribed ASEAN way.

## *Growing Division*

Since the end of the Cambodian conflict in 1991 as well as the great powers' disengagement from the region, the countries of Southeast Asia have reappraised their need to make the region more cohesive and conducive toward regional cooperation. To this end, a sub-regional ASEAN group has approached the rest of the Southeast Asian countries for the purpose of consolidating its position, in part due to the demise of a "monolithic" Indochina dominated by Vietnam.

Among the three Indochinese countries and Myanmar, Vietnam was the first to express its desire to join ASEAN, for both economic and political reasons. Economically, Hanoi needed the capital and know-how for joint ventures in carrying out its *Doi Moi* reforms. Politically, Hanoi began to see ASEAN, and Indonesia in particular, as an ally in dealing more confidently with Beijing, as shown by their collaboration in the South China Sea conflict zone. Following suit, Laos has begun to open up by adopting a policy of *Labopmay*.

The ASEAN heads of state discussed membership for Vietnam and Laos at their fourth meeting in January 1992, in spite of the fact that economic disparities and a delay in Vietnam's market-oriented reforms remained as obstacles. In July 1992, Laos and Vietnam went one step further by joining the 1976 Treaty of Amity and Cooperation during ASEAN's Ministerial Meeting held in Manila. Furthermore, at their next Ministerial Meeting in July 1993, ASEAN approved the participation of Laos and Vietnam in six areas of functional activities. When Vietnam became ASEAN's seventh member after the July 1995 meeting, it was expected that the modalities and timing of membership of Laos, Cambodia and Myanmar would be considered at the next ASEAN summit scheduled for 1997.

Myanmar, on the other hand, has been facing serious problems, due to domestic political upheavals. As it is well known, Myanmar's junta seized power in 1988 after soldiers killed hundreds of pro-democracy demonstrators; in 1990 they refused to acknowledge the results of the parliamentary elections. Also, the ruling State Law and Order Restoration Council (SLORC) --- since 1997 renamed as State Peace and Development Council (SPDC) --- has kept opposition leader and Nobel Peace Prize winner Aung San Suu Kyi under house arrest for more than five years. The United States and other Western nations have used economic and other sanctions to try to push the ruling junta toward democracy. However, while pursuing a policy of "constructive engagement," ASEAN has rejected Western criticism on human rights issues as attempts to impose Western values on

different Asian cultures. ASEAN has insisted that isolationism does not work and would even be counterproductive (*Far Eastern Economic Review*, March 3, 1994).

These problems notwithstanding, in late May 1994 government officials and academics from all the Southeast Asian countries met in Manila to draw up a "vision for a Southeast Asian Community", better known as "one Southeast Asia" or "ASEAN-10." As their final report proclaims: "This Southeast Asian community of peace and prosperity that we envision should be a model of international cooperation for the rest of the global community" (*Japan Times*, July 22, 1994). Thus, it was highly commendable that officials of the ten nations met once again in Bangkok within six months and that the community concept received high-level endorsement at the 1995 ASEAN summit (Soesastro 1997). The vision of "ASEAN-10" was close to realization when Laos and Myanmar joined ASEAN in July 1997, although it was agreed that Cambodia would have to wait until current domestic upheavals were peacefully resolved. In April 1999, Cambodia became the tenth member of ASEAN. Clearly, therefore, the deepening and widening of ASEAN have steadily progressed since the fourth summit of 1992, in spite of the fact that some of the region's domestic problems remain intact.

Upon realizing the ASEAN-10, it is imperative to resolve serious economic disparity between the members. The seventh ASEAN summit in Brunei discussed the ways and means of resolving the growing gap: "Bridging the development gap is crucial for regional integration and part of our confidence-building efforts to help members cope with challenges. Our priorities are developing human resources, infrastructure and information technology, especially with the private sector and our dialogue partners. In this regard, we noted the decision by our foreign ministers in Hanoi in July to initiate ASEAN projects in these areas and agreed to focus on self-help programs for human resources development. Other efforts to narrow the development gap include an ASEAN Integration System of Preferences for the newer members. This will allow Cambodia, Laos, Myanmar and Vietnam to gain tariff-free access to the more developed ASEAN markets earlier than the agreed target date of 2010 for all members." (<http://www.asean.or.id>)

### *Limited Regional Schemes: AFTA and ARF*

The financial crisis has amply demonstrated the inefficiency of regional institutions, including AFTA and ARF (Wesley 2003). Let us see how ASEAN could reform its organizational weakness. First, one of the major economic schemes,

AFTA needs to be upgraded. Without any doubt, ASEAN's commitment to set up AFTA is impressive (Tan 2000; Ong 2003). The disparities of tariff structures among ASEAN countries have been reduced, facilitating further regional integration efforts. However, its gradual, informal, and cautious approach, based on the ASEAN way, has raised doubts as to whether AFTA could be implemented efficiently. Progress toward AFTA has been held up by some ASEAN members, including Malaysia's deferment in trade liberalization for automotive products, Thailand's exclusion for palm oil, and Philippine's exclusion of petrochemicals. This negative publicity leaves little room for a bright prospect for AFTA (Daquila and Hui 2003, 923). As former Thai Foreign Minister put it: "AFTA has been a mockery. ASEAN has kept moving the deadlines and we still cannot open our markets to each other. Our target of a free trade area was originally scheduled to be fully realized by the early 2002 and by then, ASEAN will be an integrated single market with 500 million consumers but at current projections we are unlikely to achieve this. We will not be able to attract foreign investments if we cannot guarantee an integrated common market" (Pitsuwan 2001, 7).

Another issue is the fact that ASEAN has overstretched its role in directing APEC and ARF. In particular, the so-called "driver role" of ASEAN in organizing and promoting the ARF process has been under serious scrutiny in recent years. One observer argued that "the ARF can do little to promote security because ASEAN insists on its primacy in it, even though North Asia and not Southeast Asia is the locus of regional strategic tension" (Lim 1998, 115; Narine 2002a). On the other hand, a Southeast Asian scholar counters this argument by stating that "ASEAN's leadership role in the ARF is only the result of strategic convenience due to the fluidity in the major power relations. The irony, however, is obvious: while recent developments in China-U.S.-Japan relations could be detrimental to regional security and stability, it nonetheless has worked to the advantage of ASEAN's claim to be in the driving seat" (Sukma 1999, 246). The test for ASEAN here will be whether the peaceful resolution of the South China Sea should be realized through ARF's mediation (Kivimaki 2002).

Can ARF be reformed? ARF seems to allow member states to air grievances to China in a way and with a force that was impossible previously. But most states continue to act according to traditional concepts on self-interest and with justifiably traditional expectations about how other states will respond (Garofano 2003, 519). This is the reason why ARF cannot embark on its preventive diplomacy.

Finally, in executing these reforms, ASEAN Secretariat is likely to play an

increasingly crucial role (Beeson 2002). Should it be the case, the functional capacity and capabilities of the ASEAN Secretariat need to be further strengthened to enable it to effectively coordinate and monitor the progress of ASEAN's economic and other initiatives. Although the decisions to implement ASEAN projects and initiatives lie only with member governments, the ASEAN Secretariat can help to facilitate and expedite regional projects, if empowered to do so(Hew and Anthony 2000,24).

### *Circumscribed ASEAN Way*

The East Asian financial crisis has indeed damaged ASEAN's credibility. As some observers succinctly put it: "the economic crisis may well make the Association more distracted, inward-looking and less cohesive. Long-standing rivalries within ASEAN may resurface" (Dibb, et.al. 1998). As a result, the ASEAN way has been questioned. Of the four main aspects of this approach, as discussed earlier, the principle of non-interference is the key to reorganizing the Association. By modifying the non-interference principle, many proposals have emerged within ASEAN, including "constructive intervention," "constructive engagement," and "flexible engagement." However, all these concepts were eventually toned down to "enhanced interaction," which represents a more compromised approach to regional issues, combining both the ASEAN way and more direct intervention (Haacke 1999; Funston 2000; Acharya 2001; Haacke 2003). Whether this compromise will allow the Association to function more effectively remains to be seen.

Since the financial crisis, it has been possible to discern a gradual erosion of the non-interference doctrine, in the form of mutual surveillance of one another's economic policies and domestic affairs. Most significant was the establishment of the ASEAN Surveillance Process (ASP) in December 1998. The ASP became operational in early March 1999 when the ASEAN financial ministers conducted their first peer review in Hanoi. This was quite significant simply because "the peer review is considered to be a departure from the ASEAN way of non-interference in other member countries' domestic affairs" (Manupipatpong 2002, 115).

According to a recent study, furthermore, ASEAN's willingness to uphold its principle of non-use of force has been inconsistent. Thus, to argue that ASEAN has a significant security identity based on the principle of non-use of force would

require evidence that that principle is consistently affirmed in practice (Sharpe 2003, 248).

One possible direction will be concerted efforts to regularize ASEAN's "troika" and "retreat" practices. The ASEAN troika was introduced by Thailand in November 1999 as an ad hoc body at the ministerial level in order that ASEAN could address more effectively and cooperate more closely on issues affecting regional peace and stability. It comprises the foreign ministers of the present, past and future chairs of the ASEAN Standing Committee (ASC), which rotates in accordance with the ASC chairmanship. The purpose of the ASEAN troika is to enable ASEAN to address in a timely manner urgent and important regional political and security issues and situations of common concern likely to disturb regional peace and harmony. By helping ASEAN to be more responsive to the growing interdependence between the countries of Southeast Asia, the ASEAN troika would serve to elevate ASEAN cooperation to a higher plane and further serve to enhance ASEAN's unity and solidarity, as well as its overall effectiveness. The retreat practice, on the other hand, was introduced by the Foreign Ministers' Meeting in March 2001. The retreat provides an opportunity for all ten ASEAN foreign ministers to hold frank and wide-ranging discussions on the future of ASEAN, the ARF and ASEAN's dialogue relationships. It is part of a continuous process of serious reexamination of the longer-term issues facing ASEAN (Luhulima 2002, 398-399).

## Conclusion

Having analyzed the ASEAN way to overcome challenges wrought by external changes, we have come to understand the crucial factors of economic integration, an extra-regional grouping aimed at a greater voice in international economic relations, and security cooperation. These factors have accelerated ASEAN's search for a new direction based on multi-layered regional cooperation and networks. Given the fact that the balance of power in Southeast Asia is likely to be continuously shifting, let aside any lingering economic difficulties caused by the most recent financial crisis, it seems imperative that greater unity and cooperation be accorded more emphasis. The key to success seems to be the upgrading of economic interactions, through bodies such as AFTA which will sustain the region's stability and security, while also consolidating the "Aseanization" of Southeast Asia and promoting democratization. An economically viable, enlarged ASEAN will

be able to play a centrifugal role in the East Asian region.

The ASEAN+3 could serve as an insurance policy to strengthen ASEAN's reform strategy. It is true that East Asian regionalism is founded on interdependence among the economies in the region, based on market principles as seen in close intra-regional trade and investment. East Asia does not have a strong political framework to unite the region since there are no security arrangements. As we have seen above, the ASEAN+3 is heavily dependent upon how Japan and China can cooperate and whether they take a leading role. However, since there is no security arrangement between the two, they cannot contribute to regional integration in East Asia.

In this respect, having adopted the TAC II on October 7, 2003, ASEAN will be able to strengthen its political, economic and cultural foundations on which the development of the ASEAN+3 hinges (*Asahi Shimbun*, October 8, 2003). Indeed, it is remarkable that ASEAN members promised to live at peace with each other and with the world at large "in a just, democratic and harmonious environment." ASEAN leaders also pledged to achieve an ASEAN Community by the year 2020 which would rest on the three pillars of ASEAN security community, ASEAN economic community, and ASEAN social-cultural community embodied in the TAC II.

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