

# **Southeast Asia in the New Century: An Asian Perspective**

# **Southeast Asia in the New Century: An Asian Perspective**

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# 1

## **Southeast Asia: Opportunities and Challenges in the New Century**

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Southeast Asia has experienced significant political and economic changes since the mid-1980s. Economically, some Southeast Asian countries (e.g. Singapore, Malaysia, Thailand, Indonesia, etc.) have achieved high economic growth rates during the 1980s till the mid-1990s<sup>1</sup>, which have improved living standards of ordinary citizens. Countries like Burma, Vietnam, Laos, and Cambodia were once isolated, but they have all opened their doors to the World since the end of the 1980s, thus helping their economic improvement in the 1990s. Although the 1997 financial crisis hit Southeast Asia's economy badly, most countries have gradually started their economic recovery since early 2000.

Politically speaking, Southeast Asian countries, due to the end of either civil wars or internal political struggles, have become relatively more stable as compared to what they went through in the 1950s, 1960s, and 1970s. The Marcos dictatorship in the Philippines was overthrown in February 1986, whereas General Suchinda, who led a military coup in Thailand in February 1991, was forced to step down in May 1992. Having been in power for more than 32 years, Indonesia's Suharto was forced to resign in May 1998. These three countries have implemented democratic transitions afterwards. Vietnam, Laos, Cambodia, and Burma have also implemented some political reforms since the early 1990s. One scholar even contends that the financial crisis in 1997, while damaging to Southeast Asia's economies, has also increased international pressure on Southeast Asian governments to undertake political reform.<sup>2</sup>

It is in this context that Southeast Asian countries are facing both opportunities and challenges ahead. As for opportunities, Southeast Asian countries have constructed a commonly acknowledged awareness, pursuing development. This means that Southeast Asian countries, with

public opinion and support, have advantages to initiate both political and economic reforms to improve their current situations. However, Southeast Asian countries, due to poor governance and weak institutions, are also facing challenges which might cause instability and uncertainty if these challenges are not well managed.

## **Opportunities for Transitions towards Democracy**

Democracy is not only one of the goals of political development; it could even become an element of legitimacy, as indicated by Muthiah Alagappa.<sup>3</sup> Although the concept of political democracy is not new, it was not popular in Southeast Asia in the first three decades after World War II. With tight political control during this period of time, ruling governments in most Southeast Asian countries were usually accused of being authoritarian. Political democracy did not actually exist in Southeast Asia by 1980.

Opportunities for a transition towards democracy came only since the mid-1980s because of the rise of a public consciousness asking for a political change. There are three major reasons behind this phenomenon. First, negotiation, rather than confrontation, has become an important mechanism to deal with political disputes in Southeast Asia since the end of the Cold War. Secondly, most Southeast Asian countries have gradually become stable due to the resolution of internal insurgencies. Finally, some Southeast Asian countries have experienced either economic growth (e.g. Thailand, Indonesia, and Malaysia) or economic recession (e.g. the Philippines, the three Indo-China countries) in the 1970s and early 1980s, which have contributed to political changes in these countries.<sup>4</sup> Due to the prevalence of this awareness, political transitions have occurred in at least three countries in Southeast Asia.

### ***Political Transition in the Philippines***

The Philippines is the first Southeast Asian country to experience democracy after political transition in February 1986. Due to constitutional dictatorship and economic depression during the period of the Marcos regime, the Filipinos have started a democratic movement in the Philippines since the early 1980s. Mr. Marcos seemed to have detected the rise of democratic consciousness, but, unfortunately, he did not echo

this public opinion. As the Filipinos continued to ask for democracy, Mr. Marcos responded by exercising sustained oppression and tight political control. The democratic awareness has continued to prevail in the Philippines, which formed a key force to overthrow the Marcos authoritarian regime during the 1986 presidential election. The so-called People's Power has made a big change in Philippine politics since then, making the Philippines join the third wave of democratization in the 20<sup>th</sup> century.<sup>5</sup>

Since February 1986, four Presidents have been born in the Philippines through constitutional procedures, namely Corazon Aquino, Fidel Ramos, Joseph Estrada, and Gloria Macapagal Arroyo. Since 1987, regular and periodic elections have been held in the Philippines. In January 2001, Mrs. Gloria Macapagal Arroyo became the Philippine President as Mr. Estrada was forced to step down by another all-people force from the second "People's Power".<sup>6</sup> Although it is arguable whether the Philippines has become a consolidated democracy or not, there is little debate that the Philippines, with the consent over the constitutional procedures for elected executives and legislators from the most strategic groups, has successfully experienced political transition from authoritarianism to democracy.<sup>7</sup>

### ***Political Transition in Thailand***

Thailand is the second case in Southeast Asia that has experienced democracy after the political transition in 1992. Since the creation of a constitutional monarchy in 1932, Thailand had suffered from numerous military coups and was thus considered as a military-controlled authoritarian regime. Prior to 1990, the military was the dominant force in society because of its control over the executive and the legislature, with only few exceptions.<sup>8</sup> However, a public awareness of political democracy has gradually been nurtured since the early 1980s because of Thailand's steady economic growth and the rise of the middle class in society.<sup>9</sup> The military unfortunately paid little attention to this movement, and initiated another military coup, led by General Suchinda Kraprayoon, in February 1991 by overthrowing the Chatichai Choonhavan-led government. While receiving enormous protest and criticisms from the public, General Suchinda continued to ignore the democratic movement and became the Prime Minister in April 1992. Students and the middle class then mobilized their forces, initiating a series of public rallies

against the military regime. General Suchinda responded by using armed forces to suppress the unarmed civilians in May 1992, causing more than 100 deaths and more than 1,000 injured.<sup>10</sup>

General Suchinda was then asked to step down because of this brutal event. Since then Thailand has implemented a series of political reforms. For example, Thailand's legislative body has successfully revised the Thai constitution two times — January 1995 and October 1997 respectively. The most important improvement is to curtail the military's involvement in Thai politics. In the past, Senators and local executives (mostly from the military) were appointed by the Prime Minister, but now they are, based on the 1997 constitution amendment, to be elected through general elections.

Since early 2001 as the new Senators were sworn in, a group of reform-minded Young Turks have made a greater effort in pushing the new government for more political democracy, showing a sustained public force in Thailand.<sup>11</sup> Thailand has not had any military coup since May 1992 till the end of 2001, which is very unique in a country with more than 20 coups in the last 60 years (1932-1992). This does not guarantee that Thailand will not have another military coup, but the sustained development of political democracy will certainly reduce the possibility of military coup in the foreseeable future.

### ***Political Transition in Indonesia***

Indonesia appears as another case in Southeast Asia, demonstrating a transition towards democracy since May 1998. With tight military control, President Suharto had dominated Indonesia's politics since the late 1960s. Due to steady economic growth in the 1980s and 1990s, the middle class has gradually risen in Indonesia as a foundation for Indonesia's later democratic change. As the financial crisis hit in late 1997, a strong and publicly acknowledged awareness was rising in Indonesia, which was represented by a series of demonstrations from late 1997 to early 1998, asking President Suharto to step down. Unfortunately, President Suharto was too rigid to echo the voice from the bottom, and he continued to run the presidency in March 1998. Under sustained internal and external pressure, Mr. Suharto finally resigned in May 1998 from the post under his control for over 31 years.

During the post-Suharto era, the movement of democracy continues to drive the government to implement political reforms. The most

significant change is that the revised constitution, passed in January 1999, has curtailed the military's involvement in Indonesia's politics, mainly because the appointed seats in parliament have been largely reduced. There are now 38 out of 500 members in the People's Representative Assembly (DPR) appointed from the military, as compared to 75 military appointees in the 1992 DPR and 100 military appointees in the 1987 DPR. Also, members in the People's Consultative Assembly (MPR) have been reduced from 1,000 to 700, another arrangement to reduce the military's influence in Indonesia's politics.

Secondly, there was no single party who won more than half the seats in the DPR in the June 1999 election, the first time since 1967 without Golkar's dominance in the legislative body. Finally, the MPR elected Abdurrahman Wahid as Indonesia's President and Megawati Sukarnoputri as Vice President in October 1999, the first time ever that Indonesia has a civilian head of state through elections.<sup>12</sup> Although Mr. Wahid was replaced, due to his poor governance, by President Megawati on July 23, 2001, Indonesia has proved democratic transition to the world.

## **Opportunities for Economic Growth**

During the first three decades after the end of World War II, most Southeast Asian countries were troubled by internal insurgencies, and ruling leaders had little opportunity and capability to deal with economic affairs. It was only since the early 1980s when both political and financial problems were relieved that Southeast Asian countries found opportunities for their economic growth. As world order has transferred from military confrontation to political negotiation and economic development since the end of the Cold War in December 1987,<sup>13</sup> Southeast Asian countries have also followed this trend.

Most Southeast Asian countries had experienced economic growth between the mid-1980s and mid-1990s, much better than they were in the 1950s and 1960s. While Singapore and Brunei are two unique cases in Southeast Asia<sup>14</sup>, the other eight countries in Southeast Asia can be categorized into three groups. The first one includes three countries (i.e. Malaysia, Indonesia, and Thailand) that had demonstrated economic growth under authoritarian regimes between the mid-1980s and mid-1990s. The second group consists of Vietnam, Cambodia, Laos, and Burma, which have experienced economic growth after the implementation

of the open door policy since the late 1980s. The last one is represented by the Philippines, which shows the capability of a democratic regime behind economic growth after the downfall of Mr. Marcos in February 1986.

### ***Economic Growth under Authoritarian Regimes***

Regarding the three countries in the first group (i.e. Malaysia, Indonesia, and Thailand), the annual average of economic growth rates fell between 5% to 8% from the mid-1980s to mid-1990s, which was quite impressive as compared to that in most industrialized countries. If the financial crisis had not occurred in 1997 and had not hit Southeast Asia's economies, these three countries would have had opportunities to maintain positive economic growth rates throughout the 1990s. Because of their economic achievements in the 1980s, they were termed as the coming Asian tigers in the next century, in contrast with the four Asian dragons.<sup>15</sup> Although these three countries practised different economic policies during this period of time, they shared the similar nature of authoritarian regimes.

In addition, these three countries, with similar regime types, also shared a similar awareness for economic growth, which could be demonstrated by the following four factors. First, after experiencing internal political struggles and disputes in the 1960s, Thailand, Indonesia, and Malaysia have seen the rise of a public consciousness seeking for political stability since the late 1970s. Secondly, as these countries become more stable, foreigners are encouraged to expand their investments in these countries. Thirdly, all these three countries have since the early 1980s made efforts in providing incentives to attract foreign capital doing business in their countries. Fourthly, due to the rise of economic regionalism since the mid-1980s, a consensus has been established in these countries, pushing ruling governments to make efforts in promoting economic growth.

These four factors were certainly credited for the rapid economic growth rates in these three countries during the period from the mid-1980s to mid-1990s. In addition to other dynamic economic activities, small food stands and street retailers on the roadsides in big cities, for instance, have grown enormously since the mid-1980s, showing people's will for a better life. This phenomenon was not existent prior to 1970, however. Although economies of these countries had been badly hit by the financial crisis in 1997, opportunities for economic growth still exist.

## ***Economic Growth and the Open Door Policy***

As for the four countries in the second group, Vietnam, Laos, and Cambodia closed their doors to the West when the Communists took power in 1975, whereas Burma's door was closed after a military coup led by General Ne Win in 1962. The similarity of these four countries during the period of isolation was the suspension of their economic ties with the Capitalist world, and, as a result, their economies gradually declined and then almost collapsed.

Things have changed since the late 1980s, however, because of the implementation of the open-door policy. Vietnam was the first of these four countries that opened its door to the West at the 6<sup>th</sup> National Congress of the Vietnamese Communist Party in December 1986, making Vietnam move towards a market-oriented economy. As for Cambodia, it began to make a change as the United Nations Transition Authority in Cambodia (UNTAC) was established in this war-damaged country in November 1991. Cambodia opened its door to the Capitalist world and initiated incentives for foreign investments, and, as a result, opportunities for economic growth arose. The Lao government began, starting from early 1987<sup>16</sup>, to implement a series of market-oriented economic policies, which have gradually improved the country's economy. Burma began to exercise the open door policy at the BSPP's Congress in July 1988, which passed a resolution asking the government to adjust its economic policies to revive Burma's economy.

It is evident that foreign capital has gradually poured into these countries since the late 1980s; they even have to compete one another to attract foreign investments. As economic activities become more active, these poor countries have improved their economic shapes during the first half of the 1990s, including expansion in gross national product, stable economic growth rate, increase in GNP per capita, and so on. Unfortunately, the optimistic macro-economic outlooks in these four countries were damaged by the financial crisis in 1997. Their economies were not in good shape in 1997, 1998, and 1999. However, due to abundant natural resources and a sustained open-door policy, these four countries still have opportunities for further economic development.

## ***Economic Growth and Democratic Transition***

The Philippines is a unique case because it has experienced economic growth since the downfall of the Marcos authoritarian regime in 1986.



As the first democratic country in Southeast Asia, the Philippines had experienced democracy and economic growth in the 1950s and 1960s, but, unfortunately, this did not bring about a stable polity and a better living standard in the 1970s. Rather, it was the Marcos dictatorship that mistreated the Filipinos since the early 1970s to the mid-1980s. Due to Marcos' authoritarian mismanagement of the economy<sup>17</sup>, the Philippines experienced a serious economic decline. This in return had paved the way for democratic transition in February 1986 when Mrs. Aquino took the presidency.

Because of the passage of the revised constitution in 1987, the Philippines is now termed as democratic. Regarding economic reforms, the Aquino and the Ramos governments have made efforts in seeking for international assistance and foreign investment in the Philippines. With better efficiency and institutional reforms, the post-Marcos Philippines has gradually improved its economy since the late 1980s. The Philippines has shown growth on exports and imports, gross national product, GNP per capita, and economic growth rate. Unfortunately, the Philippine economy was damaged when the financial crisis occurred in late 1997. However, it is hopeful that the Philippine economy would gradually progress as the Philippines sustains its stability.

## Challenges

It should be noted that opportunities for political democracy and economic growth are just one side of the coin. The other side of the coin is that challenges (i.e. priority, legality, and transparency) have also surfaced at the same time. These three issues were already existent in Southeast Asia during previous authoritarian rules, but they were covered. With the rise of the democratic movement, these problems and challenges are now being revealed. If these challenges are not well managed, Southeast Asian countries will certainly confront instability and uncertainty in the years ahead.

## Priority

The first challenge is the issue of priority. There are two dimensions on priority. One is referred to the priority between political democracy and economic growth. Policy makers have to decide which goal is more

important, or are they equally important? The other is the priority of policies, meaning how to choose the most appropriate policies to improve political democracy and economic growth.

The first choice between political democracy and economic growth has been long debated in the Third World countries. The issue is: can they be achieved at the same time? While some argue that these two goals can be accomplished simultaneously, others contend that these two goals are actually conflicting each other. Singapore and Brunei, for example, have enjoyed economic growth in the 1970s, 1980s, and 1990s, but they are not termed as democratic, because of limited political freedoms and civil rights.<sup>18</sup> Other countries like Vietnam, Laos, and Cambodia from 1975 to 1986 did not have either political democracy or economic growth. What the ruling Communist parties had achieved was to bring about stability in their countries that had suffered civil wars and external invasion from 1945 to 1975. During a similar period from the early 1950s to the early 1980s, Thailand, Malaysia, and Indonesia were being ruled by authoritarian regimes, but they had achieved some economic growth.

Now Southeast Asian countries have changed since the mid-1980s, but the same issue remains. Do they need to set up priorities between political democracy and economic growth? With economic achievement and political stability in the early 1990s, both Singapore and Malaysia, for example, are now facing increasing pressure to promote the priority of political democracy. As the economy matures, the Singaporean government is asked to engage in issues related to, among others, political participation.<sup>19</sup> Dr. Ho Khai Leong even argues that the dominance of the People's Action Party will not be threatened if there is active citizen participation and popular involvement in Singapore.<sup>20</sup> With the rising opposition parties, Malaysia's ruling National Front, while gradually losing dominance in Parliament, will increasingly receive pressure to promote more political democracy.<sup>21</sup>

Regarding the second priority of policies over political and economic reforms, most Southeast Asian countries are troubled by this argument. Some countries have serious debate over policy priorities, while others have little difficulty in making consensus. In terms of political reform, for example, some critical issues have emerged, including reorganization of the legislature, reform of electoral system, term of elected legislators, relationship between the executive and the legislature, relationship between the executive and the Court, and so on. All these issues have to do with the priority of policies in the decisionmaking process.

Which policy is the best for the country? Which policy should be implemented first? What effects would occur with the new policy? How do policy makers negotiate and compromise among different political groups over the changing policies? All these questions have to be addressed in the decisionmaking process. Fortunately, civil wars so far have not erupted in Southeast Asia in the process of formulating new policies for political reforms. The Aquino government in the Philippines, for example, has successfully revised the constitution in 1987, and one of the major amendments is to limit the tenure of the President to only one term of six years.<sup>22</sup> After experiencing serious debate and under the shadow of military coup, both Thailand and Indonesia have also successfully amended their constitutions in 1997 and 1999, respectively.<sup>23</sup>

Policies on economic reforms have been confronted with even more serious problems. Countries like Vietnam, Laos, and Cambodia used to have economic activities with countries in the Communist Bloc, but now they are extending their arms to the Capitalist world. These countries have a serious debate regarding the extent of openness to the West, however. While the conservatives defend previous policies, the reformists are fighting for the connection with the West.<sup>24</sup> As the financial crisis hit in 1997, a similar argument was raised again. While the conservatives criticize the problems (e.g. inflation, spiritual pollution, etc.) caused by Western influence, the reformists urge continual linkage with the Capitalist world. As these countries keep facing the impact from the West, the argument over economic policies will also continue in the years ahead.

Malaysia and Indonesia share a similar argument, but their difficulty is not with the open door policy, however. Rather, their problem is on how much they should rely upon Western countries. These two Muslim countries were seriously hit by the financial crisis in 1997, but political impacts on these two countries were a little different. In Malaysia, Mr. Anwar Ibrahim favored adopting IMF-style austerity measures, but Mr. Mahathir Mohamad preferred to maintain distance from the West-controlled IMF. The consequence is that former Deputy Prime Minister Anwar was sentenced to jail because of this policy-turned dispute with Prime Minister Mahathir.<sup>25</sup> With the rise of the opposition after the October 1999 general elections in Malaysia, it seems that the Mahathir-Anwar conflict will continue in the new century.<sup>26</sup> Recently, the departure of Finance Minister Daim Zainuddin from Mr. Mahathir's cabinet since June 2001 has suggested a policy rift between Mr. Mahathir and Mr. Daim, Mahathir's long political ally in Malaysia.<sup>27</sup>

In Indonesia, former President Suharto, who has ruled Indonesia since 1967, was forced to step down in May 1998 because of the plunge of Indonesia's economy from the financial crisis. The stress on Mr. Suharto came from both internal and external factors. Internally, Mr. Suharto received pressure from a series of demonstrations from late 1997 to early 1998. Externally, the IMF kept asking the former President to implement financial reforms, something Mr. Suharto was reluctant to follow. Although Indonesia did not have any serious political dispute among its leaders, Suharto's acceptance of the IMF solutions was one of the main reasons that caused him to resign. During his presidency from October 1999 to July 2001, President Wahid had also experienced bitterness over policy alternatives with different strategic groups.

### ***Legality***

Legality is defined as a set of popularly acknowledged norms and patterns of behaviors that are abided by civilians and government officials. Legality reflects a culture and way of life that people practise, based on specifically designed rules and regulations. Legality is not only meaningful in the field of law-related affairs; it can be applied to all walks of life. In democratic countries like the United States and Western European countries, the prevalence of legality is due to long practise of democracy, which in turn explains the success of Western countries. This is not the case in countries in Southeast Asia, however. As Southeast Asian countries begin to promote political democracy and economic growth, the issue of legality becomes a challenge to these modernization-desirous countries.

The fundamental problem is that Southeast Asian countries lack a healthy legal institution, which causes a major barrier for development. The legal institution is significant because it helps to establish a well-defined set of rules and regulations for people to follow. Legality also helps to maintain consistency in society. This is not only imperative for the practise of political democracy but also fundamental for economic reforms. Unfortunately, most Southeast Asian countries do not have such a legal system. Southeast Asian countries actually do have their own legal institutions, but they usually do not follow these rules or different government officials interpret them differently. Gray areas then occur, causing space for corruption. The worst cases are Vietnam, Indonesia, Thailand, and the Philippines. According to a recent report from the Political and Economic Risk Consultancy (PERC), these four countries

have been the worst in Asia in the last few years regarding the degree of governance.<sup>28</sup> Burma, Laos, and Cambodia were not even studied by the PERC, because of lack of reliable information and references.

Due to the nature of previous authoritarian regimes, these four countries were ruled by orders from the top, instead of by written laws. In the above four countries, government officials, especially tax officials, take for granted bribes in different forms from ordinary citizens. With a total population of more than 220 million, Indonesia's tax revenues are even less than that of Singapore, with only 3.5 million in population. Corruption is not a problem for a few officials; rather, it is a network of corruption from the top to the bottom.<sup>29</sup> Foreign investors in Southeast Asia, for instance, are often perplexed by unspecified application procedures. When foreign investors get approval for their investment projects from one government agency, they are usually not certain how many more officials and procedures they have to go through. Money talks and works in Southeast Asia. It is commonly known that investors would run their business smoothly if money were issued. This is why many foreign investors have been tired of poor investment environment in these countries;<sup>30</sup> some of them have even withdrawn their investments.

### ***Transparency***

Due to the nature of authoritarian rule, ordinary citizens in Southeast Asia do not enjoy well protected rights and freedoms to check public policies. Previously, they were submissive enough to follow the rules and policies from the ruling leaders. But now, Southeast Asian countries are making both political and economic reforms. Ruling leaders are required to echo the voice from the bottom; they are asked not to make decisions behind the scenes. The issue of transparency then emerges.

Transparency means an institutionalized process in the decisionmaking of public affairs, through which ordinary people will have legally protected rights to understand what is going on. Based on this definition, transparency includes two elements. The first one is an institutionalized process on public policies, which means that public policies should be made through a clearly specified and publicly acknowledged course. Previously, ruling leaders in Southeast Asia were the key persons to make public policies through an unspecified black box. But now, ruling leaders are asked to reveal and establish a precise pattern of process in making public policies. Recently, a call for "grassroots democracy" occurred during the Ninth

Congress of Vietnamese Communist Party held on April 19-22, 2001, which demonstrated a widespread desire for greater transparency in Vietnamese decisionmaking.<sup>31</sup> This simply suggests the growing development movement in the Communist-controlled country would press the new Party Chief Nong Duc Manh to implement more bottom-up participation in Vietnam.

The second element is that people will have publicly recognized rights to watch and examine the whole process if necessary, and these rights are under the protection of law. In the past, people in Southeast Asia did not enjoy full freedom to participate in public affairs, despite periodic elections held in some countries. But now, ordinary citizens are asking for more autonomy and civil rights. They not only want to be acquainted with the decisionmaking process; they also like to get involved in the process. Transparency indicates an observable and checkable channel between ruling governments and the great majority in the process of making public affairs.

Transparency cannot be accomplished overnight, however; rather, it takes time. The challenge is that both ruling leaders and ordinary citizens in Southeast Asia did not have this experience before; they all have to face this changing phenomenon. The ruler is not likely to abandon his power and privileges, whereas the ruled desires to seek more rights. Transparency is also a way of life; it has to do with culture. As the trend of transparency sustains, the ruling governments will be pressed to undertake reform. After examining the 1997 economic crisis in Thailand, Mr. Scott MacDonald pointed out that "the growing importance of transparency and disclosure in banking and corporate systems will continue to be a key factor affecting how fast Thailand, Korea, and Indonesia rebound from the crisis of 1997."<sup>32</sup>

Should the issue of transparency be smoothly dealt with, Southeast countries would gradually push through their political and economic developments into the new century. On the contrary, Southeast Asian countries will face instability and uncertainty if transparency is not well managed.

## **Conclusion**

Southeast Asian countries have shown a big change since the mid-1980s, politically and economically. With the rising awareness of making a

change, both ruling leaders and ordinary citizens in Southeast Asia would have opportunities to move forwards. The Philippines, Thailand, and Indonesia have made both political and economic progress since either the late 1980s or the mid-1990s. Even for previously isolated countries like Burma, Vietnam, Laos, and Cambodia, they have opened up their doors to Western countries, their previous enemies. Although most Southeast Asian countries have been hurt by the Asian financial crisis in 1997, opportunities are still there for their economic recovery. One scholar has confirmed that democratic moment is developing in Southeast Asia even after the crisis.<sup>33</sup>

However, things are not always rosy. While Southeast Asian countries have opportunities to develop, there are three challenges ahead. Southeast Asian countries have to be cautious in managing the issues of priority, legality, and transparency, which have already caused some disputes and conflicts in the last decade. If these three issues were smoothly dealt with, Southeast Asian countries would have opportunities for further development. On the other hand, Southeast Asian countries may face instability and uncertainty in the years ahead should these three issues not be well managed. The road for political democracy and economic recovery seems to be rocky and winding, but Southeast Asian countries have no way to avoid it.

## Notes

1. According to a World Bank report, the average GDP growth rate from 1990 to 1995 was 7.6% in Indonesia, 8.4% in Thailand, 8.7% in Malaysia, 8.7% in Singapore, and 2.3% in the Philippines. (World Bank, *World Development Report, 1997* (Washington, D. C.: World Bank, 1998).
2. Amitav Acharya, "Southeast Asia's Democratic Moment," *Asian Survey*, Vol. XXXIX, No. 3, May/June, 1999, pp. 418-432.
3. Professor Alagappa has indicated that legitimacy comprises four key elements: shared norms and values, conformity with established rules for acquiring power, proper and effective use of power, and consent of the governed, in which consent of the governed is closely related to democratic philosophy. (Muthiah Alagappa, "The Bases of Legitimacy," in Muthiah Alagappa, ed., *Political Legitimacy in Southeast Asia*, Stanford: Stanford University Press, 1995, pp. 31-53.)
4. Anek Laothamatas has explored this argument. (Anek Laothamatas, "Development and Democratization: A Theoretical Introduction with Reference to the Southeast Asian and East Asian Cases," in Anek Laothamatas, ed., *Democratization in Southeast And East Asia*, Singapore: Institute of Southeast Asian Studies, 1997, pp. 1-20.

5. Samuel Huntington has indicated that the third wave of democratization started from the Portuguese revolution in April 1974. (Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, Norman: University of Oklahoma Press, 1991.)
6. For details, see *Far Eastern Economic Review*, February 1, 2001, pp. 16-20.
7. For political transition and democratic consolidation, see Juan Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-communist Europe* (Baltimore: Johns Hopkins University Press, 1996); Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead, *Transition from Authoritarian Rule: Comparative Perspective* (Baltimore: The Johns Hopkins University Press, 1986).
8. Chai-Anan Samudavanija has indicated that ten out of thirteen Thailand's constitutions between 1932 and 1987 were either semi-democratic or undemocratic, with only three termed as democratic. (Chai-Anan Samudavanija, "Thailand: A Stable Semi-Democracy," in Larry Diamond, JuanJ. Linz, and Seymour Martin Lipset, eds., *Politics in Developing Countries* (Boulder, Colorado: Lynne Rienner Publisher, 1990), pp. 286-289.
9. Surin Maisrikrod had made a constructive discussion on the role of the middle class behind Thailand's political democracy. See Surin Maisrikrod, "The Making of Thai Democracy: A Study of Political Alliances Among the State, the Capitalists, and the Middle Class," in Anek Laothamatas, ed., op.cit., pp. 141-166.
10. For reports on this incident, please see *Far Eastern Economic Review*, 21 May 1992, pp. 10-13; 28 May 1992, pp. 10-11.
11. *Far Eastern Economic Review*, March 29, 2001, p. 26.
12. Mr. Habibi was also a civilian President, but his presidency was not from a general election.
13. In December 1987, former U.S President George Bush and Russian leader Michael Gorbachev signed a treaty to destroy middle range missiles with nuclear weapons, ending political and military confrontation between these two super powers.
14. Singaporeans enjoy a GNP capita of more than US\$30,000, which is much higher than other Southeast Asian countries.
15. The four Asian dragons refer to Taiwan, Hong Kong, South Korea, and Singapore.
16. The new policy was announced by former Prime Minister Kaysone Phomvihana at the 4th National Congress of the Lao People's Revolutionary Party in November 1986.
17. For analysis on Mr. Marcos' mismanagement on exporting industries, see Gary Hawes, *The Philippine State and the Marcos Regime* (Ithaca: Cornell University Press, 1987).
18. Singaporeans, for instance, are not allowed to publicize their opinions against the government, whereas people in Brunei are not allowed to organize political parties.
19. Lee Lai To, "Singapore in 1999," *Asian Survey*, Vol.XL, No.1, January /February, 2000, p. 86.
20. Ho Khai Leong, "Citizen Participation and Policy Making in Singapore," *Asian Survey*, Vol. XL, No. 3, May/June, 2000, pp. 436-455.
21. Meredith Weiss, "The 1999 Malaysian General Elections," *Asian Survey*, Vol.XL, No. 3, May/June, 2000, pp. 413-435.



22. The main purpose of this revision is to avoid another possible dictatorship in the future.
23. The military was the biggest interest group in both Thailand and Indonesia throughout the 1960s, 1970s, 1980s, and the early 1990s.
24. Regarding the debate on reform in Vietnam, please see Ninh Kim, "In the Era of Renovation: Leadership and Security in Vietnam," *Contemporary Southeast Asia*, September 1989, pp. 213–235, and Gareth Porter, "The Transformation of Vietnam's World View: From Two Camps to Interdependence," *Contemporary Southeast Asia*, June 1990, pp. 1–19.
25. Mr. Anwar, long political ally of Mr. Mahathir, was sacked as Deputy Prime Minister and Finance Minister by Mr. Mahathir on 2 September 1998, and was expelled from UMNO the next day. Mr. Mahathir later on 7 September announced that Anwar's deposal was because of his immoral behaviors. For more information, see *Far Eastern Economic Review*, 17 September 1998, pp. 10–14.
26. In the October 1999 general elections, the ruling National Front once again won the elections, but the ruling party met a decline from its supporters, in terms of the percentage of the votes and the winning seats in Parliament as compared to the 1995 general elections. The PAS (the Muslim fundamentalist party) and the National Justice Party (Ke Adilan), led by Mr. Anwar's wife, experienced a big victory by winning more seats in Parliament and higher percentages of the votes. For a comprehensive analysis on this election, please see John Funston, "Malaysia's Tenth Elections: Status Quo, Reformasi or Islamization," *Contemporary Southeast Asia*, Vol. 22, No. 1, April 2000, pp. 23–59.
27. *Far Eastern Economic Review*, May 3, 2001, p. 18.
28. The PERC released its most recent report in mid-February 2001.
29. For discussions of Indonesia's corruption, see Bertrand de Speville, "Combating Corruption: Policy, Strategy and Lessons Learned," *Van Zorge Report*, 19 March 2001, pp. 14–32.
30. In Cambodia, for instance, some Taiwanese investors have failed in Cambodia because of corruption. For special report on Taiwanese investors in Southeast Asia, please see *Taipei Times*, July 9, 2000, p. 2.
31. *Far Eastern Economic Review*, May 3, 2001, p. 19.
32. Scott B. Macdonald, "Transparency in Thailand's 1997 Economic Crisis," *Asian Survey*, Vol. XXXVIII, No. 7, July 1998, p. 702.
33. Acharya, *op.cit.*, p. 419.

## 2

# **Authoritarianism and Democratization in China and Taiwan and Comparisons with Other Asian Countries**

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## **INTRODUCTION: POLITICAL DEVELOPMENT AND HUMAN DEVELOPMENT IN ASIA**

The 20th century was the most violent in human history because of its two world wars and many conflicts fought with modern weapons. As the second world war ended, the Cold War began as another global confrontation, a grand competition for primacy between the capitalist democracies and their allies led by the United States and communist dictatorships led by the Soviet Union. As the United Nations was founded to end the scourge of war, new weapons of mass destruction threatened the annihilation of the human race. The conclusion of World War II in mid-century also saw the end of Western and Japanese colonialism and the emergence of many new nation-states all seeking the promise of independence for their peoples.

In this historic quest many of the new states were plunged in violent struggles and suffering under leaders and nationalist movements advocating one or another ideology and model of development. "But states in Asia," according to Muthiah Alagappa, "while old as empires, civilizations, and societies are relatively new as modern states." He elaborates: "As elsewhere, they vary substantially in terms of their stateness (political cohesion, political legitimacy, and state capabilities), as well as in terms of political and economic systems, power, interests, goals, and aspirations." (:36)

At this point it is useful to think of Asian countries as being either "strong states" or "weak states". A strong state has achieved unity and cohesiveness as a national political community. Most citizens accept the political system as legitimate; they are free and safe and economically secure. Social, economic and political or legal problems are addressed

by established institutions ensuring orderly and predictable outcomes. There is peaceful and orderly transfer of power from one group to another. (Alagappa: 36) In Asia only Japan stands out as a strong state, followed in a distance by Taiwan and South Korea which are still in the process of consolidation as young democracies and as part of larger nations. The city-state of Singapore would score high on the marks of a strong state despite the constraints on the people's freedom and the continued dominance of the ruling party in over 40 years.

In contrast, Alagappa goes on to say, weak states score poorly on the above indicators. "[Weak states ] will be characterized by violent demands for autonomy and secession, problems of political succession, religious, ethnic class, and caste strife, and socio-economic rebellions and revolutions. The state is unlikely to have a monopoly over the legitimate use of force." (:36) China and practically all countries in Southeast Asia manifest the characteristics of weak states.

Beginning in 1989, the collapse of the Soviet Union and the communist regimes in Eastern Europe was heralded as the final triumph of democracy and capitalism over communist authoritarianism and state capitalism, amid the surging "global democratic revolution." For the first time the world's democracies outnumbered the authoritarian regimes. This is the recent historical context of this survey of authoritarianism and democratization in China and Taiwan and comparisons with countries in Southeast Asia.

The contrasting political development of China and Taiwan is of great intellectual interest and enormous practical significance and consequence to many countries, especially to other countries in Asia. The literature on the subject is of course formidable. Here one can only attempt to understand its main contours and in relation to only certain aspects of the political development of other Asian countries.

China, Vietnam and North Korea stand out as communist authoritarian nation-states in East and Southeast Asia that have figured prominently in the Cold War confrontations that polarized the world from 1945 to 1990. Challenged in differing degrees by communist subversion and insurgency and inter-ethnic conflict, other nations in Southeast Asia have evolved their own political systems in varying combinations of authoritarianism and democratic competitiveness, as well as engaged in nation-building and economic and social development with differing degrees of success.

At present Japan, South Korea, Taiwan, the Philippines, and Thailand are the acknowledged liberal democracies in East Asia. Singapore and Malaysia have parliamentary systems that hold regular and free elections

and are highly successful in their economic and social development. But their citizens are constrained in their political rights and civil liberties. Indonesia was mostly under military rule for fifty years, and is just trying to build a democratic polity while dealing with an economic crisis, intense ethnic conflicts, and secessionist rebellions. From out of their violent and chaotic existence, Laos and Cambodia are struggling with their authoritarian political systems to build a cohesive nation and overcome poverty. Myanmar persists as a military dictatorship, ignoring the victory of Aug San Suu Kyi's National League For Democracy in the nation's May 1990 election. And Brunei remains an autocratic and paternalistic monarchy. The comparative political and human development performance of most Asian states may be seen in the following tables.

**Table 1. Political Freedom in 23 Asian Countries (1998-1999)**

<i>Political Rights and Civil Liberties Ranking by Freedom House</i>		
<i>Free (8)</i>	<i>Partly Free (7)</i>	<i>Not Free (8)</i>
1 <sup>st</sup> Japan	5 <sup>th</sup> Bangladesh	9 <sup>th</sup> Brunei
2 <sup>nd</sup> Taiwan (ROC)	6 <sup>th</sup> Sri Lanka	9 <sup>th</sup> Cambodia
2 <sup>nd</sup> South Korea (ROK)	6 <sup>th</sup> Nepal	10 <sup>th</sup> China (PRC)
3 <sup>rd</sup> Philippines	6 <sup>th</sup> Pakistan	10 <sup>th</sup> Laos
3 <sup>rd</sup> Thailand	7 <sup>th</sup> Singapore	10 <sup>th</sup> Bhutan
4 <sup>th</sup> Papua New Guinea	7 <sup>th</sup> Malaysia	11 <sup>th</sup> Vietnam
4 <sup>th</sup> Mongolia	8 <sup>th</sup> Indonesia	11 <sup>th</sup> North Korea
4 <sup>th</sup> India		11 <sup>th</sup> Myanmar

**Table 2. Human Development in Asia and in the World (1999)\***

<i>UNDP Human Development Report 1999</i>		
<i>High HD (4)</i>	<i>Medium HD (13)</i>	<i>Low HD (4)</i>
1 <sup>st</sup> Japan/HDI 4 <sup>th</sup>	5 <sup>th</sup> Malaysia/HDI 56 <sup>th</sup>	18 <sup>th</sup> Laos/HDI 140 <sup>th</sup>
2 <sup>nd</sup> Singapore/HDI 22 <sup>nd</sup>	6 <sup>th</sup> Thailand/HDI 67 <sup>th</sup>	19 <sup>th</sup> Nepal/HDI 144 <sup>th</sup>
3 <sup>rd</sup> Brunei/HDI 25 <sup>th</sup>	7 <sup>th</sup> Philippines/HDI 77 <sup>th</sup>	20 <sup>th</sup> Bhutan/HDI 145 <sup>th</sup>
4 <sup>th</sup> S. Korea/HDI 30 <sup>th</sup>	8 <sup>th</sup> Sri Lanka/HDI 90 <sup>th</sup>	21 <sup>st</sup> Bangladesh/HDI/150 <sup>th</sup>
(Taiwan was excluded by the UNDP.)	9 <sup>th</sup> PR China/HDI 98 <sup>th</sup>	
	10 <sup>th</sup> Indonesia/HDI 105 <sup>th</sup>	
	11 <sup>th</sup> Vietnam/HDI 110 <sup>th</sup>	
	12 <sup>th</sup> Mongolia/HDI 119 <sup>th</sup>	
	13 <sup>th</sup> Myanmar/HDI 128 <sup>th</sup>	
	14 <sup>th</sup> Papua New Guinea/HDI 129 <sup>th</sup>	
	15 <sup>th</sup> India/HDI 132 <sup>nd</sup>	
	16 <sup>th</sup> Cambodia/HDI 137 <sup>th</sup>	
	17 <sup>th</sup> Pakistan/HDI 138 <sup>th</sup>	

"Human development," based on the Human Development Index (HDI), is a good general measure or indicator of the extent to which the people in various countries are enjoying or not the benefits of a healthy and longer life, education, and livelihood, regardless of their degree of political freedom or their political system, or culture.

## CONTRASTING POLITICAL DEVELOPMENT IN CHINA AND TAIWAN

A little larger than the United States, China's 1.6 billion people live on some 15 to 20% of arable land and many still suffer from the frequent floods and droughts that reduce food production. Yet through economic liberalization and calibrated political change the People's Republic of

### A Statistical Comparison

#### *Republic of China*

(Often referred to internationally as: **ROC, Taiwan, Republic of China on Taiwan, Free China, or Nationalist China**)

#### *People's Republic of China*

(Often referred to internationally as: **PRC, China, Communist China, Red China, Mainland China, or Chinese Mainland**)

13,969 square miles <sup>1</sup>	<i>Land area</i>	3,708,200 square miles <sup>2</sup>
22.03 million <sup>1</sup>	<i>Population</i>	1.6 billion <sup>2</sup>
Democracy <sup>3</sup>	<i>Type of government</i>	Communist Party-led state <sup>3</sup>
US\$13,235 <sup>1</sup>	<i>Per capita GNP</i>	US\$783 <sup>2</sup>
US\$232.28 billion <sup>1</sup>	<i>Foreign trade</i>	US\$360.7 billion <sup>2</sup>
US\$106.2 billion <sup>1</sup>	<i>Foreign exchange reserves</i>	US\$154.67 billion <sup>2</sup>
US\$36 million <sup>1</sup>	<i>Foreign debt</i>	US\$157.7 billion <sup>2</sup>
16th largest (1980-1998) <sup>5</sup>	<i>Direct foreign investment</i>	21st largest (1980-1998) <sup>5</sup>
6.4 million (June 2000) <sup>1</sup>	<i>Internet accounts</i>	10 million (June 2000) <sup>1</sup>
Free (2.0) <sup>4</sup>	<i>Human rights condition</i>	Not free (6.5) <sup>4</sup>
95.3% <sup>1</sup>	<i>Literacy</i>	83.64% (1997) <sup>2</sup>
Male: 72; female: 78 <sup>6</sup>	<i>Life expectancy at birth</i>	Male: 69; female: 73 <sup>6</sup>

<sup>1</sup> ROC statistics

<sup>2</sup> PRC statistics

<sup>3</sup> The World Almanac and Book of Facts 1999

<sup>4</sup> Freedom House, Freedom in the World: The Annual Survey of Political Rights & Civil Liberties, 1999-2000 (on a scale of 1.0 to 7.0, with 1.0 being the freest)

<sup>5</sup> World Investment Report 1999, published by the United Nations

<sup>6</sup> 2000 World Population Data Sheet, published by the Population Reference Bureau

\* All figures are as of 1999, unless otherwise noted.

China (PRC) has risen to the status of a world political and economic power in the past half century. As a one-party state, her considerable progress as the most populous and the largest communist country in the world makes her a striking case of political and economic reform and development. Meanwhile, the Soviet Union has dissolved and most former communist countries in Europe are opting for political liberalization and shifting to a market economy.

On the other hand, Taiwan is a tiny fraction of the PRC in size with a population of only 22 million. The Republic of China (ROC) on Taiwan began in 1949 when the KMT government and army of the Republic of China led by President Chiang Kai-shek lost in the civil war against the revolutionary army of the Chinese Communist Party under Chairman Mao Zedong, and evacuated to China's island province. From dire beginnings Taiwan has also achieved phenomenal economic growth and development in the same five decades. Her people earn high incomes and much higher standards of living than the people on the mainland. Moreover, Taiwan has transformed her political system from authoritarianism to democracy in the face of its continuing insecurity and diplomatic isolation. Since the relocation of the ROC to Taiwan cross-border relations have been marked by tension even as trade and investments from Taiwan have greatly increased.

## **CHINA'S AUTHORITARIAN POLITICAL DEVELOPMENT**

### **A History of Dynastic Empires**

For over 2,000 years, China had 24 dynastic empires each established by a successful rebellion, or by invasion by the Mongols and the Manchus. Each empire, which was hegemonic and autocratic, followed this dynastic cycle:

- (1) establishment of a new virtuous and benevolent rule; (2) a period of intellectual rejuvenation; (3) an era of corruption or misrule; (4) the occurrence of uncontrolled natural calamities, such as floods and/or droughts; and, finally, (5) overthrow of the regime by rebellion or invasions (Theen and Wilson: 416).

Throughout, Confucianism was the orthodox ideology of China under the imperial state. As a political philosophy and a social code of ethics for rulers and the ruled, Confucianism was authoritarian, elitist and paternalistic; it emphasized collective responsibility and conformity based on the family system, not individuality; self-discipline, not rights. Its basic tenets were: (1) "the cultivation of a moral or virtuous individual" and "government by goodness" of ruler and ruled; (2) obeying the established order, the centralized power of the emperor who had the "mandate of heaven"; (3) strict observance by all citizens of their roles as prescribed by collective social norms in the interest of social harmony; and (4) elitist rule by the scholar-gentry officialdom. (Theen and Wilson: 414-417)

Actually, the military has held ultimate power and served as the normal arbiter in the distribution of power in imperial China and in the modern era. "It is largely by military means and through military organization and technique that the Chinese Nationalists (Kuomintang or Guomindang) tried, and the Chinese communists succeeded, in reestablishing a 'unified hierarchical and centralized political system.'" (Theen and Wilson: 418).

## **TOWARDS REVOLUTIONARY CHANGE**

In the 1840s Western imperialism forced China to concede territory and spheres of influence in unequal treaties. China suffered defeat by Japan in 1895 and this led Chinese leaders and intellectuals to shift from reform to revolutionary change in order to overthrow the traditional imperial polity. Sun Yat Sen's movement of students, youth and overseas Chinese gave impetus to the Nationalist revolution against the declining Ching dynasty under the Manchus. But it was the new imperial army led by Yuan Shi-Kai that forced the abdication of the Manchu emperor in 1911. From the death of Yuan in 1916 to 1936, with the breakdown in central control, China was engulfed in regional militarism or warlordism.

In the chaos and violence and the resentment towards Western imperialist impositions, Sun's ideas for eventual Western type democratization in his revolutionary program were doomed. But these are worth recalling as cultural roots of liberalization that would be undertaken very much later. The ideas "called for the eventual establishment of constitutional government in three stages: first, unification of the nation through elimination of warlordism by military force and termination of foreign intervention in China; second, a period of political tutelage to prepare the people for democratic government; and third, the enactment of a

constitution by the people.”(Theen and Wilson: 420) Parenthetically, Dr. Sun knew about the Filipino revolution against Spanish rule that led to the establishment of the short-lived Philippine Republic in 1898, and democratization under American colonial rule.

In search of a development model, students and teachers in the May Fourth Movement in 1919 brought about an intellectual ferment that led to the reform of the written Chinese language, the study of Western science, technology, and political ideologies, particularly Marxism, and a nationalist revolution. The success of the 1917 Bolshevik Revolution in Russia was followed by a united front alliance of the new National People's Party (the Nationalists or Kuomintang) and the fledgling Chinese Communist Party, with the help of the Communist Third International (the Comintern).

Chiang Kai-shek, commander of the Nationalist armies who succeeded Dr. Sun, sought to end the dominance in the alliance of the Chinese communists. By the Shanghai massacre in 1927 he effectively decimated the communists for some time. He established the Nationalist government which set up a modern government structure and gained international recognition. However, the Nationalists did not carry out progressive reform programs in an agrarian society to improve the people's lives. The Nationalists repressed and alienated the intellectuals who were suspected of their communist leaning, and they sought to exterminate the communist guerrillas in the hinterland rather than to effect a nonmilitary solution. (Wang: 23-24) The Nationalist revolution of 1927-37 became a military dictatorship guided by ideas of traditional Confucianism and some modernizing ideas of Western-educated members. The Sino-Japanese war aggravated conditions for the governing Nationalists and the nation.

The eventual success of the Communist Revolution under Mao Zedong is traceable in part to his revolutionary strategy based on the peasants in the countryside rather than on the workers in the cities as advanced by Linen and Stalin, and to the militarization of the Chinese Communist Party. Mao Zedong Thought was added to Marxism-Leninism as the guiding ideology of the revolution that culminated in national unification, the founding of the People's Republic of China in 1949, and the rehabilitation of the war-torn economy. The Communist movement:

established an elaborate system of organizational networks for implementing its socialist programs....to improve the welfare of the peasantry. These organizational networks were staffed by a dedicated, loyal, obedient, and professional corps of party cadres, the backbone of the Chinese communist bureaucracy. (Theen and Wilson: 424)



In defeat in the civil war with the communists, Chiang Kai-shek led the massive evacuation of nationalist forces and people to Taiwan, China's 22<sup>nd</sup> province. There the Nationalist ROC carried on in hopes of someday recapturing the vast mainland from the communists. The PRC under Mao soon gained international recognition and supplanted the Republic of China in the United Nations and other international organizations. To the PRC the ROC had been abolished and Taiwan was a "renegade" province.

But Mao the great proletarian revolutionary would fail as national leader in peacefully consolidating the PRC as a socialist polity and in achieving industrialization and economic development. His Great Leap Forward as alternative to the Stalinist development model was disastrous. His Cultural Revolution (1966-1976) which nullified the 1954 Constitution was a costly radical reversal of stable and orderly development. In regard to the national minorities, the initial policy of gradualism and pluralism was changed to a policy of radical assimilation of ethnic and cultural minorities.

## **Economic Liberalization**

Under Deng Xiaoping, the historic Third Plenum declared the end of violent class struggle and the shift to orderly and incremental economic reform and development for "socialist modernization" where "[c]apitalist market forces were introduced into the planned economy." Decollectivization in agriculture led to industrial reforms in the urban areas without the political chaos that would mark the later reforms conducted in communist Russia and Eastern Europe where sudden political reforms preceded economic reforms. (Wang and Wong: 2) Thousands of state enterprises experimented in "market socialism."

In agriculture collectivization was replaced by the system of household responsibility, local officials and industrial plant managers were given greater plant authority, a wide variety of small-scale enterprise and light industry was permitted, and foreign market controls were relaxed, resulting in an increase of trade and joint ventures. (Theen and Wilson: 431)

The consequence of economic liberalization was the tremendous industrialization and economic development in only two decades. From 1978 to 1997 the Chinese economy grew annually at the rate of 9.8%.

surpassing the records of most developing countries whether under authoritarian or liberal regimes.

In 1978, China's per-capita GNP was 379 yuan. In 1998, per capita GNP increased 16 times to 6,404 yuan (US\$860). In 1978 China's total nominal GNP was US\$44 billion or about 70% of that of South Korea. By 1997 China's total GNP had grown to US\$1,055 billion, ranking as the world's seventh largest. (Wang and Wong: 2-3)

Rapid economic growth caused rapid structural change in the shares of agriculture, industry and services. The fact that by 1998 manufactured products made up 84% of China's total exports, compared to primary commodities accounting for half of the exports in 1978, indicates that China has been transformed into an industrialized economy actively participating in the world economy. China's admission into the World Trade Organization in 2000 is recognition of its economic strength, its opening to foreign trade and investments, and its integration with the global economy. China is on the verge of allowing private companies to compete with the state for capital as part of her overhaul of the economy. (Smith: NYT, December 28, 2000)

## **Social and Political Liberalization**

Social liberalization has proceeded radically with economic liberalization over the past two decades "due to growth of personal incomes, rise of consumerism, greater mobility, less social control and larger social space for individual expression." (Wang and Wong: 6)

Radical economic and social liberalization has wrought appreciable liberalization of the traditional authoritarianism of the Chinese political system, although Chinese leaders regard the adoption of Western democracy based on competitive elections and political freedom and civil liberties as inappropriate. To the Chinese leaders,

'political reform' is not a sudden opening-up of the political process to the general public, but something like a managed process of institutional adjustments and changes that will enable the (Communist) Party-state to further its economic reform efforts while maintaining its political legitimacy. In other words, it is to be a process of gradually improving the state structure under the leadership of the Chinese Communist Party.

Accordingly, the main thrust of the Chinese political reform programme over the past two decades was confined to political decentralization, development of technocracy, improvement of governance, smoothing out leadership transition, and even efforts to separate the government from the Party. Changes have been gradual, not revolutionary. All this by itself is not necessarily anti-democratic; but democratization certainly has not been afforded high priority so far. After the Tienanmen tragedy and the collapse of the Soviet Union, the Chinese leadership has openly rejected Western-style democracy. China is to follow instead the East Asian model of 'economic development first, democratization later.' (Wang and Wong: 8)

Although the Chinese Communist Party is not ready to share power with other groups, it has made possible such important political reforms as democratic village elections, the strengthening of the National People's Congress (the legislature) and local people's congresses, the multiplication of NGOs, media freedom, de-emphasis on socialist ideology, and stress on establishing the rule of law. (Wang and Wong: 8)

In the overall assessment of Wang Gungwu and John Wong:

Despite the fact that the Chinese economy today [2000] is largely market driven, the reform still falls short in the critical area of state owned enterprise reform. Socially, income gaps among the different classes and different regions are widening while corruption is still rampant. Legally, China still lacks a functioning judiciary system; and it is a long way from establishing the rule of law. In particular, the Party is still above the law. Politically, the government still comes down hard on opposition and pro-democracy elements. (Wang and Wong: 9)

Moreover, China's development of nuclear weapons, her growing industrial and military capability, and her authoritarian system make some neighboring nations perceive her as a potential or real threat to peace and security in Asia. Memories of Chinese military incursions into India in the 1960s and Vietnam in the 1970s will not be easily forgotten. Moreover, the Communist regime's bloody suppression of the pro-democracy demonstrations at Tienanmen in 1989, followed by the harsh repression of the massive Falun Gong spiritual movement, indicate the communist party's and government's resolve to maintain political order and stability in the face of what they regard as threats to their hegemony and the continued success of China's economic and social development.

## **TAIWAN'S TRANSITION FROM AUTHORITARIANISM TO DEMOCRACY**

Han people from the Chinese mainland had settled in Taiwan from the 12<sup>th</sup> century but their large scale migration began in the 17<sup>th</sup> century under the 38-year Dutch colonial administration. Taiwan was ruled by the Ching dynasty under the Manchus for 200 years from 1683 and became the 22<sup>nd</sup> province of the empire in 1885. (ROC Yearbook 2000).

China experienced repeated defeats and humiliation by European, American and Japanese imperialism. Japan annexed Taiwan in 1895 and Korea in 1910 and ruled them as colonies until World War II ended in 1945. The Japanese helped develop Taiwan's agriculture and infrastructure, education and health services, banking and business. They tried to assimilate the Taiwanese into Japanese culture as they did in Korea. During the war, the Japanese emphasized some heavy industry and trade, mostly with Japan. As in most countries they occupied, the Japanese as racist colonizers were harsh to ruthless, with little empathy for their subjects. (ROC Yearbook 2000)

Freed from the Japanese, Taiwan was once again under Chinese rule from October 1945 after its occupation briefly by the Portuguese, Spanish and Dutch in the 17<sup>th</sup> century and for two centuries by the Manchus until 1895. Undisciplined and abusive troops sent to Taiwan from the mainland aggravated an already difficult situation of post-war scarcity, inflation and profiteering. In 1947 crowds across the island rioted and killed around 300 mainlanders. In retaliation the Chinese governor had thousands of people and Taiwanese leaders arrested and killed. After the victory of the communists in 1949, the sudden influx of over two million evacuees from the mainland—soldiers, KMT officials and civilians—became a continuing source of tension between the Taiwanese and the mainlanders for decades until martial law imposed by the KMT-dominated ROC government was lifted in 1986.

The outbreak of the Korean War in October 1950 added to the already precarious condition of the ROC on Taiwan—on the frontline of the Cold War. To protect Taiwan from invasion by the PRC and to strengthen Taiwan's development efforts, the U.S. provided the beleaguered island nation with heavy military and economic assistance through the 1970s. The continuing threat of her giant neighbor across the narrow Taiwan Strait has been a tremendous challenge for the ROC and Taiwan to develop and become strong and stable in order to survive and prosper

and gain legitimacy. Although the U.S. recognized the PRC in 1972, the U.S. gave Taiwan *de facto* recognition under the U.S. Trade Relations Act of 1979. American leaders continue to reaffirm U.S. support for Taiwan's right to a peaceful existence and a peaceful settlement of its conflict with the PRC.

## Traditional Authoritarian Governance

Despite the pro-democratic ideology of the Republic of China's former president and KMT founder Dr. Sun Yat-sen, KMT and ROC President-Generalissimo Chiang Kai-shek had spent all his public life as a military leader fighting regional warlords, communist rebels and Japanese invaders. Perennial warfare and killing on all sides, as well as historic authoritarianism and Confucian tradition, and his own experience and predilections impelled Chiang to govern the ROC on the mainland and now Taiwan under siege as an authoritarian ruler. Like the PRC under the grip of the Chinese Communist Party, Chiang ruled beleaguered Taiwan with the KMT as a hegemonic, undisputed state-party.

Initially, in the 1950s and 1960s, the ROC received wide diplomatic recognition that bolstered its claim to legitimacy as the rightful government in China. But from the late 1960s the ROC suffered rapid international isolation as most countries and the United Nations and many more international organizations shifted their recognition to the PRC as the sovereign government of China. Enjoying *de facto* independence under duress, the ROC has sought *de jure* independence. The ROC has had to enhance and sustain its legitimacy in the world community by maintaining substantial trade, business and cultural relations with as many countries on the basis of achieving rapid economic growth and sustained development.

Taiwan faced a fundamental problem of political and national identity domestically and internationally: what kind of political community was it? (Winckler: 221) Since 1949 the PRC has insisted that Taiwan is under her sovereignty; and subsequently that Taiwan can exist under the principle of "one country, two systems" like Hong Kong and Macau. Again, as far as the PRC is concerned, the ROC had been abolished in 1949.

On Taiwan, it could be said that there was no clear basic consensus among the Chinese and Taiwanese on the issues of national and international identity. Was Taiwan as a Han-dominated political community

independent as its political name suggested—the Republic of China—and should she aim to recapture, or be reunited with, the mainland someday? This is hinted at by the reference to herself as the Republic of China on Taiwan. Or should she become the Republic of Taiwan comprised mainly of the indigenous Taiwanese and the resident Han population? At once the ROC on Taiwan faced the possibility of PRC intervention and forcible reunification, as well as domestic polarization along ethnic lines and the emergence of a Taiwanese majority and identity.

Moreover, early on, should the ROC continue to be an authoritarian polity dominated by the KMT leaders and Chinese from the mainland, or should she become an authentic democracy in which the Taiwanese would eventually predominate? Formally, the ROC on Taiwan could refer to Sun Yat-sen's Three Principles of the People: Nationalism, Democracy, and Social Well-being. But could a basic agreement among contending forces be achieved to effect ROC's transition from authoritarianism to democracy? How would the transition be carried out?

As the ROC on Taiwan was rapidly succeeding in becoming a Newly Industrialized Country in East Asia—along with Singapore and the Republic of Korea, and with Hong Kong as a Newly Industrialized Economy—the ruling KMT, the emerging opposition parties, civil society organizations and the citizens on Taiwan would feel greater urgency to liberalize and democratize. Separately and collectively and in their own ways, they sought to protect and advance their interests, to invent a suitable political system, to sustain the nation's economic development and political stability, to enhance its domestic and international legitimacy as an industrialized democracy, and thus enhance the struggle for survival as a nation-state in their insecure environment. With idealism and pragmatism, theories and praxis, they would evolve the varied means to fulfill their need. Overall, it helped that in a big way tiny ROC on Taiwan was and is competing with giant PRC on the mainland in economic, political and social development in the world's full view.

However, as late as the mid-1980s, the ROC-KMT political system was described by Hung-mao Tien as being similar to the People's Republic of China under the Chinese Communist Party, as follows:

On Taiwan the party-state has retained the features of the Leninist model as far as the KMT's relations with the state and society are concerned...the ruling KMT maintains a position of primacy in government as well in social control. It has penetrated the government

apparatus, the legislatures, and armed forces, and it dominates the mass media and group activities by manipulating rules, appointing personnel, and allocating resources. It has established a network of party organizations that penetrate society and may be second to none in the noncommunist world in its horizontal and vertical penetration. Under the circumstances civil liberties are restricted and the sociopolitical life of the citizens is constrained. (Hung-mao: 250-251)

Martial law remained until 1987 under which political parties other than the KMT were banned, political freedom and civil liberties were curtailed, publishing and the media were strictly restricted, and relations of citizens with the mainland were forbidden. Yet business and religious activities were basically free and citizens traveled on the island and around the world.

Author Hung-mao observes a significant tradeoff to the authoritarian KMT style of governance:

But the KMT party-state's effective governing has brought four decades of political stability—valued both in their own right and as a necessary precondition for Taiwan's successful economic development. (Hung-mao: 251)

## **Taiwan's "Economic Miracle" and Political Participation**

Early on, the foundations for Taiwan's future economic take off were laid by large amounts of U.S. economic aid and technical assistance, a thorough land reform program completed by 1953, and massive educational development that decreased illiteracy from 34.6% of the population six years and older in 1951 to 15.3% by 1969. Increased food production and exports, and higher incomes of farmers, enabled the accumulation of capital, controlled inflation, improved living standards, and paved the way for industrialization.

In the 1950s and 1960s Taiwan pursued two development policies in succession: an import substitution policy and then an export promotion policy. Adapting the Japanese model and using American advice, Taiwan used its abundant labor to expand light manufacturing in processing zones that attracted increasing foreign investments. Consequently, Taiwan was able to build its reputation as a world exporter. Taiwan's economy grew at an unprecedented average annual rate of 10% from 1962 to 1985.

Starting with a grossly inequitable income ratio of 1:20 between the top one-fifth and the bottom one fifth of families in 1953, the ratio improved to an equitable distribution of just 1:5 and 1:4 in the 1980s.

Dramatic shifts occurred in the economic structure of Taiwan: "from reliance on agricultural exports in 1950s, to light manufacturing in the 1960s and 70s, and on to high technology and chemical products in the 1980s and 90s. By 1995, technology-intensive products constituted 46.5% of exports. ("The ROC on Taiwan": 2).

Despite tensions in the political relations between the ROC and the PRC, beginning in the 1980s economic relations between them greatly increased. After the KMT regime lifted the emergency decree in 1987, cross-strait contacts were allowed and ROC businessmen were investing in the mainland:

[B]y 1998, Taiwan's business sector had invested over US\$13 billion on the mainland [US\$21 billion in PRC statistics]. The sharp increase of Taiwan's exports to the Chinese mainland beginning in 1990 decreased Taiwan's dependence on the U.S. market, but raised new concern of growing economic reliance on the ROC's longtime foe. Although politically divided, investment and trade by the business community have begun a process of bringing the two sides together. ("The ROC on Taiwan": 2-3)

Spectacular economic development coupled with advances in universal and higher education, the expansion of the mass media, and the availability of information technology influenced political participation through changes in social stratification and the structure of social groups. The expansion of the middle and upper classes led to a rise in their political consciousness, sense of political efficacy, and civic responsibility. This raised standards of political commitment and participation. Many more social and interest groups and civil society organizations emerged, intensifying competing and conflicting interests, and political participation to influence policy and institutional reforms.

## **From Liberalization of KMT Authoritarianism to Democratization**

To characterize the transition of the KMT regime in Taiwan from authoritarianism to liberalization to democratization, Edwin A. Winckler



has distinguished between "hard" and "soft" authoritarianism, adapting Juan Linz' "organicist-statist" and "pseudo-democratic" authoritarian regimes, respectively.

Truly hard authoritarianism denies any need for popular mandate and rules through some combination of nationalist legitimacy, military coercion, and remunerative benefits, forbidding the organization of opposition. Soft authoritarianism proclaims popular sovereignty and permits rival parties, but the 'ruling party' retains an overwhelming advantage and so always wins. (Winckler: 221)

Using these concepts, Hinckler goes on:

[T]he Nationalist regime on postwar Taiwan evolved from decreasingly coercive hard authoritarianism (1945-1960) through increasingly remunerative hard authoritarianism (1960-1975) toward still unlegitimized soft authoritarianism (1975-1990). The shift from hard to soft authoritarianism began about 1975, reversed about 1980, resumed about 1985, and was largely complete by 1990. However, it was not by then a stable system....Consequently, most observers regard 1985 as the beginning of a transition to democracy. (:224)

Responding to domestic political demands arising from rapid socio-economic changes and to international pressure, mainly from the U.S. and the PRC, KMT leaders themselves took calculated steps to liberalize and then democratize the political system. Early on, President Chiang kai-shek initiated local elections. His son, President Chiang Ching-kuo, pushed reforms in his later years by lifting the Emergency Decree and the ban on political parties, and by promoting the Taiwanization of the KMT, thus opening up the political system. In 1996 Lee Teng-hui, a Taiwanese in the KMT, became the first ever president in Taiwan to be popularly elected. In the long history of China no national leader had been elected directly by the people.

To summarize the outcome of rapid economic development, political liberalization and democratization in Taiwan, Yu-han Chu's analysis is adapted with additional data and interpretation.

1. *The reinstatement of the Constitution of 1954 and the holding of founding elections.* In May 1991 the Temporary Articles were abolished. These had conferred emergency powers on the president and exempted deliberative officials originally elected on the mainland

from having to run for reelection. The KMT directed constitutional revisions that removed most of the legal obstacles to instituting constitutional democracy.

For the first time, in December 1992, the election for the Legislative Yuan or parliament was open to democratic competition. From 1992 to 1995 all key executive offices were made elective, including the provincial governor of Taiwan in 1994 and, in 1996, the president of the ROC. Elections were opened to all political parties, including the communist party. President Lee Teng-hui restored most political prisoners and dissidents to their social status and civil rights.

2. *The emergence of a competitive party system.* The KMT's monopoly and dominance ended as the one-party system evolved into a multi-party system. The Democratic Progressive Party (DPP) was established in 1986 by the Taiwanese opposition movement called the *Tangwai*. The New Party was organized in 1993 by a disgruntled faction of KMT legislators. The fourth major party is the People's First Party. In addition to the four leading parties there are numerous small parties, making a total of 91 registered parties in 2000.

Opposition parties have developed grassroots presence and links with secondary groups. Party competition has been institutionalized legally and by acceptance of the political leaders.

3. *The Taiwanization of the power structure.* The Taiwanization of the KMT leadership initiated by President Chiang Ching-kuo was greatly extended under President Lee Teng-hui. In 1988 more than 70% of the KMT's 2.4 million members were Taiwanese and they constituted 52% of the KMT's governing committee. The percentage of votes won by the KMT in the Legislative Yuan decreased from 61.67% in 1992 to 49.92 in 1995 and to 46.43 in 1998. In the same elections, the Taiwanese Democratic Progressive Party (DPP) obtained 36.09%, 35.95%, and 29.56% of the votes, respectively.

In 2000, the election of President Chen Shui-bian, the DPP and Taiwanese candidate epitomized the democratization and Taiwanization of the political structure. This process strengthens the vision of an

independent Taiwan with its predominantly Taiwanese identity rather than the ROC with its Chinese or Han national identity.

4. *The freeing of civil society.* It was noted above that economic, social and technological changes led to a new social stratification and the rise of new social groups. These changes broadened political participation and strengthened civil society vis-à-vis the state, the business sector, and the political parties. At the same time, the liberalization of the KMT regime, the assertion and protection of political freedom and civil liberties, the emergence of a competitive party system, and the freed media have reinforced the democratic principle of civilian supremacy over the military and the police.

## **Distinctiveness of Taiwan's Transition to Democracy**

In comparative perspective Yu-han Chu has brought out five distinctive features that characterize the transformation of Taiwan from authoritarianism to democracy. (Chu:69-70).

**First**, regime transition in Taiwan has not meant re-democratization but democratization 'from scratch.' Taiwan is a society with no prior democratic experience. Its history has been one of imperial control, [Japanese] colonial administration, and one-party authoritarian rule. Martial law [under the Kuomintang party-state] was in effect for almost four decades.

**Second**, Taiwan's transition was not from a military regime but from the rule of a single party, in power for 40 years and possessing a well-deserved reputation for resiliency and stability. KMT control of the mass media, military, judiciary, and bureaucracy had been institutionalized, creating twin challenges for democratization. First, the state had to be separated from the party, as in post-communist Eastern Europe. Second, the military and state-security apparatus had to be depoliticized, a challenge that also posed a serious obstacle to democratization in some Latin American countries.

**Third**, unlike in most Latin American and Eastern Europe, Taiwan's political opening was neither triggered by any major socioeconomic crisis or external market shocks, nor accompanied by popular demands for major socioeconomic reforms. Support for the old regime's

development program was much more broadly based than in many Latin American countries with comparable levels of industrialization. [D]emocratization failed to spark mass defections from the ruling party. This cohesion deprived the opposition of political leverage, giving the incumbent [KMT] elite a fairly free hand in limiting the scope and speed of democratic reform and crafting new political institutions.

Fourth, the ethnic cleavages between mainlanders (the original followers of Chiang Kai-shek who came to Taiwan in 1949 and their descendants) and 'native' Taiwanese made Taiwan's democratic transition both easier and more complicated. Easier, because democratization promised to shift power from a comparatively small mainland elite to the more numerous native Taiwanese. More complicated, because the KMT power structure had for some time included many native Taiwanese who credited their gradual rise in national politics to KMT-sponsored reform and feared radical change. Thus the further 'Taiwanization' of the KMT party-state did not necessarily go hand in hand with regime democratization.

Finally, the transition in Taiwan called into question not only the legitimacy of the regime but the legitimacy of the state itself—its claims to sovereign status, its territorial boundaries, and the compass of its citizenship.

Ideas of nation-statehood have evolved from retaking the mainland by the Republic of China on Taiwan, to peaceful and long-term reunification under the idea of One China, to the concept of mutual recognition of the reality of China and Taiwan as two political entities. The resolution of the issue is understood to depend on the eventual democratization of China.

The official publication, *The Story of Taiwan: Politics*, concludes with its analysis of the uniqueness of Taiwan's political development thus:

The uniqueness of the Taiwan experience [in democratization] lies in the fact that despite the military intimidation and threats from the mainland, the ROC has stood firmly on Taiwan for nearly five decades. This uniqueness also lies in the ability to create an economic miracle with limited resources while spending considerable sums on national defense. Most significantly, the unique quality of Taiwan's development has demonstrated itself in the democratic changes that came when the nation had reached the goal of economic development.

Therefore, Taiwan experience has not only brought prosperity and democracy to the Taiwan area, thus enabling people on Taiwan to enjoy the most prosperous and liberal way of life in Chinese history; it also serves as a model for other developing areas, including the Chinese mainland. If the dictatorial system of the Chinese communists can undergo similar transformation through economic development so that they too stride toward liberalization and democracy, it will help lay the groundwork for future reunification of the two sides and further promote regional stability and world peace. Certainly, the world would rejoice in such a development.

## COMPARISONS WITH POLITICAL DEVELOPMENT ELSEWHERE IN ASIA

### Japan

In all of Asia, Japan stands out as the first to establish a dynamic and stable nation-state, to modernize and industrialize, and to join the West as an imperialist power—by its expansion and colonization in Northeast and Southeast Asia. As an autocratic and militaristic polity, however, her prewar experiments in democratic politics were not insignificant. Learning from their humiliating defeat in World War II and building on their limited democratic experience, Japanese leaders democratized their political institutions on the basis of the 1947 “Peace Constitution” that was written under the aegis of the American occupation forces led by General Douglas MacArthur. In this sense Japan is said to have democratized “from above,” as did Germany and Italy as vanquished nations following World War II. (Theen and Wilson: 343-411; Wang: 13-107)

Japan’s phenomenal postwar economic recovery and modernization was hailed as the first “economic miracle” in Asia. This was substantially aided by the U.S. security umbrella and heavy imports, and by the Korean War and the Vietnam War. Japan’s rise to economic power and her human development greatly aided in sustaining her democratic political development, and vice versa. However, for some four decades, Japanese politics was dominated by the Liberal Democratic Party whose factional rivalry was the only alternation in power until 1993. The LDP monopoly has given way to a more competitive coalition party system. More than any country in Asia, Japan has institutionalized its democracy. Departing from its long history, civilian supremacy over the military is an established tradition. (Theen and Wilson: 342-411)

The modernization and economic development of Japan served as a specific model for former colonies Taiwan and South Korea. It is arguable whether Japan's democratic political development has also influenced Taiwan's and South Korea's own. By their transformation into democracies the three countries have enhanced their legitimacy and prestige at home and abroad.

## **South Korea**

Like Taiwan, all of Korea had long been influenced by Chinese civilization and was colonized by Japan (1910-1945). Korea entered the postwar period a devastated, still largely agricultural, and poor country. As the Pacific War ended in the emerging global Cold War between the communists led by the Soviet Union and the mostly democratic nations led by the U.S., Korea was divided in two at the 38<sup>th</sup> parallel. North Korea joined the communist bloc led by the Soviet Union and China, and anticommunist, authoritarian South Korea sided with the democratic, capitalist bloc led by the U.S. The very survival of South Korea hung in the balance during the Korean War between the divided nations (1950-1953), and long thereafter. (U.S. Library of Congress: South Korea—A Country Study; Wang: 108-154)

South Korea, not unlike Taiwan, was a struggling nation-state under siege and with no democratic experience. Now known as the Republic of Korea, she was under ineffective and corrupt civilian leadership until 1960. She then lapsed into a series of military dictatorships that lasted until 1987. However, like Taiwan, the ROK under authoritarianism managed to achieve rapid economic and social development which catalyzed rising demands for political liberalization and eventually democratization. In the political transition which saw the emergence and institutionalization of representative institutions and the media, civilian political leaders, the students and intellectuals, the empowered business sector, and civil society organizations played their assumed roles. As in Taiwan, large U.S. economic and technical aid and military support were significant factors in South Korea's security and development. However, as in Taiwan, nation-building and development were accomplished largely by the citizens and their leaders. (Wang: 108-154)

Like Taiwan, South Korea attained democratization from scratch. The Republic of Korea became a Newly Industrialized Country and a new democracy in roughly the same period. Undoubtedly, the global democratic

revolution and the collapse of the communist bloc, with the fall of the Berlin wall and the demise of the Soviet Union, encouraged the democratization of both South Korea and Taiwan. Meanwhile, however problematic it appears in the divided peninsula, the reunification of communist East Germany and democratic West Germany has given South Koreans hope regarding their reunification with the North Koreans.

## **North Korea**

As an orthodox communist state, isolated North Korea has fallen far behind South Korea in economic and social development. Until recently, unrelieved tensions and insecurity have marked the relations between the two Koreas. Democratic South Korea under President Kim Dae Jung has initiated peaceful cross-border relations which North Korean Premier Kim Jong Il is reciprocating. Progress in peaceful re-unification will hinge on the economic and social development of North Korea to the degree that will make possible political liberalization as a basis for future democratization. In this regard, political leaders in North Korea are likely to be influenced more by what happens in China and in Vietnam, both of which have liberalized their economy to the benefit and welfare of their people. (Wang: 279-304)

## **Vietnam**

Vietnam and China are neighboring communist nation-states that have shared many centuries of antagonism. Vietnam suffered under Chinese domination for a millennium before she won her independence as Dai Viet in the 10<sup>th</sup> century. Like China, Vietnam was ruled by autocratic dynasties, before she succumbed to French colonization in 1848. Since 1930 when the Communist Party of Vietnam was founded, Vietnamese communists have carried the banner of nationalism in their country. Valiantly they fought the French colonizers, the Japanese invaders, then the returning French after World War II, and the Republic of Vietnam and the Americans in the Vietnam War. (U.S. Library of Congress)

In 1945, the Communist Party of Vietnam under Ho Chi Minh declared Vietnam's independence from France and established the Democratic Republic of Vietnam. It would take the Viet Minh the next thirty years

to finally free and reunite Vietnam. After the French left, the U.S. was drawn into the war in Vietnam in a costly and, in the end, vain attempt to save the Republic of Vietnam in the south from defeat and communist takeover. In 1973 the U.S. withdrew from Vietnam in accordance with the Paris Agreement. In 1975 the Viet Minh revolution ended with the reunification of Vietnam and the next year the Democratic Republic of Vietnam was renamed the Socialist Republic of Vietnam. Recall that the U.S. fought in the Korean War and helped South Korea to survive and turn back the invasion of communist North Korea which had the backing of China and the Soviet Union.

Just as the Chinese Communist Party is guided by Marxist-Leninist and Mao Zedong's Thought, the Vietnamese Communist Party acts upon Marxist-Leninist and Ho Chi Minh's Thought. The latter Party is described in the constitution as "the vanguard of the Vietnamese working class, the faithful representative of the rights and interests of the working class, the toiling people, and the whole nation, the force which leads the state and the people." Among other factors, it is against the long, historic and heroic nationalist struggle and sacrifice of the Vietnamese and the Chinese leaders and people in their encounters with Western imperialist nations that were Christian, capitalist, and supposedly democratic, that one can appreciate their preference for their own values and ideology.

Compared to her neighbors in East Asia, Vietnam's over thirty-years of war and revolution postponed her recovery and retarded her development. The U.S. embargo and later the collapse of communism in the USSR and Eastern Europe that took away Vietnam's markets added to her economic difficulties. But in the last twenty years Vietnam has posted impressive gains in human development as measured by UNDP indicators. Following China's partial shift to a market economy, Vietnam's recent economic growth rate, flow of foreign investments, and exports have been remarkable. But the Socialist Republic of Vietnam is an authoritarian communist state and political and civil rights are still severely curtailed. Despite the recent release of thousands of prisoners, many violations of human rights and religious persecution are reported.

## **The Philippines**

Before the U.S. conquered the Philippines in the Filipino-American War, Filipino revolutionaries had won their war of independence against Spain



and established a democratic republic in 1899, the first in Asia although very short-lived. In contrast to Taiwan and South Korea, the Philippines experienced some fifty years of "democratic tutelage" and political autonomy under American colonial administration, interrupted by three years of Japanese occupation. In 1946, the Philippines regained her independence with the end of American colonial rule and established a democratic republic. In 1972 President Ferdinand Marcos imposed martial law. After over 13 years of authoritarian rule during which the economy collapsed and gross violations of human rights occurred, the Filipinos overthrew the Marcos dictatorship in the peaceful "people power" revolution in 1986 that was triggered by the fraudulent reelection of Marcos and a military mutiny.

Since then the Philippines has re-democratized and is still consolidating her democracy. In the process the country, fairly small in size but with a population of 75 million, is still struggling to solve chronic problems of poverty, injustice, unemployment and a high population growth rate. Now politically aroused and polarized, she still has to contend with Muslim rebellion and secessionism and the longest Communist insurgency in Southeast Asia. The Philippines is falling farther behind the more dynamic economies in East Asia.

Unlike the new democracies of Taiwan and South Korea, Filipino democracy has not developed effective governance for peace and development. With their relatively long experience in democratic governance, and the regressive authoritarian rule of Marcos, Filipinos continue to pursue development in a populist and corrupt democracy that has not institutionalized the rule of law. Their experience with the kleptocratic Marcos gave rise to widespread cynicism. The televised impeachment of President Joseph Estrada for bribery, graft and corruption, betrayal of the public trust and culpable violation of the constitution, in the first impeachment in Filipino history, is adding to the people's cynicism.

In the face of damning evidence of his guilt, Estrada's acquittal by his partisans in the Senate will gravely weaken faith in democracy. On the other hand, his conviction and removal give democracy's second chance hope of succeeding. In this regard, politically informed Filipinos marvel at the capacity of the Koreans to try and convict two former generals-prime ministers who were judged corrupt and oppressive heads of government, and at the humility and honor of Japanese and Thai high officials to admit their misdeeds and ask forgiveness for them.

## **Singapore**

Singapore, the smallest country in Southeast Asia, is the only one in the region that has achieved remarkable economic and social development at par with South Korea and Taiwan. In fact Singapore's per capita income and overall living standards compare well with Japan's. This progress has been achieved in a one-party state dominated by the People's Action Party that took office in 1959. The PAP was founded and led for 30 years by Prime Minister Lee Kuan Yew who later served as Senior Minister. Free parliamentary elections are held regularly but the Internal Security Act is intimidating; "opposition parties are inconsequential, and civil society, broadly described as independent institutions such as trade unions, free churches, liberal professions, and autonomous universities, is weak." (Russell Heng: 9) This is why Freedom House rates Singapore as only "partly free."

Although political rights and civil liberties are constrained by Western standards of liberal democracy emulated by such countries as India, Japan, Korea, Taiwan, and the Philippines, it is evident that Singapore is honestly and effectively governed under its rule of law. Calling herself "Socialist", the city-state is modern, orderly, efficient, clean, and green. She has realized much of democracy's goals—social justice, economic enfranchisement, equal opportunity, its highest achievements being high employment, public housing, universal education, and equal opportunity. (Devan and Heng: 24-25) In this regard tiny Singapore is outstanding compared to most countries in Asia or Latin America. But when Lee lectured the Filipinos on their need for "less democracy and more discipline", he evoked strong criticism from some leaders and pundits. Privately, quite a few Filipinos agreed with him.

## **Malaysia**

Richly endowed by land and other natural resources, multiracial Malaysia has also achieved rapid economic and social development and high standards of living. She has raised the status of her indigenous and majority Malay population by affirmative action in her constitution and policies. The Barisan Nasional has been the ruling coalition of Malay, Chinese and Indian parties since independence from the British in 1957. This political continuity has been largely responsible for continued peace,

development, and stability in the country. Like Prime Minister Lee in Singapore, Prime Minister Mahathir Mohamed has given Malaysia visionary and forceful leadership for many years.

More than in Singapore, opposition parties alone and in coalition have obtained a bigger share of seats in the parliament; some opposition parties wield power in some of the states in the Federation. (Hoong: 1-52) Because of the unbroken dominance of the ruling coalition through several parliamentary elections and of restrictions in political freedom and civil liberties, Freedom House has rated Malaysia as "partly free" and not a liberal democracy. The controversial conviction and imprisonment of former Deputy Prime Minister Anwar Ibrahim has tarnished the image of Mahathir and the United Malays National Organization.

## **Thailand**

In all of Southeast Asia, Thailand was the only country that was able to resist colonization by European and Japanese imperialists. This demonstrated the strength and stability of the Kingdom of Thailand and the diplomatic skills of her leaders. Modern Thai political history has been marked by competition for primacy among the military, with the cooperation of the bureaucracy, the businessmen and civilian politicians and groups, under the moderating influence of the monarchy. After the military coup of 1932 the monarchy has reigned as a constitutional monarch and the military governed the country with only short interruptions of civilian parliamentary rule. (Kahin: 3-67)

Although sharing borders with Burma, Laos, Cambodia, and Malaysia, Thailand maintained her security during the communist revolutions and the war in Vietnam as an ally of the U.S. In fact she benefited from U.S. military and foreign aid and military presence, and eventually controlled a local communist insurgency. Meanwhile her economy prospered because of educational and agricultural development, tourism, industrialization, and increasing and diversified exports. In the 1980s profound and rapid changes occurred. Thailand experienced a double-digit growth rate in the late 1980s which continued at a high rate until the economic downturn that began in 1997. The expansion of the business sector encouraged more business and economic leaders to join the parties and win elections and influence government policy and decision-making. Students continued their active role as catalysts of reform and political change.

The King's benevolent intervention in the political showdown with the military in 1973 and 1992 ended the bloodshed and ushered a democratization. "The political stability and economic success during the period of quasi-democracy in the 1980s set the conditions for democratization in the 1990s." (Bunbongkarn: 109) In 1997 Thailand adopted a new constitution distinguished by its emphasis on participatory and accountable democratic institutions and an active role for civil society.

## **Indonesia**

Being the largest country in Southeast Asia in area and population, and an archipelago, Indonesia has a bigger problem in achieving overall development compared to other Asian countries except China and India. During the first fifty years after independence from the Dutch, Indonesians suffered repression and underdevelopment in the hands of her two political leaders who governed virtually as dictators. President Sukarno, Indonesia's flamboyant founding father who ruled in the first 25 years, did not establish a functional and stable presidential-parliamentary system or develop the country during his "Guided Democracy;" he wanted to govern for life. (Kahin: 232-270) General Suharto succeeded Sukarno after a coup and bloodbath in 1965 that decimated the communist party and gave primacy to the military under him. He was reelected five times as head of Golkar, the government political party, monopolizing political power in the next 25 years of his "New Order." Indonesia has also suffered from continuing and violent ethnic and religious conflicts and secessionist rebellion, indicating her lingering problems of nation-building in addition to social and economic underdevelopment. (Kahin:183-278; Wang:249-278)

Nevertheless, a degree of pluralism and political consciousness developed with education and some prosperity and the expansion of the media. Indonesians could also compare their conditions with those of other countries in East Asia. Although Indonesia achieved high economic growth during Suharto's last eight years, he was forced to resign in a popular uprising in 1998 amid a deepening economic crisis. His vice-president and successor, President Habibie, lost to Ibrahim Wahid, a popular Islamic leader, in the newly restored democratic selection of the president in 1999. In the popular movement for democracy, the students

and intellectuals and leaders from business, religious and pro-democracy organizations played leading roles. The democratic upsurge in Indonesia led to the granting of independence to East Timor.

In this setting, after a half century of mostly military rule and very limited parliamentary politics, Indonesians are now building the institutions of political democracy and civil society and restarting the economy. (Baker, Soesastro, Kristiadi, and Ramage: 11-98: 115-232) At the same time, they have to ensure that the military accepts its new subordinate role under civilian supremacy, (Baker, Soesastro, Kristiadi, and Ramage: 99-114) and to overcome a political culture of cronyism and corruption. The latter is of course shared by several other countries in Asia, democratic or authoritarian. The massive and scandalous corruption of Indonesian rulers, like Marcos during his dictatorship, was made possible by the absence of effective political opposition, restrictions on political participation, and constraints on the media.

## OBSERVATIONS AND CONCLUSIONS

From our general survey of political development in China and Taiwan and in East and Southeast Asia in this article, and our other readings, some observations and conclusions are made.

1. An examination of Asian constitutions as reference would reveal that Asian nations claim to be a democracy in name, purpose, structure, process, and in aspiration to equality, social justice, equal opportunity, and prosperity for all citizens. This offers some hope, but certainly does not guarantee and assure, that under favorable conditions governments will increasingly be able to fulfill their goals for the nation's welfare. With a degree of economic and social development, institutionalized political competition and accountability, and citizen participation in a condition of political freedom, the hope can be turned into fulfillment.
2. As elsewhere, the trajectory of serious national development in East Asia would seem to be transforming weak states into strong states, authoritarian into liberal or democratic states, and consolidating both political and social and economic progress for the common good. Most Asian nation-states have a long way to go, but there are examples or models to learn from in the region and beyond.

3. Grave political crises and insecurity of particular nations have challenged them to extraordinary effort and achievement in order to build the needed strength and capability to respond to the threats and to sustain national development. A number of Asian nations exemplify this proposition while a few do not.
4. Political regimes calculate the costs and risks to their continuance in power in determining the ways and degrees of allowing opposition groups to take part in the political process and share in its rewards. This would be true, for example, with the Chinese Communist Party, the KMT regime in Taiwan, the PAP in Singapore, the Barisan Socialis ruling coalition in Malaysia, the Marcos regime, and the Suharto regime. Political self-interest is often linked to and justified in terms of the country's good and long-term interest.
5. As countries experience universal education, social pluralism, prosperity, and the widening of the middle class that come with economic liberalization and market competition, pressures for more economic and political liberalization are likely to ensue.
6. However, the emergence or presence of these factors does not automatically lead to political liberalization. It has to be willed by skillful political leaders and demanded and supported by parties and other organized groups; transacted more or less peacefully by authoritarian leaders and competing opposition leaders; or forcibly brought about by aggrieved and militant leaders and reform groups or social movements. For good or ill, political leaders are crucial actors in every society. In Thailand, South Korea, the Philippines, and Indonesia students and intellectuals have been in the forefront of reform movements.
7. Differing historical experiences, social values, cultural traditions, and political ideologies help shape the political systems of particular countries. But these factors are mediated through political leaders and groups as actors in the political process. Political cultures and ideologies may and do change over time and through changing political experience and interaction to affect political behavior and institutions. These are manifested in the political development of China and Taiwan and in some of the Southeast Asian countries briefly reviewed.
8. Through modern telecommunication, travel and mass media, leaders and citizens in most countries learn about changes and developments in various parts of the world and think about their relevance for

- domestic reform and improvements. Comparisons among countries encourage emulation and adaptation of desirable features and avoidance and rejection of undesirable ones.
9. To Chinese political leaders sovereignty and the Communist Party are of primordial importance in uniting, governing and developing a multiethnic, multicultural, populous and still poor nation sprawled over a vast territory. They have firmly and continually asserted their right to determine their country's political and economic system without outside interference. They categorically reject Western liberal democracy as inappropriate and undesirable. As President Jiang Zemin has said: "Every country has the right to choose the social system, ideology, economic system and path of development that suits its national conditions." (Isaacson: 4) Despite China's great strides as a modernizing nation, the communist regime is still preoccupied with achieving national political cohesion, political legitimacy, public order, and the building of state capabilities for governance.
  10. If Chinese leaders should desire to push their political liberalization further in the context of China's remarkable economic and social liberalization and social pluralism, the Taiwan model has some lessons to offer. Eventually, Chinese leaders may have to allow the Chinese Communist Party to loosen its tight grip on power and deep penetration in society, as the KMT was induced and impelled to do in Taiwan. However, the problems and challenges are far greater for the PRC if only because of the vast size and enormous population of China. Thus far the Chinese Communist Party shows no signs of giving up its entrenched power and hegemony in the one-party state and Chinese society.
  11. In the interest of long term peace, development and stability in Asia it would be desirable for China to undergo further political liberalization. This would more likely preclude future political turmoil and instability that could result in aggressive actions affecting other nations in Asia. A democratizing China would be less of a threat to most other nations in Asia.
  12. China looms ever larger as a political and economic power not only in Asia but also in the world. Her industrial capability and relatively cheap and efficient labor make it difficult for some smaller nations to compete with her. Her behavior toward Taiwan, Vietnam, the Philippines, and other claimant states to the Spratlys in the South

China Sea may be seen to reflect her attitude and demeanor as an Asian and world power.

13. It appears that Taiwan's political transition has been deliberately 'transacted' by KMT leaders and emerging opposition leaders who saw it to be in their common interest to liberalize the political structure amid rapid economic and social changes and rising expectations. Ever threatened from across the Taiwan Strait and politically isolated in the world, leaders in Taiwan realized that democratization was not only desirable internally but also internationally. In an ongoing global democratic revolution, the so-called "third wave," Taiwan's becoming a democracy in the course of her economic success has enhanced her legitimacy as a nation and could win her international support in her bid for *de jure* independence from China.
14. The world and especially Asian nations have a stake in the peaceful re-unification of China and Taiwan although such re-unification is primarily their responsibility, and it is for them to decide on the question. However, if Taiwan desires to exercise self-determination and seek international recognition as an independent state, and the People's Republic of China should ever consent to this, it would be equally desirable.
15. Smaller states in Southeast Asia, and particularly the Philippines, which is closest to many islands in the Spratlys, are concerned about the peaceful and mutually agreeable resolution of their competing claims to the those islands and China's own claim. For peaceful and mutually beneficial relations among all the claimants, China is expected to accept commonly agreed norms and methods of conflict resolution. As a great power in Asia, China's attitude and conduct in this respect is important to all other claimant states as an indication of her peacefulness and egalitarian sense.
16. The so-called "third wave" democratic transition was exemplified in Asia by redemocratization in the Philippines, and democratization in South Korea, Taiwan, and Thailand, and by the contemporaneous demise of the Marcos dictatorship, the downfall of military regimes in South Korea, the diminished power of the KMT in Taiwan, and the de-legitimization of the military in Thailand. Among these, the earlier transitions may have encouraged the subsequent ones. Thais, and later Indonesians, are known to have acknowledged the inspiration of the earlier democratic movements and political transitions.



17. Most "Democrats" prefer that democratization and economic development go hand in hand because they believe that democracy is not only a convenient means but also a valued end in itself. Development without freedom is not compatible with human dignity and self-respect. Political rights and civil liberties are as important as economic and social rights. It is assumed that all citizens are equal before the law and are entitled to participate in public decision-making. Social pluralism and diversity of interests are taken to be normal and should be the basis for achieving compromise and consensus.
18. On the other hand, "Authoritarians" tend to believe that national unity and economic and social development should first be achieved before political liberalization is allowed to take place. They believe that personal and social discipline and less freedom are required to achieve economic and social development. Social harmony and political stability are of primary importance. Political freedom and participation would only obstruct development. In any event democratic values and practice are only one of the goods in the nation's basket of goods, and not necessarily the most important ones.
19. Although some democratic nations have resorted to aggression, on the whole it is more probable in the contemporary period for democratic nations to be peaceful and tolerant at home and with other nations. On the other hand, insecure authoritarian nations are more likely to be intolerant and aggressive.
20. Some states assert that human rights, particularly political rights and civil liberties, are solely their responsibility according to the principle of sovereignty and non-interference in the internal affairs of any state. On the other hand, there are states and people who take the position that freedom and human rights are universal and that their violation in some states are, or should be, the concern of all nations. They believe there are crimes and offenses against humanity. How are these conflicting positions to be reconciled?
21. More mature democratic countries are usually industrialized and have high standards of living. The United States, Canada, Australia, and the Western European countries are both democratic and highly developed economically and socially and score high in human development as measured by the UNDP. There is also a correlation between democracy and economic and social development and human

development in Japan, South Korea, and Taiwan. However, some democratic countries like the Philippines, India, and Mongolia rank low in economic and human development. On the other hand, Singapore and Malaysia which are not liberal democracies score high in human development.

22. The attainment of high standards of living and human development consequent on economic development and industrialization is probably more dependent on "good governance" than on authoritarianism or democracy. Here "good governance" is understood in a restricted sense as simply formulating sound economic and social policies and implementing them efficiently, honestly, and effectively.
23. Newly democratic nations are often plagued by excessive personalism, patronage, cronyism, "money politics," and corruption. Authoritarian regimes also suffer from these failings because of the absence of countervailing power, public scrutiny and criticism. In the end, leaders and institutions and civil society make the difference in the quality of governance. For their success and viability, young democracies have to consolidate their representative institutions and judiciary under the rule of law and ensure their economic and social development. As the Philippines has shown, democracy and the economy can falter together and democracy can be replaced by authoritarianism. Likewise, the country has managed to re-democratize but its long term success may be problematic.

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### 3

## **ASEAN Economic Integration: The Journey Continues**

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### **Introduction**

Over the last 30 years ASEAN has not remained static. Much has changed, but at the same time much remains the same. This is the 'ASEAN paradox': ASEAN's agenda has become so much more complex but the process continues to be dominated by foreign ministers; ASEAN has expanded its membership but it tends to become more narrow-minded because it is being drawn by a lower common denominator; most ASEAN societies have become much more open and interconnected but the regional vehicle remains incestuously inter-governmental and inter-state in nature.

How can ASEAN put an end to the ASEAN paradox? Key to this challenge is the political will to resolve the paradox and as a basis for ASEAN cooperation. The political will on the part of ASEAN members will determine whether the association remains one that is based on the notion of sovereignty enhancement or one that moves towards institutional integration. If there continues to be wide gaps in economic capacity amongst ASEAN members, economic cooperation will largely be driven by resource pooling activities and will be oriented towards the integration of markets through market driven processes. Political will and commitment to economic openness are in turn influenced by external developments, globally and in the wider region, as well as by internal developments within individual ASEAN members.

ASEAN's experience at institution-building has been a modest one. Attempts at institutionalization have been carried out in a cautious and incremental fashion. Accompanying that cautious approach to institutional change has been the consensus-based principle of decision-making. Taken together, these features of ASEAN's institutionalization and decision-

making constitute the hallmark of ASEAN cooperation and form the basis for the Association's mixed image. On the one hand, ASEAN has been hailed for its role as a regional arrangement that has been able to forge a 'diplomatic community' with a shared identity in Southeast Asia. ASEAN has been described as a success story for turning a region that once was predicted to become the Balkan of Asia into a region of peace and progress. On the other hand, it has been that very success that has led to the criticisms about ASEAN's inability to match its political-diplomatic success with substantive cooperation in the economic and social fields that is ASEAN's declaratory objective. This inability has been attributed to the deficiencies in the organizational structures and the slow pace of institutionalization. Several attempts have been made to restructure ASEAN's institutional framework, but they have produced only limited changes.

When it was established in 1967, ASEAN did not set for itself an ambitious task of becoming a regional organization equipped with complex institutional structures and machinery in order to function effectively and immediately. Nor did it pretend to be an organization that aspires to accomplish a set of concrete objectives in short and medium terms. It also did not stipulate the need for a summitry. The ASEAN enterprise was given a modest objective. As stated in the Bangkok Declaration, ASEAN's primary objective is to accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership. Political cooperation, albeit not explicitly stated, was understood to be of critical importance as a foundation for cooperation in the other areas.

From the outset ASEAN has displayed a deep commitment to preserving the sanctity of national sovereignty, hence its reluctance to move towards 'integration'. ASEAN states have been unwilling to surrender their national sovereignty to a regional institution of a supranational type. ASEAN's institutional development has been greatly influenced by this major constraint. It should perhaps be recognized that ASEAN's survival has been partly due to the reluctance to transform the organization into a supranational body.

The slow evolution of ASEAN's institutional structures reflects that modest undertaking and the political nature of the Association as a loose form of inter-governmental cooperation that accords highest priority to the preservation of national sovereignty. In fact, ASEAN is often seen and used by its members as a project to enhance national sovereignty through regional diplomacy and cooperation.

In addition to these institutional developments, ASEAN has also relied on conventions and customs. The main feature in the functioning of ASEAN institutional structures is that decisions are arrived at through consensus. This practice has been so institutionalized as to make it the core element of the so-called 'ASEAN Way' in decision-making. ASEAN's experience in the conduct of cooperation and decision-making has also demonstrated the presence of three basic principles which guides behavior, namely restraint, respect, and responsibility. The principle of restraint obliges ASEAN countries not to interfere in the domestic affairs of other member countries.

In the past few years there has been a growing perception that ASEAN can not be relied upon to resolve the region's own problems. There is the perception of a helpless ASEAN, an ASEAN that cannot move decisively, and ASEAN that is trapped under its organizational and bureaucratic inertia, and an ASEAN that fails to respond to real, current problems and challenges. This public perception has been influenced mainly by ASEAN's failure in 1996 and 1997 to do something tangible about the severe regional haze problems that affected the health of the people in many ASEAN countries. The expansion of ASEAN membership to include a 'problem country' such as Myanmar also hampers ASEAN's ability to act swiftly. It also weakens ASEAN's diplomatic clout that it would need to effectively mobilize international support in dealing with the financial crisis.

There has been some soul-searching in ASEAN during the past years that coincided with the onset of the financial crisis. Until then ASEAN was still in a state of euphoria due to the region's remarkable record of rapid economic growth, the near completion of the One Southeast Asia enterprise, and its role in the creation and strengthening of the wider regional cooperative structures such as APEC (Asia Pacific Economic Cooperation) and the ARF (ASEAN Regional Forum). This position crumbled almost overnight with the financial meltdown. ASEAN's future relevance to its members and to the region suddenly becomes a question, even within the ASEAN officialdom.

There have been suggestions that ASEAN needs to be brought back to the drawing board. It cannot maintain its relevance if it continues to be inhibited by the principle of non-intervention. ASEAN will have to be re-engineered on the basis of a new principle of 'constructive involvement' according to Malaysia's then Deputy Prime Minister, Anwar Ibrahim, or 'flexible engagement' according to Thailand's Foreign



Minister, Surin Pitsuwan. Under this new principle members could develop domestic developments in an ASEAN member that affect other members' security and well-being, ASEAN's cohesiveness, and the security of the wider region.

At the ASEAN Ministers Meeting (AMM) in the Philippines in 1998 this issue was brought to the discussion table by the host government that favors the adoption of the new principle. ASEAN members cannot reach an agreement and the consensus was to keep non-intervention as ASEAN's cardinal principle but to adopt a flexible engagement approach when dealing with particular issues. Some have coined this as 'enhanced interaction'. The test of the institution's resolve to apply this new approach will be in its future dealing with internal developments in Myanmar. ASEAN has already failed once, namely in regard to developments in East Timor leading to its destruction by the military-backed militias following its separation from Indonesia. ASEAN will also be tested when there is a new outbreak of forest fires in Indonesia and Malaysia. In view of the fact that contagion was partly responsible for the spreading of the recent financial crisis, can ASEAN also help prevent a future crisis in the region?

ASEAN's institutional evolution has been slow. It has taken one small step at a time. It is likely going to continue this way unless it is confronted with a very serious problem that would force its members to change their mindset and political will to abandon the institutional *status quo*. The Myanmar problem cannot do this. Similarly, the haze problem has not been grave enough to do that. Has the financial crisis produced the necessary shake up? In the early 1990s there was the belief that economic challenges would force ASEAN to move into institutional integration. AFTA was ASEAN's bold initiative to meet that challenge.

## ASEAN Economic Cooperation and Integration

It is perhaps correct to state that ASEAN is an *economic* association that is *politically* driven. It is aimed at developing a kind of regional solidarity amongst neighbors for the purpose of creating regional peace and stability through economic cooperation. The founding fathers of ASEAN made it clear that regional economic integration is not the objective of ASEAN.

ASEAN economic cooperation (AEC) is supposed to be ASEAN's core cooperation agenda. In the late 1980s there was widespread

recognition that the performance of AEC had been very poor. The history of AEC is that of a continuous search for direction and new initiatives to make AEC successful. This search has been confronted with the following choices for AEC's focus: between intra-ASEAN cooperation and developing an external economic diplomacy agenda in dealing with ASEAN's major trading and economic partners; between trade and investment cooperation and sectoral (industrial) projects; between public sector-oriented projects and private-sector driven activities; or between a loose, non-binding cooperation arrangement or economic integration, including the creating of a trading bloc. The choice has often been described as that between resource pooling activities and market-sharing schemes.

In the course of this search, a series of major initiatives have been taken: the ASEAN Industrial project (AIP) in 1976, the ASEAN Preferential Trading Arrangement (PTA) in 1977, the ASEAN Industrial Complementation Scheme (AIC) in 1981, later modified into the ASEAN Brand-to-Brand Complementation (BBC), as well as the ASEAN Industrial Joint Ventures (AIJV) in 1983. In addition there had been proposals for an ASEAN Small and Medium Industries Scheme (ASMIS) and an ASEAN Small and Medium Industries Center (ASMIC) that did not get off the ground.

Many other cooperation projects were launched and implemented by the various ASEAN economic committees, on Finance and Banking (COFAB), on Food, Agriculture and Forestry (COFAF), on Industry, Minerals and Energy (COIME), on Transport and Communications (COTAC), and on Trade and Tourism (COTT). Furthermore, ASEAN developed a number of cooperation activities with its trading partners, the so-called Dialogue Partners and Sectoral Dialogue Partners. Some of these have involved the search for a more formalized framework for cooperation, such as the ASEAN-US Initiative (AUI).

The remarkable economic performance of the ASEAN countries could not be attributed to any or all of the above AEC schemes. It resulted mainly from ASEAN's trade and investment links with the outside world. One could argue, however, that those various schemes and projects have contributed to creating the habit of cooperation, which is key to ASEAN's success. Perhaps it was the disappointment, the embarrassment, and the frustration with these AEC schemes that led the ASEAN leaders to decide in 1992 to embark on AFTA, the 'bold' decision that was considered necessary to maintain ASEAN's vitality and relevance.

The journey to AFTA has been a long one. The creation of a free trade area was not considered at the establishment of ASEAN. As stated in the Bangkok Declaration, ASEAN's central objective is *to accelerate economic growth through joint endeavors*. The agenda of AEC in the late 1960s was focused on sectoral cooperation. In the second AMM in Jakarta in 1968 a work program was approved in each of the following priority areas of cooperation: food production, communication, shipping, civil aviation, and tourism. The modesty in initiating projects was only short-lived. By the time of the fourth AMM in Manila in 1971 a total of 121 projects were already submitted, but only 48 had been approved for implementation.

The proliferation of project proposals appears to be a common phenomenon in cooperative structures that are based on committees. This leads to regular attempts at rationalizing the projects. This has been the case with ASEAN as well. In addition the implementation of projects was very slow. At the 1972 AMM in Singapore Indonesia submitted a paper entitled 'A Reflection', inviting ASEAN members to undertake an evaluation of AEC. This led to the formulation of a set of criteria for determining the feasibility of AEC projects: they should be quick-yielding with benefits accruing to all members equally, require modest financing, and meet the ASEAN objectives as embodied in the Bangkok Declaration. This guideline revealed ASEAN's preference for small projects.

Efforts to rationalize projects may require an overarching framework for cooperation. In its search for such a framework, ASEAN had made use of the recommendations of the UN-sponsored Kansu-Robinson Report. This report was prepared at the request of the AMM in 1969 and was presented at the fifth AMM in 1972. The Report's main thrust is on ASEAN cooperation to increase economic productivity through industrialization. It pointed out to the limited size of ASEAN's national markets, its low per capita income and the enormous obstacles to expanding manufactured goods exports. Therefore, it argued that AEC should foster import substitution through the development of infant industries on a regional basis.

Three main instruments for promoting AEC were identified; these were: (a) negotiated trade liberalization in selective commodities; (b) industrial complementarity agreements to be negotiated through the initiatives of the private sector; and (c) package deal arrangements in the form of joint industrial projects. Furthermore, the Report also suggested other areas for cooperation, including research, coordination of national economic plans, provision of services in finance and clearing arrangements,

and financing of development and insurance facilities.

Initially, the recommendations of the Kansu-Robinson Report did not receive any formal endorsement. The seventh AMM in 1974 simply acknowledged that the three proposed instruments of cooperation might be useful for AEC. Disappointment with the slow implementation of AEC projects had led the seventh AMM to propose a meeting of ASEAN ministers in charge of economic planning. In a lead-up to the planned ASEAN Summit in Bali in 1976, the ASEAN economic ministers met for the first time in 1975 in Jakarta with a sense of urgency to produce broad recommendations for AEC. The economic ministers quickly created their own machinery, the SEOM. The recommendations that were produced for the Bali Summit drew heavily on the Kansu-Robinson Report. Indeed, major ASEAN initiatives that were launched in later years can be directly traced to the recommendation of that Report.

### ***Cooperation in Trade***

The ASEAN PTA was introduced in 1977 at the tenth AMM and marked the first commitment of ASEAN countries to undertake trade liberalization. The scheme proposes to liberalize trade through the implementation of five measures: (a) the granting of tariff preferences; (b) long-term quantity contracts; (c) preferential terms for the financing of imports; (d) preferential procurement by government agencies; and (e) the liberalization of non-tariff barriers in intra-regional trade.

Of these five measures only the granting of tariff preferences was implemented widely. As it is not aimed at the achievement of a free trade area, the PTA was a modest undertaking. It also is important to note that the PTA was designed as a mechanism whereby intra-ASEAN trade could be liberalized at a pace that was acceptable to all member countries.

The margin of preferences (MOP) was initially set at a low 10%. In 1981 it was raised to 20-25% and later on to 40% or more. Until April 1980 preferences were negotiated on a voluntary, product-by-product basis, either multilaterally or bilaterally, and were extended on an MFN (most favored nation) basis. After April 1980, tariff preferences were complemented by across-the-board tariff reductions for imports of certain values. Initially, items with an annual import value of less than US\$50,000 in 1978 trade statistics qualified for tariff reductions of 20% across the board. Subsequently, the cut-off ceiling was raised to US\$500,000 in May 1981 and to US\$1 million in January 1982. In November 1982

the ceiling was further raised to US\$10 million, a cut off limit which represents a significant proportion of trade volume or about 10% of all intra-ASEAN trade.

However, with the adoption of across-the-board tariff cuts member countries also introduced an exclusion list of 'sensitive items' as a means to protect certain industries. As can be expected, the exclusion list tended to undermine efforts to broaden the coverage of items. In 1985 member countries agreed to review their exclusion list and classify the items into three categories, namely non-sensitive items that should be voluntarily withdrawn from the list, semi-sensitive items that are subject to negotiation, and sensitive items that are not subject to negotiation.

By March 1986, a total of 18,907 items had been placed under the PTA. However, the impact on intra-regional trade had been minimal. This was due to the fact that the MOP offered on most of the items traded was too low to provide ASEAN exporters with a strong competitive edge over non-ASEAN exporters. The limited effect of the PTA could also be traced to the fact that: (a) high tariff countries remained reluctant to cut tariffs because of perceived inadequate reciprocity from low-tariff countries; (b) there was a tendency to include irrelevant items (such as snow ploughs and nuclear reactors) and to disaggregate one item into detailed variants (e.g. different types of brushes), each one being offered as a single commodity; (c) the rules of origin requirement was an inhibiting factor since products had to contain at least 50% ASEAN-content to qualify for preferences; and (d) the long exclusion lists maintained by member countries.

The third ASEAN Summit in Manila in 1987 agreed to retain the PTA as a principal instrument to promote intra-regional trade, but a few changes were made. They include a shortening of the exclusion lists, deepening of the MOP, reduction of the ASEAN content requirements, and a 'standstill' of non-tariff barriers (NTBs) that is accompanied by a 'rollback' of such NTBs. These new measures were to be implemented within 5 years, with annual reviews being undertaken to monitor the progress. This was the first time for ASEAN to set for itself a definite timetable. The changes were also meant to introduce greater transparency and predictability of the PTA scheme and to accommodate the differences in tariff levels and development stages. As it turned out these changes did not appear to have any noticeable effect on PTA's contribution to intra-regional trade. But by 1992 the PTA scheme was overtaken by the decision to form AFTA.

## ***Cooperation in Industry***

ASEAN industrial cooperation schemes include AIP, AIC (and BBC), and AIJV. Their performance has been equally disappointing. The AIP scheme was agreed upon at the Bali Summit in 1976. It is based on the recommendations of the Kansu-Robinson Report. AIPs are large-scale government-initiated projects oriented towards the regional market, with an investment of US\$300–400 million. The output of the projects is granted access under the PTA. According to the Basic Agreement establishing AIP, the host country takes up 60% of the total equity (1% in the case of Singapore) and the remaining 40% shared out equally among the other members. The private sector in the host country could take up equity participation of up to 40%. It was also agreed that up to 70% of the infrastructure costs of the project could be financed by foreign loans.

The first 'package' of five industrial projects included: urea for Indonesia and Malaysia, superphosphate for the Philippines, diesel engine for Singapore, and soda-ash for Thailand. The original idea was that one kind of a plant will be built in each country to serve the regional market. Ultimately only two of these five projects were implemented, one of which — the Aceh fertilizer project in Indonesia — being a national project that was turned into an AIP.

A second package of AIPs had also been identified for pre-feasibility study. They included: heavy-duty rubber tires for Indonesia, metal working machine tools for Malaysia, newsprint and electrolytic tinplating for the Philippines, TV picture tubes for Singapore, and potash and fisheries for Thailand. Singapore originally contemplated a hepatitis B vaccine project which was canceled due to economic reasons. None of these AIPs came off the ground.

Many reasons have been given for the failure of the AIP scheme. One reason is that governments were not willing to relinquish their freedom to invest. Also, the AIP is characteristic of a planned economy which the ASEAN countries are not. Moreover, the AIP scheme involves market sharing which ASEAN members were not ready to accept. In addition, no other incentives were given apart from PTA concessions. Finally, the private sector was not given any substantive role.

With the problems and difficulties of implementing the AIP scheme, the focus of ASEAN industrial cooperation shifted to industrial complementation. The AIC scheme was established in 1981 with the aim

of allocating different production stages of an industry among ASEAN members. The Basic Agreement establishing AIC stipulates that: (a) an AIC package must be participated in by at least four member countries; (b) identification of products for inclusion in an AIC package shall be done by the ASEAN Chambers of Commerce and Industry (ASEAN-CCI); and (c) the products in the AIC package shall receive 'exclusivity privileges', lasting for two years for existing products or three years for new products.

In total about 30 AIC proposals made by various regional clubs of the ASEAN-CCI were submitted for consideration, most of which involve new products. However, only two AIC packages, both in the automotive industry, have gone through the whole exercise and received the approval of the ASEAN economic ministers. The first package, involving existing products, was launched in 1983 and includes the production and distribution of automotive parts and components. The result of the first package was poor, largely because of a lack of compatibility of production facilities in the ASEAN countries, and the different plants were geared to make different brands and types of vehicle. Its effect on intra-regional trade was found to be negligible, and the cost incurred for realizing this project might have exceeded the benefits.

To improve on the scheme, the second AIC, which is based on BBC, namely involving production of particular brands, was approved in 1988. A 50% MOP is given to BBC products, and the private sector is free to determine the location of production across countries. The BBC provides incentives for Japanese MNCs to relocate production capacity to lower cost ASEAN centers. The scheme incorporates an explicit reciprocal element in the sense that components are exchanged between countries, all benefiting from preferential access. The major drawback of this BBC scheme is Indonesia's decision not to participate out of a concern to protect its own automotive industry and market. Singapore and Brunei also opted out. In 1991 the scheme was extended to include non-automotive products.

In 1983 another scheme for ASEAN industrial cooperation was introduced. This so-called AIJV is aimed at promoting industrial joint ventures among ASEAN investors. It was designed to be more flexible and decentralized than both the AIP and AIC. The basic rules of the AIJV have undergone significant modifications over the years with a number of restrictions removed and greater incentives (tariff preferences) were given. By the early 1990s, they contain the following guidelines: (a) participation by at least two ASEAN countries; (b) non-ASEAN equity up to 60%; (c) satisfy the PTA's rules of origin in order to qualify for

tariff preferences; (d) a 90% MOP granted by participating countries for a period of up to eight years.

An exclusivity privilege that prohibited the establishment of production capacity for similar products to those made under AIJVs in participating countries was withdrawn in 1990. From 1983 to 1993 a total of 26 products have been granted AIJV status, of which about half involve the participation of two ASEAN countries and only one (Nestle processed food) was an ASEAN-wide project involving five ASEAN countries.

The impact of the AIJV scheme on intra-regional trade and investment has been negligible. Although on paper the procedure for getting approval has been simplified at the third Summit in Manila, among other things by establishing a list of pre-approved AIJV products, in practice many difficulties are still being encountered. For instance, many projects could not obtain the 90% MOP from participating countries. On the whole, ASEAN investors seem to prefer joint ventures with partners from outside the region, and most of the joint venture projects among ASEAN investors are outside the AIJV system.

Another area of AEC that supports industrial cooperation is the ASEAN Finance Corporation (AFC), which provides financing facilities for regional cooperation projects or other ASEAN-based enterprises. The AFC was incorporated in Singapore in 1981 and its issued capital of S\$ 100 million is owned by commercial banks from the ASEAN countries. The AFC provides a number of services. Its direct financial services fall into 3 categories, namely: (a) project finance; (b) debt/equity participation; and (c) treasury services, which include provision of short and medium term credit to ASEAN financial institutions, provision of intra-ASEAN trade finance, and foreign exchange dealings. The AFC also serves as a conduit through which international financial resources outside the region are channeled into the region.

Problems in ASEAN industrial cooperation appear to have resulted from the fact that the schemes put too much emphasis on regional import substitution. The schemes also suffered from problems related to project identification and allocation as well as financing. This clearly suggests the deficiency of a bureaucratically-determined resource pooling and market sharing scheme.

### ***Other Areas of Cooperation***

Cooperation in other areas has been promoted and implemented by a host



of committees and sub-committees within the ASEAN structure. A comprehensive assessment of these cooperation programs had never been undertaken. In the field of energy, for instance, Sharma (1992) concluded that the impact of the various committees had been limited. This has been caused by either the ASEAN's organizational structure or insufficient attention given to those issues at the high official levels. This issue certainly deserves ASEAN's serious attention.

ASEAN's extra-regional cooperation activities may suffer from a similar deficiency in structure. These activities, often referred to as the ASEAN Dialogue Partner System (ADPS), appear to lack some coherence. This has perhaps led to the search for a framework of cooperation between ASEAN and the United States. The ASEAN-US Initiative (AUI), however, produced a framework that failed to be translated into concrete cooperation programs. An ASEAN-EC (later ASEAN-EU) framework agreement also existed but was moribund for many years because of Portugal's policy to refuse to cooperate with Indonesia, even in an inter-regional relationship, due to the East Timor problem.

The ADPS mainly rests on the Post-Ministerial Conference (PMC), held after the annual AMM. One major and recurrent issue in these dialogues has been on improving of market access. Perceptions about the outcome of this exercise have been mixed. Some have argued that this system has contributed to raising ASEAN's profile and status in the international arena. Others view the utility of this system as providing a forum for discussion between ASEAN members and their major trading partners. However, there is also the view that this function has been overtaken by the wider regional forum of APEC.

Concerns had been raised from the outset about the possibility that APEC would dilute ASEAN in areas of economic cooperation. This need not be the case if ASEAN instituted a mechanism of cooperation that reflects its strategy of concentric circles of cooperation. In terms of trade cooperation, ASEAN is engaged in various cooperation schemes that are aimed at strengthening a rules based multilateral trading system. Although ASEAN trade cooperation involves the granting of preferences among its members it has always been stressed that ASEAN should be outward oriented. Indeed, the different schemes of ASEAN intra- and extra-regional cooperation should ideally reinforce each other. Excessive preoccupation with facilitating intra-regional economic links could divert attention away from developing the more important global economic links. Each of the different schemes of ASEAN's extra-regional cooperation, APEC and

EAEC, should complement each other. APEC and EAEC also can be seen as an insurance policy in case the global multilateral system fails and in anticipation of the uncertain developments in the world economy.

### ***AFTA and Beyond***

The third ASEAN Summit in Manila in December 1987 perhaps marked the beginning of a new era for ASEAN. It has helped ASEAN to take a hard look at itself. The Summit received various proposals from the Group of 14, ASEAN business groups, scholars and academics as well as based on studies that have been commissioned by different ASEAN economic committees. Amongst the proposals was the formation of a hybrid system that recognizes the existence of varying tariff structures and differing levels of development among the ASEAN members. This system combines the formation of a customs union among Indonesia, Malaysia, the Philippines, and Thailand, and a free trade area to link this union with Singapore and Brunei. The ASEAN-CCI supported a proposal for an 'ASEAN Market Liberalization Initiative'. It proposed a 50% minimum MOP on an across-the-board basis for non-agricultural products and the elimination of the exclusion lists. A product-by-product approach was suggested for the liberalization of agriculture.

A COTT-commissioned study recommended some quantifiable targets to achieve an 'ASEAN Trade Area' by the year 2000. Under this proposal, by the year 2000 preferences would be given to 90% of total ASEAN trade and the exclusion list would be reduced to 20% of import value. In addition, greater cooperation in industrial joint ventures and the establishment of an ASEAN Development Bank were proposed as complementary measures to trade liberalization.

The Manila Summit itself did not produce the 'big bang'. The idea of a free trade area was still unacceptable but discussions in anticipation of it have gone quite far in formulating and formalizing different concepts. In fact, the Manila Summit could be seen as the last stop in ASEAN's long journey to AFTA (Soesastro, 1995a). Developments in 1990 provided the impetus for ASEAN to hasten its move forward towards strengthening of AEC and to take new and 'bold' initiatives. The idea of AFTA no longer appears to be a remote possibility.

This idea was first aired in 1971 at the fourth AMM when discussions led to suggestions that a limited free trade area or a customs union might be the ultimate goal of ASEAN. In 1975 Singapore's Prime Minister, Lee

Kuan Yew, proposed the creation of an ASEAN free trade area, but it was immediately shelved for the simple reason that other ASEAN countries were simply not ready to take it up. Renewed support for the free trade area idea began in 1991 when Thai Prime Minister Anand Panyarachun revived it and received endorsement from Prime Minister Goh Chok Tong of Singapore. In October 1991, the AEMM recommended the establishment of an AFTA after receiving a clear signal from Indonesia that it was ready to take part in it.

In January 1992 at the fourth ASEAN summit in Singapore, ASEAN heads of government signed the Singapore Declaration and the Framework Agreement on Enhancing ASEAN Economic Cooperation, which provided the basis for the establishment of AFTA. This was a major political decision because AFTA represents a marked departure from earlier AEC schemes. Why was this possible? The changing global economic environment has forced many countries to strengthen their position by developing 'economic alliances' with others. Bilateral and regional free trade areas (FTAs) are seen as one form of such alliance. Regionalism, in fact, becomes a complement rather than a substitute to globalism. This is the essence of ASEAN's strategy of concentric circles of cooperation and ASEAN's understanding of open regionalism. Within ASEAN itself there was growing dissatisfaction with the various AEC schemes. This diminishes confidence within ASEAN in its own capacity and relevance. Thus, there was the strong belief that if ASEAN did not embark on a new, bold, and credible initiative it would no longer be an attractive and effective regional economic and diplomatic force.

The AFTA agreement is to phase down intra-regional tariffs to 0–5%, initially over a period of 15 years starting 1 January 1993. It also agrees to eliminate non-tariff barriers for a wide range of manufactured products. The mechanism for achieving it is the Common Effective Preferential tariff (CEPT) scheme. Under this scheme member countries would set out comprehensive timetables for the phased reduction of intra-ASEAN tariffs on nominated goods. The main difference between PTA and CEPT is that PTA was granted only by the nominating country and there was no reciprocity, whereas under CEPT there is reciprocity in that once the good is accepted to be under CEPT all countries must give the preferential tariff. Unprocessed agricultural products and services have been explicitly excluded from AFTA, but some ASEAN members have voluntarily included some unprocessed agricultural goods in their tariff reduction lists.

In implementing the CEPT goods can be placed on the 'fast track' or 'normal track' timetables. A total of 15 products was originally earmarked for fast track reductions. The CEPT scheme makes allowance for the exclusion of sensitive products. Apart from those restrictions for the protection of national security, health and cultural traditions, all exclusions are to be temporary in nature and are subject to review. Allowance is also made for member countries to provisionally suspend CEPT preferences in cases when an import surge causes damage to a domestic industry. The CEPT scheme also includes an ASEAN content requirement of 40%.

AFTA was not launched on the original date of 1 January 1993 because administratively members were not ready. It was 'relaunched' on 1 January 1994. Soon ASEAN governments realized that the AFTA program appeared to have been overtaken by events, particularly by ASEAN members' own commitments to reducing trade barriers under the Uruguay Round Agreement. At the AEMM in September 1994 in Chiang Mai, Thailand, an agreement was reached to accelerate AFTA's implementation from 15 years to 10 years. In addition, AFTA is expanded to cover unprocessed agricultural products and all products in the temporary list will have to be taken out within five years by annually removing 20% of the items from the list.

AFTA's acceleration could increase AFTA's attractiveness to investors. From the outset, AFTA is aimed at enhancing ASEAN's attractiveness as an investment location, a production and export platform for the global markets. It can also be seen as a training ground for the ASEAN members in their efforts to integrate more fully into the world economy (Soesastro, 1995b). However, AFTA's scope is much more limited than that of other regional arrangements such as NAFTA (North American Free Trade Agreement). Some have argued that the AFTA scheme is rather archaic in nature and the target date for its completion too far into the future.

The target date has now been brought forward to 2002 from 2008. It was Prime Minister Goh Chok Tong that stated that to be an effective player within the broader fora ASEAN has to move faster to bring down its tariffs and to offer itself as one united region with uniformly low tariffs (*Straits Times*, 15 December 1995). ASEAN has repeatedly brought forward the completion date of AFTA but in implementation it has been slow. It is important, therefore, that it maintains a sense of urgency in implementing AFTA. There are many factors that tend to slow down the process. Indonesia did backtrack on the liberalization of some agricultural

products. Malaysia remains hesitant to open up its automotive sector. ASEAN does not as yet have the mechanism to deal with such backtracking apart from threats of retaliation by other members. A compensation formula is also being discussed.

Can one expect that despite these problems AFTA could be fully in place by 2010? According to the agreement, the new members of ASEAN will have completed the implementation of their AFTA commitments by then. It should be noted that this process will largely be driven by external developments. But if by 2010 AFTA will be fully in place, it is likely that it will exist for no more than another ten years, namely to the year 2020 when the wider APEC region is supposed to have become a region of free and open trade and investment. Sub-regional trade preferences will be overtaken by region-wide trade liberalization. AFTA's life cycle will not be long. From the time it was initiated in 1992, its life span will be 28 years at the most.

This is not a reason to be concerned about. In fact, AFTA has achieved its objective if it is no longer needed (Soesastro, 1997). As stated earlier, AFTA is essentially a training ground, an intermediate phase in the efforts of ASEAN members to integrate themselves into the world economy. Each time individual ASEAN countries expand their unilateral trade liberalization or multilateralize their AFTA concessions they are moving further away from the AFTA play-ground to step into the global arena.

It should also be noted that ASEAN is much more than AFTA. AFTA is neither a regional import substitution scheme nor is its ultimate objective to increase intra-regional trade. AFTA is about global competitiveness. Elimination of intra-regional tariff and non-tariff barriers is only one aspect of ASEAN's efforts to continuously sharpen its competitive advantages. Therefore ASEAN should expand the AFTA framework. In doing so it may or may not extend AFTA's life span, but it definitely will make AFTA more effective during its life time.

'AFTA Plus' refers to such an expanded AFTA framework. The Bangkok Summit Declaration of 1995 has adopted an Agenda for Greater Economic Integration that includes a number of areas of cooperation which could come under AFTA Plus. AFTA Plus should begin with an extension of the elimination of tariff and non-tariff barriers to areas and items beyond those originally covered under theCEPT scheme. Agricultural products and services are excluded from theCEPT scheme. Originally agricultural products do not cover processed agricultural products. In 1994 the AEM agreed to bring in all unprocessed agricultural products into theCEPT

scheme. Later on Indonesia indicated that it may have difficulties implementing this and requested that it be allowed to withdraw 15 items from its temporary exclusion list to be placed on the sensitive list. Thailand threatened to withdraw 44 items of agricultural products from its temporary exclusion list if Indonesia was allowed to do so.

In resolving this problem the AFTA Council proposed a solution by inventing a new category of a Temporary Exclusion List for Unprocessed Agricultural Products and agreed to allow Indonesia to 'laterally' transfer the products from the temporary exclusion list to this new list. Those products will be reviewed in 2003 and cannot be excluded from tariff cuts beyond 2010.

In the area of services, the Bangkok Summit Declaration agreed to enhance cooperation and freer trade in services through the implementation of the ASEAN Framework Agreement on Services. The agreement specifically aims at improving the efficiency and competitiveness of ASEAN service suppliers, substantially eliminating restrictions to trade in services amongst ASEAN members, and liberalizing trade in services by expanding the depth and scope of liberalization beyond those undertaken under the GATS (General Agreement on Trade in Services) with the aim of realizing a free trade area in services. This being the case, services should become an integral part of AFTA Plus.

On January 1996 ASEAN began the first round of negotiation of specific commitments on market access, national treatment and additional commitments covering all services sectors and all modes of supply. Areas included are financial services, maritime transport, telecommunications, air transport, tourism, construction and business services. A host of other efforts, such as in the areas of standards and conformance, and harmonization of tariff nomenclature, are essential ingredients of AFTA Plus. In October 1997 at the AEM the result of the negotiation was announced. The first package of offers covers air transport (3 countries), business services (1 country), maritime transport (4 countries), telecommunication (1 country), and tourism (7 countries). The ratification of the Protocol to implement the agreement was completed within one year and countries should begin to implement their commitments from October 1998 on. This was followed by a second package, and an agreement to launch a new round of negotiation to cover all services and all modes of supply.

Other important areas of cooperation that could be seen as an integral part of AFTA Plus include the ASEAN Investment Area (AIA) and the

ASEAN Industrial Cooperative (AICO) scheme, as well as the ASEAN Framework Agreement on Intellectual Property Cooperation. The challenge to ASEAN in these areas is to undertake efforts that are at least on par with efforts at the global or wider regional levels. ASEAN's efforts should be built on agreements such as the GATT/WTO TRIMs and TRIPs, the GATS, as well as the APEC Non-binding Investment Principles. They should attempt to influence further developments of the international and wider regional agreements. In anticipation of the emerging new international agenda, ASEAN should hasten to begin with its deliberation on such issues as competition policy, an antidumping system for ASEAN, trade and environment and even trade and labor. These are difficult areas as they touch on sensitive domestic political issues. But these issues will stay with the global community for a long time to come. It should be of interest to ASEAN to be at the forefront on these issues. The idea of cooperation between AFTA and CER (Closer Economic Relations), namely with Australia and New Zealand, has been considered desirable from the perspective of developing ASEAN's AFTA Plus agenda. It is unfortunate that the idea was prematurely raised to creating a free trade area involving the two sub-regions. The meeting of ASEAN economic ministers with their counterparts from Australia and New Zealand following the AEM in 2000 in Chiang Mai failed to agree on launching a negotiation of an AFTA-CER FTA but agreed to develop cooperation under a Closer Economic Partnership (CEP) scheme between AFTA and CER. It should be in the interest of both sides to develop an agenda that could help them participate effectively in the international and wider regional fora in dealing with those new issues.

### ***Impact of Membership Expansion***

The expansion of ASEAN membership, namely the 'widening' of ASEAN cooperation, is essentially a political agenda. The 'deepening' of cooperation through AFTA Plus is an economic necessity. Can these two go hand in hand? On the eve of the Bangkok Summit in 1995 that brought together for the first time leaders of all ten Southeast Asian nations, Prime Minister Banham of Thailand argued that the expansion of ASEAN will inject new vigor into the organization. Also, with an ASEAN 10 the voice of the grouping will be heard louder and ASEAN's views will increasingly be sought and its collective action will be widely recognized. But he admitted that 'there will inevitably be a slowdown of cooperation.' (*Bangkok Post*, 12 December 1995).

As part of Vietnam's commitment to joining AFTA, Vietnam was requested to submit a list of items and their schedules under the CEPT scheme. In December 1995 it submitted a list of tariff reductions in which about half of all tariff lines included in the CEPT and about more than 40% of all tariff lines are still placed in the temporary exclusion list. Laos, Myanmar and Cambodia were also required to submit their AFTA commitments when joining ASEAN. ASEAN was determined not to compromise AFTA when expanding its membership. It objected to the idea of allowing new members to join AFTA later. While new members are expected to immediately implement their AFTA commitments they are given longer time to complete the process.

The slower implementation by new members should not necessarily slow down the implementation of AFTA by the older members. The CEPT scheme is essentially reciprocal in nature and does not provide much room for free-riding. A member country is automatically eligible for concession if the product is included in its CEPT and if its tariff rate of that product is at or below 20%. If the tariff rate is above 20% it is eligible for concessions only in other member countries that also impose a CEPT rate higher than 20%. This provision should help speed up the implementation by new members. Perhaps this 20% cut-off rate should be progressively reduced in the process. It should be noted that the CEPT mechanism in effect does allow for a two-track AFTA to develop.

A two-track ASEAN is perhaps inevitable. This should be duly recognized by ASEAN in its agenda setting. Nevertheless, it should be in the interest of ASEAN to see that its new members could catch up faster. In 2010, when AFTA should be fully in place, ASEAN will still be an economic region of stark differences. The ASEAN region in 2010, even in 2030, will resemble the economically diverse APEC region today. As is the case of APEC, ASEAN will have to adopt an agenda in which development cooperation will go hand in hand with trade and investment liberalization and facilitation.

The meeting of leaders in Bangkok in 1995 has set the stage for ASEAN development cooperation. Prime Minister Goh Chok Tong also proposed a framework for helping the new members through the creation of a Commercial Infrastructure Fund. The idea is to apply the Growth Triangle concept to the Mekong Basin. It aims at involving primarily the private sector. As such it is distinct from the Greater Mekong Subregional Economic Cooperation scheme promoted by the Asian Development Bank. The idea of developing the Mekong Basin received ASEAN's



support, who in turn solicited the cooperation from Japan, Korea and China. In fact, Japan has already shown great interest in cooperating with ASEAN to assist the new ASEAN members. An ASEAN-Japan expert group was set up in 1994 and submitted a report to SEOM in December 1995. It recommended that assistance be focused on helping the new members in such areas as accounting system, legal system, corporate and investment law, and tax legislation. These are also essential ingredients of an AFTA Plus.

### ***Financial Cooperation***

As if guided by some kind of premonition about the coming of a financial crisis, ASEAN finance ministers held their first ever meeting on 1 March 1997 in Phuket, Thailand. The meeting's aim was to promote ASEAN cooperation in the area of finance. It produced a Ministerial Understanding that provides a framework to enhance cooperation and facilitation in several areas of finance within the existing institutional arrangement. An ASEAN Finance Ministers' Meeting (AFMM) was to be conducted regularly and assisted by the ASEAN Senior Finance Officials' meeting (ASFOM). The activities were to include exchanging views on macro-economic policies, improving transparency of policies, regulations and rules affecting the financial sector, promoting ASEAN as an efficient and attractive financial and investment region, promoting public-private sector linkages in the area of finance, and developing ASEAN human resources in the area of finance. The meeting emphasized three particular issues: the importance of strengthening the supervisory and regulatory framework of the banking sector; the need to liberalize the financial services sector further in a gradual fashion, including through the WTO; and the utility of the ASEAN Swap Arrangement in view of the dramatic changes in the global financial environment.

When the crisis hit, ASEAN was not in the position to do anything for its members. The Swap Arrangement was far from adequate. An informal proposal from Japan to establish an Asian Monetary Fund was shot down. The crisis hit countries had to resort to the IMF. On 1 December 1997 a Special ASEAN Finance Ministers' Meeting took place in Kuala Lumpur to discuss the causes of the crisis and the policy responses. They agreed to renew the Swap Arrangement that was due to lapse in August 1999, but no other concrete initiatives were taken. The finance ministers began to toy with the idea of cooperative efforts to

redefine the criteria for sound economic policies. This would be an important step in the direction of developing regional surveillance. Indeed, the crisis has opened up a window of opportunity for the region to become more open to collective monitoring and review of policies. The ASEAN finance ministers appear to be a few steps ahead of their other colleagues on this matter.

Finance ministers were also of the view that to a large extent efforts to improve the transparency of financial markets must be undertaken on a global basis. In their view, the IMF, together with other international financial institutions, should develop a global framework to collect, analyze, and disseminate information on developments in the financial area. In their call for international support, the finance ministers at their second meeting in February 1998 in Jakarta urged the international community to recognize the structural and financial reforms undertaken by ASEAN countries and to respond favorably to these initiatives. The most concrete step taken by the finance ministers concerned the regional surveillance mechanism within ASEAN. This mechanism was to be developed within the general framework of the IMF with the assistance of the Asian Development Bank (ADB). Their view is that the contagion and systemic risks facing the region make it necessary for ASEAN to develop such a mechanism. Finance ministers suggested that an ASEAN Select Committee comprising members of the ASEAN Central Bank Forum, which was established in November 1997, and Finance Officials would form the core of the mutual surveillance. They also decided to set up a Permanent Secretariat (subsequently placed within the ASEAN Secretariat) to facilitate this initiative with the assistance of the ADB.

The idea of a surveillance mechanism was subsequently watered down to a surveillance process. The process is supposed to work on the basis of peer review, and the process should aim at 'providing recommendations on possible actions that could be taken at the country and/or regional level.' If this can be successfully implemented it will definitely transform ASEAN into a different association from what it is now. Perhaps the judgment is still out as to whether the process can achieve its objectives. It has been a slow process and reports by insiders suggest that the monitoring and review have been very superficial because of lack of transparency. In addition, the surveillance reports prepared for the meeting are not made available to the public. There is all the likelihood that the inauguration of this initiative was made with some fanfare that raised

great expectation only to result in a flop that would further demoralize ASEAN. What this may suggest is that indeed ASEAN members are not ready to move in the direction of institutional integration. The crisis has made financial cooperation a necessity, but for such cooperation to work there should be a willingness by participating countries to give up some of its sovereignty. It remains to be seen whether financial cooperation can become a new important pillar for AEC.

### ***Other Responses to the Crisis***

In responding to the crisis the AFTA Council pledged to maintain open economic policies by reaffirming the commitment to realize AFTA by 2003, and subsequently accelerated to 2002. In December 1998 ASEAN governments agreed to achieve a minimum of 90% of their total tariff lines with a maximum 5% tariff by 2000 and 100% of items in the inclusion list with a maximum 5% tariff by 2002. In March 1999 ASEAN economic ministers discussed a proposal to agree on achieving a 0% tariff for at least 60% of items in the inclusion list by 2003. AFTA members have submitted individual acceleration plans. Average tariff rates for products under AFTA will be reduced from 5.4% in 1998 (compared to 12.8% in 1993) to 2.7% in 2003. Firm implementation of AFTA is perhaps more important than announcements of earlier completion dates. ASEAN's credibility depends on the firmness with which individual ASEAN members implement their AFTA commitments. Malaysia's backtracking on its automotive sector liberalization affects AFTA's credibility.

Other schemes have received some boost as a result of the crisis. AICO that was implemented since 1 November 1996 has not really taken off although 14 applications have been approved. In its attempt to enhance the attractiveness of AICO, the AEM agreed to provide AICO status to companies planning to invest in ASEAN and not just to existing companies. This is meant to encourage companies that have been affected by the crisis to look for partners from within the region to engage in AICO schemes as part of their restructuring efforts. It should be noted, however, that AICO's attractiveness will soon be reduced for many industries as AICO products enjoy preferential tariff rates in the range of 0-5%, which represents the final CEPT rate to be reached by 2003 (or 2002) for most products. The automotive industry is one exception, and here AICO will remain attractive for some time to come.

AIA also received a boost with the signing of the Framework Agreement on ASEAN Investment Area in October 1998. The objective of AIA is to make ASEAN a competitive, open and liberal investment area through a binding agreement. It is not clear as yet whether the agreement will have an immediate effect on investments into ASEAN. The agreement opens all industries (with exceptions specified in the temporary exclusion list and the sensitive list) for investment by ASEAN investors only by 2010 and by all investors by 2020. It also grants national treatment, with the same exception as above, to ASEAN investors by 2010 and to all investors by 2020. As a binding agreement the AIA is a much more progressive document than the APEC Non-binding Investment principles. However, considering that AFTA's completion is scheduled for 2003, the timetable for AIA appears to be too far into the future. It would make sense to accelerate AIA's implementation by at least five years.

A review of the evolution of AEC clearly shows that over the past 30 years AEC has moved in the direction of more outward-oriented cooperation schemes. AFTA is bound to be outward oriented. It is a means to integrate the region with the rest of the world. AEC schemes have also moved away from government-led schemes to private-sector oriented programs. Regional economic integration has been largely market driven. AFTA Plus should be designed to facilitate this market driven process. Perhaps, the dichotomy between resource pooling and market sharing should no longer be made. AEC should involve both. Finally, the AEC agenda should be well-balanced. There should be something for each member of ASEAN. With such an agenda it should not be a problem to have a two-tier ASEAN or to apply the '10 minus X' principle in all aspects of AEC.

## ASEAN and East Asian Cooperation

Apart from the principle of 'ASEAN *minus*', a great deal of attention is now being given to 'ASEAN *plus*', particularly ASEAN Plus Three. There is a growing sense of realization that in many areas of economic cooperation, ASEAN needs to extend participation to include other East Asian countries. Could an East Asian structure of sorts reinvigorate ASEAN? It is perhaps useful to briefly describe East Asia's current search for a regional institutional identity. East Asia is indeed being transformed from a geographic concept into an economic region. Economic interactions, largely through trade,

have brought countries in the region much closer together. With the exception of Japan, all other East Asian countries rely on the region for more than half of their trade. For all of them Japan is an important, in many instances the most important, trading partner. Trade patterns are indeed an important factor in the emergence of economic regions. In addition, intra-regional investment and financial flows continue to intensify.

Should this development be strengthened through some kind of institutionalization? The first attempt to do so began about a decade ago with the proposal for the establishment of an East Asian Economic Group (EAEG). This proposal was modified by ASEAN into an East Asian Economic Caucus (EAEC), with the understanding that it will function as a caucus within APEC. EAEC remains an arrangement on paper.

However, the ASEAN countries and the three Northeast Asian countries, namely Japan, China and South Korea, have been brought together by a series of events. One of such event is ASEM (Asia Europe Meeting). ASEM has led to some degree of organization of the East Asian component of that process. Initially, it was expected that ASEM could provide a strong impetus for the East Asians to form a regional mechanism that would adopt an agenda which strengthens East Asia's role in the ASEM process. However, this does not seem to be the case.

It appears that such an impetus must come from within the region itself. ASEAN heads of governments and the ASEAN foreign ministers have now made it a tradition to invite their counterparts from Japan, China and South Korea for informal meetings at the occasion of the annual ASEAN Summits and the AMM. These so-called ASEAN Plus Three meetings have now become the main forum for the 13 East Asian countries. This forum is still at the very early stage of moving to become an institutional arrangement. This process has great symbolic significance, but it still is an empty process as it lacks substance.

The region is not short of common problems. A regional effort to dealing with those problems can have a rich and interesting agenda, ranging from the issue of appropriate forms of social safety nets to the development of common policies on various international economic issues such as on the global financial architecture. Most ideal for East Asia is the establishment of an OECD-type of institution in the region that can develop the agenda for the region *and* provide the substance for discussions and deliberation by policy makers. Short of this most countries in the region rely on the work undertaken by international, multilateral institutions such as the World Bank and the International Monetary Fund.

In the region's search for an institutional identity there has always been a strong tendency to embark on the development of *regional trade structures*. In a region as diverse as East Asia it will not be easy to establish a regional trading arrangement. There have been suggestions that perhaps such a regional trading arrangement can result from the development of bilateral or sub-regional trading arrangements as its building blocks. Recent initiatives to develop bilateral free trade arrangements (FTAs), such as between Korea and Japan, and between Singapore and Japan, may be inspired by that idea. Can they succeed?

Recent initiatives to develop bilateral FTAs cannot be generalized as each of them is driven by different motivations. One motivation is to use bilateral arrangements to provide new impetus to regional or global trade liberalization. The initiative by Bill Brock, the US Trade Representative, in the 1980s to develop bilateral FTAs involving the US was meant primarily as a means to force Europe to agree on a new round of multilateral trade negotiations. It was a dangerous game as it compromised US policy of promoting multilateral, non-discriminatory trade liberalization. The strategy has had an effect, largely because it is pursued by a superpower. Today in the region, a similar initiative is being undertaken by two of the smaller countries, Singapore and New Zealand. The Singapore-New Zealand FTA initiative is meant to provide a new stimulus to trade liberalization in the region. It was announced at the time New Zealand hosted the APEC ministerial and summit meetings and as such raised a lot of eyebrows. The argument that a Singapore-New Zealand FTA would not cause any trade diversion since both already have very low tariffs is certainly correct. However, exactly because this FTA does not threaten anyone it may not be able to achieve the objective of stimulating trade liberalization efforts in the region.

A Japan-Korea initiative is potentially more influential. In fact, when it was first announced it was ignored because it was doubtful whether they will be able to go far enough. If they do, however, it is important that the arrangement would not be discriminatory in nature. The primary objective of the Japan-Korea initiative is perhaps to cement the bilateral relationship that have greatly improved since last year. Even if so, its design will have to be consistent with the concept of open regionalism. Having abandoned its policy of not engaging itself in bilateral FTAs, Japan could not refuse to entertain the approaches by Singapore to develop a Singapore-Japan FTA.

Singapore may have felt that its initiative with New Zealand may not achieve its purpose and having observed the change in Japan's policy,

it is only logical that it approaches Japan. Japan, thus, has been drawn into a set of bilateral arrangements that eventually could produce a hub and spoke architecture with Japan as the hub. It is not known whether Japan has such ambitions.

There have been suggestions that the Japan-Korea initiative should logically be extended to include China because it otherwise would create serious political tensions. The inclusion of China would effectively transform the exercise in the direction of a bigger enterprise: the formation of a Northeast Asian subregional arrangement that eventually will be linked to the one already in existence in Southeast Asia (AFTA). A kind of East Asian regional architecture could emerge from this development.

There are many routes to developing an East Asian institutional identity. Perhaps the best option for the region is to develop an OECD-type institution. This is costly and takes away much of the limelight from the political leaders. Hence, this option is not likely to be pursued. One other route is by linking AFTA to a Northeast Asian free trade area. As discussed earlier, the Japan-Korea initiative may draw in China to result in a Northeast Asian regional structure of sorts. But AFTA, the older party in the twinning cannot provide leadership in crafting the link. In addition, having Japan in would require the group to comply with GATT Article XXIV. Yet another route is through financial cooperation. Various initiatives have been taken in this direction. ASEAN has instituted the surveillance process and may invite other East Asian countries to join in the exercise at a later stage. The creation of an Asian Monetary Fund could be part of the institutional setting. In addition, the idea of creating some kind of a common currency basket has been proposed. But it is difficult to see how these efforts could bring about institutional integration as they deeply impinge on sovereignty issues.

The route that is currently being taken, namely along the pragmatic, develop-as-you-go approach, is the only feasible one. There is nothing dramatic in this approach and thus far it is the one that is familiar to countries in the region and perhaps the one that they are comfortable with. Its manifestation today is the ASEAN Plus Three meetings, most importantly at the summit level. However, not much substance has been instilled into this process. As it is it meets the current psychological need of the region to have a regional forum. But this forum will not go far enough unless ASEAN plays a pro-active role in it.

ASEAN has gone through an interesting evolution over the past 30 years. There have been many changes but much remains the same. There

has been no institutional and philosophical break through. Regional cooperation in Southeast Asia remains a venture to enhance national sovereignty. ASEAN has not become an adventure in regional integration. There is a lot of rhetoric about integration. The decision to form AFTA looks like an attempt at regional integration. But it is not really so. It is driven by the need of each member to enhance economic competitiveness. This is to be achieved by some kind of cooperation. Reducing tariffs is the main focus of AFTA. But other forces are bringing down member economies' MFN tariffs. If AFTA can help accelerate this process of unilateral liberalization then it performs a useful role. In fact, this should be the main purpose of AFTA (Estanislao, 1997). In a sense this should also be the objective of APEC's trade liberalization agenda. But AFTA's role is gradually being directed towards becoming a justification for selective industrial protection. The case of the automotive industry clearly shows this danger. If indeed ASEAN accepts the proposal to institute some arrangement to compensate for backsliding by individual members, then AFTA will become an obstacle to enhancing regional economic competitiveness.

Economic integration in the region will nonetheless continue. This process will be driven largely by market forces, not by AFTA. The need to go beyond AFTA, to formulate and implement various measures to facilitate regional economic transactions, efforts that constitute AFTA Plus, becomes all the more urgent. AFTA involves negotiating tariff reductions. The political economy in many countries, and in the ASEAN setting, is such that a free trade arrangement becomes a convenient vehicle for protecting certain industries. AFTA Plus deals with mainly with capacity and institution building. These efforts would strengthen members to enhance their economic interactions. Many of these activities are more appropriately undertaken within the framework of ASEAN Plus Three. Indeed there is much talk about introducing 'ASEAN *minus plus*' schemes, meaning to say that not all ASEAN countries might be ready to participate but other non-ASEAN (East Asian or Western Pacific countries) can be included. A more workable surveillance mechanism may have to be 'ASEAN *minus plus*' arrangement.

But many ASEAN Plus issues are of a non-border type of issue that are politically sensitive. They are important to be addressed in today's globalized world. Policies and institutions need to adjust to this new reality. The wider regional setting allows for instituting a development cooperation agenda for capacity and institution building. This is also



where APEC is seen to be most useful. The original AFTA-CER initiative was meant to focus on this important agenda. The premature move to transforming this into a free trade area initiative may have been damaging, but the compromise to promote Closer Economic Partnership (CEP) could well provide a renewed stimulus to adopting a more elaborate trade and investment facilitation agenda.

Three conclusions can be drawn from this discussion. First, many important areas of economic cooperation to dealing with globalization are better undertaken within the wider regional arrangement than within ASEAN. This does not necessarily mean a dilution of ASEAN if ASEAN can organize itself to become the core of such undertaking. ASEAN should become *the core of ASEAN Plus Three* as the name suggests. Second, all these initiatives and efforts have a chance of success of there is a political will to deepening cooperation. This implies a willingness to surrender some national sovereignty for promoting regional interest. Globalization forces countries to promote enhanced regional cooperation. Third, the main underpinning of economic cooperation is essentially political cooperation.

## The Challenge to Renew ASEAN

ASEAN economic cooperation and integration is an unfinished story. ASEAN has had a successful track record in political cooperation. The main drivers of this political cooperation was the external political challenges, the Vietnam war, the withdrawal of the British forces from East of the Suez, the fall of Saigon, and the Cambodian conflict. The ASEAN foreign ministers were very much in action and performed well at the regional and international stage. But ASEAN political cooperation has been largely one of pooling of political resources. It has never been motivated by a *desire* for political integration. Economic integration can be driven by the market but only to some extent, although this can go quite far. But it can only be sustained by moves towards political integration.

At the age of 30-plus, ASEAN is neither an economic community nor a political community. It has become a diplomatic community, but this too has been weakening over the past few years. ASEAN has lost its diplomatic clout. At its height, it was able to gather support from the major powers within and outside the region to engage in a region-wide

political and security dialogue, the ARF. As developments within the ASEAN region itself no longer provides an impetus to mobilize political resources and to promote political cooperation, the focus has been shifting towards the wider region and the need to build a regional political and security order. The ARF's objective is to create a new regional political and security architecture. Yet the process appears to have been bogged down to protracted CBMs and failed to show signs of progress towards preventive diplomacy and conflict resolution. Here too, it seems, the problems lies with ASEAN's lack of readiness to deepen political cooperation.

The completion of the One Southeast Asia project turns out to be an anti-climax. The new ASEAN suffers from its own increasing weight. The expectation was that a bigger ASEAN, the ASEAN 10, would have greater diplomatic clout and would become a stronger diplomatic community. ASEAN's expansion made it also more difficult to transform ASEAN into an economic community, let alone a political community. But the clock cannot and should not be turned back. ASEAN 10 still has the potential to become a major regional player.

Having given birth to wider regional arrangements, the ARF and the ASEAN Plus Three, ASEAN can be diluted by them if they are 'hijacked' from ASEAN. If ASEAN cannot remain at the core of ARF and through AFTA Plus becomes the core of ASEAN Plus Three, that possibility is not unlikely to happen. Perhaps, there is no longer an ASEAN common interest that provides a basis for maintaining ASEAN as the core of those wider regional cooperation. The civil society in the region definitely thinks that this is indeed the case.

A new ASEAN must be invented. Although ASEAN must start anew because with the incorporation of the new members it has been taken many steps back, but it has the ARF and the ASEAN Plus Three as their basic platform to launch ASEAN's journey into the new millennium. A mature ASEAN is pre-requisite. Members must open up. Here is where the ASEAN civil society can contribute greatly. They have to be incorporated in the agenda setting of the new ASEAN.

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## 4

# **Human Dimensions of Taiwan — Southeast Asia Economic Interdependence: A Preliminary Observation**

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## **Introduction**

Literature on Taiwan's relations with Southeast Asia is heavily concentrated on Taiwan's regional economic relations and how they have contributed to Taipei's politico-diplomatic quest. There is little study of how the large-scale human exchanges and interactions between Taiwan and Southeast Asia brought about by the expanding economic linkages may also influence Taiwan's regional relations. Such human dimensions have materialized in the forms of migrant labor, workers in Taiwan-invested factories in the region, Southeast Asian brides married to Taiwanese, etc. Economists have studied the subject of migrant labor from perspectives of Taiwan's overseas direct investment and industrial restructuring.<sup>1</sup> There is also one study of relations between Taiwanese entrepreneurs and workers they employed in Vietnam, from the discipline of business management.<sup>2</sup> In addition, over the past two years or so, there has been some sociological study of Southeast Asian migrant labor and Vietnamese brides in Taiwan.<sup>3</sup>

Those studies have made valuable contributions to the study of Taiwan-Southeast Asia relations within their own disciplines. This paper, however, looks at those human dimensions from a broader angle and explores their impact on Taiwan's overall relations with the region. The human relations brought about by Taiwan's economic profile represent the first significant people-to-people interactions between Taiwan and Southeast Asia at the very grassroots level. Considering the numbers involved, they are bound to exert profound impact upon Taiwan's relations with the region in the new millennium.

This paper first reviews the background against which economic relations have created people interactions. This is followed by a tentative

study of the various diplomatic and socio-cultural meanings of such interactions. Then the paper looks into problems which have caused wide attention in the "outside world", to the detriment of Taiwan's international image: the plight of migrant workers in Taiwan and Southeast Asian workers in Taiwan-invested factories. To follow up that section, the paper advocates a new and socially sensitive "South-going Strategy" on the part of the Taiwanese government. Finally, it examines the social movement cooperation between Taiwan and other Asian countries to tackle a region-wide social justice issue, migrant labor.

A study of this nature is preliminary at best. It charts into unknown waters. Solid data is hard to gather. Limit in time and resources made it impossible for the author to conduct some of his own field surveys. Still, a useful observation has been made, and it is hoped that it helps open discussions of new issue areas in Taiwan-Southeast Asia relations which can hopefully reach more decisive analysis and judgement.

### **The External Human Dimensions of Taiwan's Economic "Miracle": A Background Review**

Taiwan stands as the world's 19<sup>th</sup> largest GNP, boasts 25<sup>th</sup> highest per capita income. It is the world's 15<sup>th</sup> largest trader, 6<sup>th</sup> largest source of foreign direct investment.<sup>4</sup> With more than US\$70 billion private investment overseas and US\$101.65 billion as the government's foreign reserve (the world's third largest), Taiwan has become the world's second largest credit nation, after Japan.<sup>5</sup> Underlining those abstract statistics, there are concrete human activities and exchanges, though such human factors are different in Taiwan's relations with different countries and regions. In general, it attests to a key argument of liberal internationalism: free trade and movement of capital would expand the range of contacts and levels of communication between the peoples of the world and encourage international friendship and understanding.

Before a more detailed discussion of the Southeast Asian aspect of those human factors, it is necessary to look at some grand statistics. According to the ROC Ministry of Transportation and Communications, during the period from January 1989 to September 1999, Taiwanese made 11,785,652 tours to six Southeast Asian countries (Singapore, Malaysia, Thailand, the Philippines, Indonesia and Vietnam). This made the region the second hottest destination for Taiwanese travelling abroad during the period.

only after Hong Kong's 18,067,086.<sup>6</sup> It remained the second place each year throughout the period.<sup>7</sup> Also, over that ten-year period as a whole, Thailand, Singapore, Malaysia, the Philippines and Indonesia were the 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> most visited destinations by Taiwanese respectively, with the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 7<sup>th</sup> and 8<sup>th</sup> places going to Hong Kong, Japan, USA, South Korea and Macao.<sup>9</sup> As for tours from the other direction, statistics published by Ministry of Transportation and Communications show that Malaysians, Singaporeans, Indonesians, the Filipinos and Thais (Vietnam not shown in the statistics) made 3,736,269 tours to Taiwan from January 1988 to September 1999.<sup>9</sup> This places the region as the second largest source of international visitors to Taiwan during that period, just after Japan's 10192610. It is also shown that Thailand, the Philippines, Singapore, Malaysia and Indonesia were, respectively, the 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> largest sources, with the 1<sup>st</sup> to 4<sup>th</sup> being Japan, US, Hong Kong and South Korea, and the 10<sup>th</sup> largest source being Germany.<sup>10</sup>

Those impressive numbers are not just about tourists in the conventional sense, since they include movement of people for all reasons: work, business, family reunion, conferences, as well as leisure. The following looks at three major forms of human movement brought about by Taiwan's economic success, needs and attractiveness: migrant labor, and Taiwanese entrepreneurs and indigenous workforce, and foreign brides in Taiwan.

### ***Migrant Labor***

International labor movement takes place from the peripheries to the centers in the North-South relations. Taiwan used to send out its own nationals to work overseas as laborers and fishermen. In fact, during the 1960s, Taiwanese even went to get jobs in the Philippines, widely considered at the time as one of Asia's most successful economic stories. Indicating its upgraded status in international economic interdependence, Taiwan has now become a net importer of labor since the late 1980s. According to the International Labor Organization, by 1998 there were between 70 million and 85 million migrant workers worldwide. Of this number, Asians accounted for between 10 million and 15 million.<sup>11</sup> Southeast Asian migrant labors, mainly from the Philippines, Thailand, Indonesia, and Malaysia, used to be concentrated in Middle East. However, since the late 1980s, with the decrease in oil prices and the Gulf War, the Arabian demand for foreign labor has decreased, and more Southeast Asians have come to the booming Asian tiger economies and Japan for employment.<sup>12</sup>

Those East Asian economic powers are in need of foreign labor because of the rising production cost caused by shortage of domestic labor in some traditional sectors in manufacturing, construction, fishing, domestic helping, etc. The attractive wages, plus appreciation of their currencies, made them new destinations of the labors from their poorer neighbors. In Taiwan's case in particular, the steep rises in production costs created an urgent need for changes in industrial structure in order to remain competitive in the international markets. Taiwan must restructure its economy by moving into higher value-added, more skill-intensive, and capital-intensive manufacturing, and into business and services, as well as transferring some traditional manufacturing operations overseas. However, to alleviate labor scarcity, measures to increase labor supply such as importing workers from abroad were also considered essential.<sup>13</sup> Considering that importing mainland Chinese workers is out of the question, policies and regulations have been made regarding the import of foreign contract laborers from Southeast Asia, a diplomatic priority zone. This import officially started in 1991, though a sizeable number of illegal ones were already working in Taiwan earlier.

According to the statistics of ROC Council of Labor Affairs (Table 1), by the end of 1995, the total of legally imported migrant labor in Taiwan was 189,051. It jumped to 309,424 by the end of June 2000. Of this, 140,487 workers came from Thailand, 109,279 from the Philippines, 55,779 from Indonesia, 3,743 from Vietnam, and 136 from Malaysia. Thus Thailand and the Philippines are the largest sources of migrant labor in Taiwan, though their main occupations are very different. More than 70% of the Thai labor are employed in the manufacturing sector, and 28% in construction industry, and only 1% in domestic helping and care-taking. Yet about 52% of Filipino labors are employed in manufacturing, 8% in construction, but about 40% are domestic helpers and care-taking.<sup>14</sup> Vietnamese are the latest newcomers in Taiwan's job market. During the old days of Vietnam-Soviet Union alliance, Hanoi sent its citizens to work in its powerful ally and Eastern Europe. Economic and social crisis in that region over the 1990s saw Vietnamese moving to Japan and South Korea for employment. In November 1999, the first batch of 34 Vietnamese girls arrived in Taiwan, kick-starting the implementation of the long-discussed labor deal between the two countries.<sup>15</sup> It is estimated that during 2000, around 10,000 Vietnamese will arrive to work in construction, manufacturing, domestic helping, and fishing.<sup>16</sup> Apart from those figures about the legally imported and employed workers, the

**Table 1. Foreign labors in Taiwan, based on nationality (Unit: person)**

	<i>Total</i>	<i>Indonesia</i>	<i>Malaysia</i>	<i>Philippines</i>	<i>Thailand</i>	<i>Vietnam</i>
1994	151,989	6,020	2,344	38,473	105,152	
1995	189,051	5,430	2,071	54,647	126,903	
1996	236,555	10,206	1,489	83,630	141,230	
1997	248,396	14,648	736	100,295	132,717	
1998	270,620	22,058	940	114,255	133,367	
1999	294,967	41,224	158	113,928	139,526	131
2000*	309,424	55,779	136	109,279	140,487	3,743

\*By June 2000

Source: Web site, Employment and Vocational Training Administration, Council of Labor Affairs, ROC.

Taiwanese government estimates that by 1999, there were about 30,000 illegals from Southeast Asia, mainly the Filipinos.<sup>17</sup> A significant development regarding labor import is that some big companies take large shares of migrant laborers. For example, ten big Taiwanese companies have hired more than 32,000 migrant laborers.<sup>18</sup> The Formosa Plastics Group, Taiwan's biggest conglomerate, has hired a total of 18,481, with 9,029 Thais, 7,765 Filipinos, and 1,687 Indonesians.<sup>19</sup>

### ***Taiwan's Regional Investment and its Human Dimensions***

The most potent symbol of Taiwan's regional economic strength is undoubtedly its huge investment in Southeast Asia. Rising costs in labor, raw materials and land, robust labor unions, and more stringent environmental protection regulations at home have created waves of Taiwanese direct investment in Southeast Asia since the late 1980s. Today, Taiwan is a major foreign investor in almost every Southeast Asian country except Singapore (see Table 2).

Taiwan's large investment naturally involves large number of human movement, settlement and employment, but probably more so than other international investors in Southeast Asia. During the late 1980s and early 1990s, Taiwan's regional investment was concentrated overwhelmingly in labor-intensive projects. Today, such projects are still the majority cases in the country's investment profile in Vietnam, Indonesia and the



**Table 2** Taiwan's investment in the ASEAN countries, 1959-1999

Countries	Thailand		Malaysia		Philippines		Indonesia		Singapore		Vietnam		Cambodia		Unit: US\$ million	
	Cases	Sum	Cases	Sum	Cases	Sum	Cases	Sum	Cases	Sum	Cases	Sum	Cases	Sum	Cases	Sum
1959-87	120	345.20	175	151.20	97	16.90	20	2,501.40	64	465.30	0	0	0	0	476	3,480.00
1988	308	859.90	111	306.10	86	109.90	16	913.00	3	6.40	0	0	0	0	524	2,195.30
1989	214	892.20	191	799.70	190	148.70	19	513.20	6	5.20	1	1.00	0	0	621	2,360.00
1990	144	782.70	270	2,347.80	158	140.70	94	618.30	10	47.60	17	251.00	0	0	693	4,188.10
1991	69	583.50	182	1,326.20	109	12.00	58	1,057.30	13	12.50	36	520.90	0	0	467	3,512.40
1992	44	289.90	137	574.70	27	9.10	23	563.30	11	8.80	37	561.60	0	0	279	2,007.40
1993	61	215.40	86	331.20	21	5.40	20	127.50	12	69.50	49	421.30	0	0	249	1,170.30
1994	88	477.50	100	1,122.80	42	267.80	48	2,487.50	19	100.70	78	518.60	2	0.60	377	4,975.50
1995	102	1,803.90	123	567.80	34	13.60	89	567.40	20	31.60	65	1,239.70	19	14.41	452	4,238.41
1996	66	2,785.20	79	310.40	22	7.40	111	534.60	54	165.00	48	534.30	34	163.73	414	4,500.63
1997	62	414.30	63	480.40	16	13.10	101	3,419.40	27	230.30	68	247.80	63	44.38	400	4,849.68
1998	77	253.60	74	263.40	19	5.41	91	165.45	56	158.18	70	440.60	25	144.26	412	1,430.90
1999	45	135.68	42	46.96	13	3.08	45	47.80	10	260.45	25	159.20	8	31.85	188	685.01
(Jan.-Jun.)																
Growth rate %		-11.67		-66.61		282.60		-55.98		976.21		39.89		7.24		
Accumulated total	1,400	9,838.93	1,633	8,628.64	834	753.00	726	13,627.9	305	1,561.53	494	4,896.00	151	399.23	5,543	39,705.2
Ranking		4		3		5		6		N/A.		2		3		

Source: Regional official statistics compiled by ROC Economics Ministry.

Philippines. Those traditional sector factories hire impressive numbers of locals. For example, a shoe factory in Jakarta operated by Pou Chen Corp., a major Taiwanese transnational shoemaker, had a 23,000-strong workforce in 1999.<sup>20</sup> Pou Chen's factory in Vietnam's Dong Nai Province hires 30,000 workers.<sup>21</sup> One source suggests that by the end of 1998, Taiwan-invested factories had hired 350,000 people in Vietnam.<sup>22</sup>

So far as the more capital-intensive or skill-intensive enterprises in Taiwan are concerned, their movement to Southeast Asia in the early 1990s was also to take advantage of cheap labor in the region. Though countries like Malaysia and Thailand no longer have cheap labor, labor cost there is still much lower than in Taiwan. In fact regional subsidiaries of those Taiwanese companies have always focused on the more labor-intensive end of the whole intra-enterprise division of labor. For example, Acer's factory in Malaysia's Penang City, producing computer monitors, hires 2,600 people, and this is about half of Acer's whole workforce. Meanwhile, Taiwan Liteon Electronic Co., another large electronics firm, operates two factories in Malaysia employing more than 2,000 locals.<sup>23</sup> Official statistics regarding the total number of workers employed in Taiwan-invested firms in the whole of Southeast Asia is not available. However, according to Chen Li-ying, of Chung-Hua Institution of Economic Research in Taipei, Taiwan-invested factories, numbering between 20,000 to 30,000, have employed four million to five million Southeast Asians.<sup>24</sup>

The human dimension of Taiwan's regional investment can also be looked at from other ways. As theories of economics suggest, in the process of foreign direct investment, managers and professional and technical workers accompany the investment.<sup>25</sup> Yet a unique phenomenon of Taiwanese investment is that because most of the investing firms are small and medium sized enterprises (SMEs) run by family circles, investment abroad means the owners and family members themselves must leave Taiwan and stay abroad with their business. In other words, a large portion of Taiwanese investment is a form of industrial migration. It means a piece of Taiwanese society has moved across borders to Southeast Asia. Since the number of SMEs is huge, the number of Taiwanese investors based in the region is also impressive. This explains why the Taiwanese government for a long time always had to negotiate with its regional counterparts about the issue of permanent residence status for Taiwanese investors. According to the estimate of Ministry of Foreign Affairs in Taipei, the number of Taiwanese investors and their

families in the ASEAN countries is about 150,000.<sup>26</sup> Other sources suggest that there are more than 60,000 Taiwanese businessmen in Bangkok alone<sup>27</sup>, 30,000 in Vietnam<sup>28</sup>, and 30,000 in Indonesia.<sup>29</sup> As a result of business investment turning into family migration, special schools have been set up in several spots of Taiwanese concentration, to look after the educational needs of Taiwanese businessmen's children. So far, the so-called "Taipei schools" operate in Jakarta, Surabaya, Kuala Lumpur, Penang, Bangkok, and Ho Chi Minh City.

### ***Southeast Asian Brides***

There is a long history of "marriage relationship" between Taiwan and Southeast Asia. Before Taipei permitted its citizens to visit mainland China in 1987, some aging and poor ROC soldiers of mainland background had their "marriage problem" solved by marrying even poorer Southeast Asian women. Ethnic Chinese girls were brought into Taiwan from Indonesia, the Philippines, Thailand and Malaysia, with the encouragement of the KMT regime.<sup>30</sup> This "inter-Chinese" marriage also happened between Taiwanese girls and Southeast Asian Chinese boys who came to Taiwan to study, and to a much limited extent between Taiwanese girls and Singaporean soldiers who came to Taiwan for training. In those two cases, there was the assumption by the Taiwanese side that life in Singapore and in those ethnic Chinese families who could afford to sent their children for overseas study must be better than in Taiwan. Since the 1990s, however, the "marriage relationship" between Taiwan and Southeast Asia is more a result of economic globalization. To be more specific, it is Taiwan's new economic attractiveness that lured women as well as migrant labor from Southeast Asia. Taiwan has become part of an international trend in which women in developing countries marry men in developed countries. For Southeast Asian (and mainland Chinese) women, Taiwan is simply one more destination, other than America, Japan, South Korea, and West Europe. While in the past, Taiwanese women followed their poor Asian counterparts in marrying Western and Japanese men, today Taiwanese men sit at the receiving end of international movement of brides. This somehow makes the trappings of Taiwan as a developed country complete.

The number of Southeast Asian brides (mainly from Vietnam and Indonesia) in Taiwan has been increasing rapidly. Statistics based on the number of visa issued to Southeast Asian brides by the Taiwanese

**Table 3. The number of Southeast Asian brides in Taiwan, based on visas issued (unit: person)**

<i>Countries Time</i>	<i>Indonesia</i>	<i>Malaysia</i>	<i>Philippines</i>	<i>Thailand, Burma</i>	<i>Singapore</i>	<i>Vietnam</i>	<i>Total</i>
1994	2,247	55	1,183	870	14	530	4,899
1995	2,409	86	1,757	1,301	52	1,969 (10.8%)	7,574
1996	2,950	73	2,085	1,973	18	4,113 (26.0%)	11,212
1997	2,464	96	2,128	2,211	50	9,060 (36.7%)	16,009
1998	2,331	102	544	1,173	85	4,644 (56.6%)	8,879
1999*	2,364	83	447	882	7	4,496 (52.3%) (51.7%)	8,702
Total	14,765	495	8,144	8,410	226	24,812 (43.3%)	57,275

\*Up to September 1999

Source: Tang Wen-hui and Tsay Ya-yu, "Globalization and Vietnamese brides in Taiwan (in Chinese)", paper presented at the conference "Globalization and sociological imagination: state, economy and society", January 15-16 January 2000, National Taiwan University, Taipei, p.3.

government (Table 3) indicate that between 1994 to September 1999, there were 57,275 Southeast Asian wives living in Taiwan. Among those, there were 24,812 Vietnamese (43.3%), 14,765 Indonesians, 8,410 Thais and Burmese, 8,144 Filipinos, 495 Malaysians, and 226 Singaporeans.

If the statistics covering the pre-1994 period are included, then the number of Vietnamese brides was 3,2000 by the end of 1999, about 45% of Southeast Asian brides in Taiwan.<sup>31</sup> Most Vietnamese women came from poor rural families, with the education background of 80% of them being at just primary level.<sup>32</sup> Most bridegrooms are rural men, most of them working as peasants, drivers, workers, and self-employed merchants. About half of them are just junior high graduates.<sup>33</sup> This picture regarding financial and educational background on both sides is typical of international bridal movement from poor to rich countries.

## Humans as Diplomatic Weapons

For different social and political groups in Taiwan, human relations with Southeast Asia have different meanings. So far as the Taiwanese government is concerned, a diplomatic meaning is obvious. Taiwan's capability to provide employment to regional peoples through investment and labor importation severs the purpose of cultivating politico-diplomatic relations with the ASEAN countries. This is particularly the case with Thailand and the Philippines. Since the mid-1990s, Taiwan has become one of the largest recipients of Filipino labor, and today about one third of overseas Thai labor is based in Taiwan.<sup>34</sup> The timing of Taipei's initiatives to import Southeast Asian labor clearly indicates that it has been part of the overall strategy of using the country's economic prowess to improve its diplomatic status in the region. The occasional discussion about importing labor from Central America and North Korea highlights a diplomatic agenda even more clearly. In relation to Vietnam, whose governmental connections with Taiwan are least developed in the region due to its special sensitivity to Beijing, labor business has so far at least created some precious opportunities for Taiwan's ministerial-level officials to visit Hanoi. For example, Chairman of Council of Labor Affairs went to Hanoi in May 1999 to witness the signing of an agreement on labor import, together with his Vietnamese counterpart.<sup>35</sup> In the aftermath of regional financial crisis, millions of migrant workers throughout Asia have faced expulsion. However, as one of the few economies relatively unscathed by the crisis, Taiwan has not curtailed the total number of labor import. Not to make more use of this capacity for diplomatic purpose would be unthinkable for the politically ostracized Taiwan.

In the Philippines, problem of unemployment has long been one of the most serious in the region. Compared to other sending countries of migrant labor, the Philippine economy has the highest dependence on labor's overseas earnings. Therefore, it is not surprising that there have been more reports about Taipei using the issue to gain diplomatic points from Manila. For example, when meeting the Philippine First Lady in May 1999, President Lee said, as a gift for the first anniversary of her husband's inauguration (coming in the following month), Taipei would increase the import quota for Filipino labor.<sup>36</sup> There have also been occasions when Taipei used the issue in a punitive fashion. For example, Taipei refused to sign a labor agreement with Manila in September 1999, unless Manila agreed to put the words "Republic of China" in the text.<sup>37</sup>

One month later, to force Manila to scrap its policy to cut down on the number of passengers flying China Airline and Eva Air from Manila to Taipei, Taipei brought in the Vietnamese labor as a warning. Then in June this year, Taipei imposed a three-month ban on the hiring of Filipinos to work on major manufacturing and public works projects in Taiwan.<sup>38</sup>

Apart from using the laborers as diplomatically useful statistics, Taipei's diplomatic struggle has clearly benefited in a more personal way. It is well known that just like their Taiwanese counterparts, some influential politicians (government officials and legislators) as well as politically well-connected businessmen in the Philippines, Indonesia and Thailand have become involved in the lucrative labor brokering business.<sup>39</sup> While this explains why the problem of exorbitant middle-man's charges remains unsolved, it is also true that the more fortune they make by exporting their poor fellow citizens to Taiwan, the more supportive they become of Taipei's diplomatic campaign. Since Taipei's diplomatic profile depends more on close personal relations than on institutionalized arrangement, it suits Taipei's interests to see foreign politicians and their business cronies deeply involved in economic relations with Taiwan and cutting a slice of Taiwan's economic pie. Diplomatic payback is obvious. Lee Teng-hui's visit to Thailand in February 1994, a major diplomatic break-through never repeated since, materialized because of the invitation by the New Aspiration Party, a member of the ruling coalition in that country. When Lee arrived in Phuket Island, leading politicians of that party, including the party boss and Home Minister Chaovalit Yongchaiyuth, Deputy Prime Minister Amnuay Virawan and Labor and Social Welfare Minister Paitoon Kaewthong all flocked to meet Lee. It was reported that the New Aspiration Party politicians had a controlling hand on the labor export business with Taiwan at that time and they desired more. Hence their warmth to Taipei.<sup>40</sup>

Labor import also serves Taipei's public relations activities in the West. A famous case is Lee Teng-hui's speech at Cornell University in March 1995. In order to show Taiwan's economic significance, the President proudly said: "at present there are 180,000 (Southeast Asian) workers in Taiwan. ...if on average each of them looks after a family of six, opportunities provided by Taiwan has been indirectly looking after the welfare of one million Southeast Asian people".<sup>41</sup> This numbers game was aimed at showing to the Americans that Taipei had not just achieved political and economic miracles at home, but had also been looking after other less fortunate peoples abroad. Indeed, Filipinos employed in Taiwan sent home more than US\$900 million a year.<sup>42</sup>

On the other hand, the large number of Taiwanese businessmen based in the region have also become a potent diplomatic instrument. The sheer numbers as well as individual wealth and connections with local elite help Taipei's diplomacy. With the guidance of Taipei, business associations have been organized in the Philippines, Malaysia, Indonesia, Thailand, Vietnam, Cambodia and Vietnam.<sup>43</sup> An Asian Taiwanese Chambers of Commerce was set up in 1993. Following that the World Taiwanese Chambers of Commerce was established. However, it is really the Southeast Asia-based associations which make up the numbers in the world body. Some of them have many branches throughout the host country. For example, the Taiwan Chambers of Commerce in Indonesia, set up in 1993, has member associations in at least six locations: Jakarta, Bandung, Serabaya, Batam Island, Medan, and Semarang.<sup>44</sup> Those associations are a useful lobbying force for the Taiwanese government. Many diplomatic break-through can not have been made without such organizations. Their activities have been closely coordinated with the government's diplomatic campaign. For example, the 3<sup>rd</sup> World Conference of World Taiwanese Chambers of Commerce was originally planned to be held in Taipei in September 1997, yet in order to create a right atmosphere for Lee Teng-hui's attendance at the World Conference on Panama Canal the same month, the grand show was relocated to Panama City.<sup>45</sup> Also, an Asian Taiwanese Chambers of Commerce meeting was held in Hanoi in April 1999, attended by some officials from Taipei and 400 Taiwanese businessmen from 30 countries. The gathering saw the attendance by a range of Vietnamese ministers and more than 30 provincial governors and deputy governors as well as 200 Vietnamese business representatives.<sup>46</sup> No other event could attract this sort of attention from Vietnamese officials to Taiwan.

## A New Trend of Social Contact

Market-driven human movement also means social contact. Migrant workers work and live in Taiwan, though their contact with the broader Taiwanese society is restrained by a draconian control of their living conditions. Southeast Asian wives live right in Taiwanese families. In terms of Taiwan-invested factories, Taiwanese-locals interaction is arguably closer than in other foreign-invested firms. Taiwanese firms usually spread across many parts of the host country, mainly because they

are mostly SMEs. Furthermore, being largely family businesses, SMEs' human relations are different from large Western — and Taiwanese — multinationals. In the latter case, expatriates are dispatched from home bases to stay in the host countries as senior managers and professionals only for a certain period of time. They are thus detached from the mundane chores on the factory floor and have little contact with local workers. In the case of SMEs, however, bosses and managers are almost permanently based in the host country and work more closely with the local workers.

Social interaction between Taiwan and Southeast Asia has developed in both breadth and depth. There is now a close Southeast Asian connection for all kinds of Taiwanese, from the business elite to housewives, and from university professors to less educated peasants. Another significant development is that social interaction has been less dominated by what could be called "Chinese affair". In the past, social and cultural contact between Taiwan and Southeast Asia was really between Chinese in Taiwan and ethnic Chinese in the region. Taiwanese cultural and artistic groups often visited Chinese communities in the region, and similar groups formed by the ethnic Chinese also performed in Taiwan. There were also ethnic Chinese coming from South Vietnam and Indonesia to resettle in Taiwan. The most institutionalized relationship was of the large number of ethnic Chinese youth coming to study in Taiwan's tertiary and secondary institutions. In fact, in Malaysia alone, there are more than 30,000 ethnic Chinese who graduated from universities in Taiwan.<sup>47</sup> This is just less than half of the global number of ethnic Chinese youth who have graduated from universities in Taiwan since the 1950s.<sup>48</sup> The inter-Chinese relations have also been developed through Singaporean soldiers training in Taiwan under the Starlight Project, though the depth of such relations is conceivably rather limited. Still, it is interesting to know that about 80% of the Singaporean males have some kind of "Taiwan experience" due to the military training.<sup>49</sup>

Ethnic Chinese linkages with Taiwan have continued since the 1990s, and it would be surprising otherwise. While some traditional programs such as education for ethnic Chinese youth in Taiwan have declined, due to the rising charges in Taiwan and China's competition, other forms of relations have flourished. For example, through investment in the region, Taiwanese business communities have forged broader and deeper cooperation with ethnic Chinese business groups there. Numerous ethnic Chinese, particularly those who used to study in Taiwan, have been employed in Taiwan-invested factories as white-collar staff. Furthermore,



Chinese cultural and business sites are must-visit places for the ever-expanding number of tourists from Taiwan. However, in the era of globalization, ethnic linkages between Taiwan and Southeast Asia have become more voluntary than in the past, when the Taiwanese government itself played a key role through its Commission on Overseas Chinese Affairs. Today's relations are mostly a function of the capital and trade market and the most dynamic players are Taiwanese businessmen, not *Huaqiao* as traditionally defined, namely the (pro-Kuomintang) elements in the regional Chinese communities. Taipei's conventional policy towards *Huaqiao* can hardly cope with the robust ethnic dimension of Taiwan's relations with Southeast Asia today. Though the state *Qiaowu Zhengce* (policy towards overseas Chinese) has been readjusted to co-opt the new dynamism, it has increasingly looked like a historical relic under the onslaught of those new developments. For example, "Taipei schools" are not under the purview of the Commission on Ethnic Chinese Affairs, which on the other hand has cared for ethnic Chinese schools in the region as its duty. How to spend resources for "new *Huaqiao*" or "*Taiqiao*" (Taiwanese businessmen and their families) as well as "old *Huaqiao*" (local ethnic Chinese) has constantly tested the wisdom of the Commission.

Meanwhile, the ethnic Chinese dimension of Taiwan's social relations with Southeast Asia has been increasingly balanced by non-Chinese connections. Migrant workers are not ethnic Chinese, neither are workers in Taiwan-invested factories. Southeast Asian brides are mixed in ethnicity. Indonesian brides are mostly ethnic Chinese, mainly Hakka.<sup>50</sup> Close relations between Taiwan and the old Kuomintang soldiers languishing in Thailand — Burma border and northern Thailand, and between Taiwan and ethnic Chinese community in the Philippines, may mean that brides from those three countries are also mostly ethnic Chinese. However, 75% of Vietnamese brides are not ethnic Chinese.<sup>51</sup> Since the number of Vietnamese brides is almost half of the total population of Southeast Asian brides in Taiwan, this means that compared to the two Chiangs' time, Taiwan's "marriage relationship" with the region is definitely no longer a "Chinese affair". It is also interesting to note that empathetic relations have been developed between many migrant workers and Taiwan aborigines, though the two groups are seen as mutually competitive in the job market (more because of employers' self-interested preference in favor of migrant workers who enjoy far less protection and rights than aborigines). Both groups have to leave their ancestral lands behind for the sake of financial survival (aborigines have to leave their tribal villages

to seek employment in cities), and both perceive themselves as discriminated against by the Chinese Taiwanese. In addition, historically, maritime Southeast Asians and Taiwan aborigines are said to come from the same ethnic and linguistic origin.<sup>52</sup>

If one can speak of an "international community" within Taiwan itself, then Southeast Asian migrant workers are indisputably the overwhelming majority of that community today. According to statistics released by ROC Ministry of Home Affairs, by the end of 1998, about 321,100 overseas peoples had come to reside in Taiwan, by holding long-term residence status or taking ROC citizenship. This number includes the mainland Chinese and Hong Kong relatives of ROC citizens, other overseas Chinese, migrant labor, and other non-Chinese peoples. However, the number of migrant labor was said to be 270,620, namely 84% of the total intake.<sup>53</sup> It can be assumed with confidence that during the period before the 1990s, "international community" in Taiwan, small at the time, was largely of Chinese background, with the majority being ethnic Chinese refugees fetched from countries like South Vietnam and Indonesia, and Southeast Asian Chinese youth who stayed on after finishing their study in Taiwan.

Taiwan-Southeast Asia relations in social terms are not just different from its past, but also different from Taiwan's relations with any other major countries or regions in the sense that the relations of the latter category are more unilateral than mutual in terms of human residence. For example, there is a sizeable Taiwanese community in mainland China, but there is no sizeable mainland Chinese community in Taiwan (except those aging post-1949 soldiers and political refugees). Even the mainland Chinese brides are just a fraction of international brides in Taiwan. Similarly, there is a sizeable Taiwanese community in USA, consisting of migrants and students, yet there is no large American community in Taiwan. It is in Taiwan-Southeast Asia relations that social interaction is mutually penetrating.

Strengthening of social bonds means an increased chance of mutual understanding, for better or worse, between Taiwan and regional societies at the very grassroots level. Cultural life in Taiwan has been enriched by such human interaction. For example, for the first time, tens of thousands of Philippine Catholics live with Taiwan's 300,000 Catholics in the same country. Similarly, tens of thousands of Southeast Asian Muslims share the same land with Taiwan's 60,000 Muslims and six mosques.<sup>54</sup> An observer noticed that there are more than 20,000 Muslims

in southern Taiwan who worship in the same mosque. The Muslim community there is ethnically diverse, composed primarily of Indonesian and Malaysian migrant workers, mainlanders who came to Taiwan with Chiang Kai-shek in 1949, and a handful of Middle Easterners who work or study in Taiwan.<sup>55</sup> In addition, though Buddhism is the largest religion in both Taiwan and Thailand, believers had never shared the same land until the Thai migrant workers flooded into Taiwan. Though marriage business is illegal in Vietnam (and is neither legal nor illegal in Taiwan itself), the Vietnamese government has turned a blind eye to it, and has actually become pragmatic enough to look at this as a glue between the two societies. Chu Cong Phung, First Deputy Head of the Vietnam Economic and Cultural Office in Taipei, boasted that by the end of 2000, there would be more than 40,000 Vietnamese living in Taiwan (including brides and labor), and then there would be Vietnamese noodle shops operating throughout Taiwan.<sup>56</sup> Vietnam's human exchanges with Taiwan have already led to the discovery of one interesting common social habit: areca chewing, a common custom not shared between Taiwan and mainland China, or between Taiwan and any other Southeast Asian country.<sup>57</sup>

### Taiwan's Image: A Regional Sweatshop?

While there are many positive results from the human interactions, close contact of that scale and nature implies potential for animosity, conflict and other problems. For all parties involved, frustrations have been caused by difficulties in social and cultural readjustment. Inadequacies in practices by the governments and corporations concerned have also regularly caused resentment. As for Taiwanese businessmen based in the region, major problems can also derive from crimes such as kidnapping (the Philippines), anti-Chinese riot (Indonesia), and political turmoil (Cambodia). The challenge most relevant to the making of Taiwan's regional image comes from experiences of migrant worker in Taiwan and workers in Taiwan-invested factories in the region.

The Taiwanese government has been sensitive to the country's image as a model international citizen. Numerous public relations resources have been spent to cultivate that image, particularly in the West. This underlines some of Taipei's efforts to tackle the issues in animal rights, environment, trade dispute, copy right protection, and cross-border crimes. In Southeast Asia, however, Taiwan's popular image has mostly to do

with the human interactions discussed above. In particular, giving the large human numbers involved, Taiwan's massive investment in the region and import of migrant workers directly determine the local popular feeling towards Taiwan. More specifically, how the local workers are treated (in terms of conditions, rights as well as pay) in Taiwan-invested factories and in Taiwan itself determine whether the people in the region can develop good will towards Taiwan. This becomes more obvious when one realizes that there is serious inadequacies in other exchanges which are usually relevant to a state's image making. For example, Taiwan is the only regional country which does not have a region-wide circulated English newspaper or other non-Chinese newspaper.<sup>58</sup> This makes it difficult for non-Chinese peoples in the region to know what Taiwan is up to. In fact, even the public relations materials printed by the Government Information Office for international consumption are rarely put out in a Southeast Asian indigenous language. Meanwhile, the only regional newspapers that have their own correspondents in Taiwan are those from Singapore's *Lian He Zao Bao* and *The Straits Times*.<sup>59</sup> International broadcasting programs of Taiwan's national radio station Central Broadcasting System, namely "Voice of Asia" and "Radio Taipei International", do have Vietnamese, Thai and Indonesian services. However, their time on air is extremely limited, and far shorter than the broadcasting time of Mandarin, Cantonese, Hakka, Amoy and English services. It seems the radio station is more interested in *Huaqiao*, old and new.

Though a comprehensive picture of the situation of workers in Taiwan-invested factories and migrant workers in Taiwan is difficult to draw, negative reports on both have become so common since the mid-1990s that they warrant serious attention. In the former case, investigation by Western and Southeast Asian labor rights and human rights NGOs and women groups of Taiwan-invested labor-intensive factories in Southeast Asia and China has suggested that Taiwanese investment has suffered from a severe public image problem in those business. This investigation is part of the international anti-sweatshop campaign which started in the mid-1990s and has been directed against Western brand-name companies in clothing, footwear, apparel and accessories, such as Nike, Reebok, Adidas, Wal-Mart, Kathie Lee (Gifford), Liz Claiborne, Disney and the Gap.<sup>60</sup> The issue at hand is that those large multinationals rely on a network of Taiwanese and South Korean subcontractors who manufacture those products in Southeast Asia and China by exploiting workers —

mostly women — in those countries in sweatshop conditions. This subcontracting business represents a bulk of regional investment projects by Taiwan's companies in labor-intensive sectors. Those Taiwanese companies, including the well-known large enterprises like the Pou Chen group and numerous SMEs, made their initial success in Taiwan by manufacturing brand-name products for Western companies, and were among the first Taiwanese investors relocating to the region and China when production costs in Taiwan rose from the late 1980s. Their importance in Taiwan's regional investment explains why the investment has contributed significantly to the regional countries' export to the Western countries.

Though there have been some piecemeal improvement because of international pressure, the sweatshop conditions have not been significantly changed. Resentment among the local workers has been generated by Taiwanese investors' disrespect for workers' basic rights, their carelessness about working conditions of the workers, and their militaristic management style. Throughout the second half of the 1990s, numerous investigative reports were publicized about Taiwan investors' misconduct in labor practices. Local workforce in Vietnam, Indonesia, the Philippines and China complained of forced excessive work, arbitrary abuse, union bashing, subhuman health and safety conditions, wages which did not cover basic physical needs, the use of corporal punishment, and child labor.<sup>61</sup> Many of the Taiwanese factories under international criticism did not even follow local official standards and laws on labor practices which were already very low. The anti-sweatshop campaign has moved to Taiwan itself more recently. At an international conference on labor issues in Taipei in May 1999, labor activists from the Philippines, Thailand and Indonesia bluntly called Taiwan "exporter of occupational health disaster", demanding that the Taiwanese government should monitor Taiwanese investors' behavior overseas. Indonesian activists disclosed that Taiwanese investors sometimes badly beat the disobedient child labor, or treated them to solitary confinement. And there were numerous cases of sexual harassment by Taiwanese managers. Participants at the conference strongly called for a code of conduct to be made by the government in Taipei.<sup>62</sup>

The reported cases of labor abuse by Taiwanese businessmen and managers are too numerous to count. Several cases in 1997 particularly caught the attention of regional and Western activists. On March 8 that year, namely the International Women's Day, a Taiwanese supervisor at

the Pou Chen factory in Vietnam's Dong Nai Province forced 56 women workers to run around the factory in hot sun as a punishment for minor mistakes at work. Eleven of them suffered shock symptoms and fainted on the spot, and one became unconscious. People all over Vietnam were outraged that on the International Women's Day, a group of Vietnamese women were so abused in a foreign-invested factory. A few days later, *The Nguoi Lao Dong (The Worker)* newspaper reported the case with the title "The gift for International Women's Day from Pou Chen Company: humiliating women workers".<sup>63</sup> Later that year, the Inspection Department of Vietnam's Ministry of Labor, War Invalids and Social Affairs released a report after spending a year following the labor practices of more than 70 foreign-invested firms. It claimed that Taiwanese and South Korean firms were simply the worst corporate citizens, and were more likely than any other foreign investors to violate local laws on minimum wages, disciplinary punishment, and social welfare.<sup>64</sup>

A large Nike shoe factory operated by Taiwan's Feng Tay company in Banjaran, West Java of Indonesia, also caught international attention because of its brutal labor practices. A report, on the basis of two-month long research on the factory in 1997, showed that the factory, which employed 7,000 workers, 75% of them being village women, was called "Satan's factory" or "prison" by the local community. Inhuman working conditions had turned workers into "walking ghosts". Problems exposed include forced overwork, underpay, rejection of collective bargaining, refusal to supply health benefits, physical abuse of workers, and at least one case of exhaustion-caused death.<sup>65</sup> It was also discovered that among the many foreign investors operating about 20 factories in that region, Taiwanese businessmen were most hated and despised by the locals.<sup>66</sup>

In 1997, some Philippine labor activists launched a campaign to seek justice for Carmelitz Alonzo, a woman worker who died of excessive work at a Taiwanese-owned garment factory (V.T. Fashion) producing for Liz Clairborne and the Gap and located in the Cavite Export Processing Zone in Cavite Province. It was exposed that the factory, which employed 1046 largely women workers, and its two sister factories (All Asia Garments and Excellent Quality Apparel, both Taiwan-invested) shared brutal working conditions under which workers were exploited.<sup>67</sup>

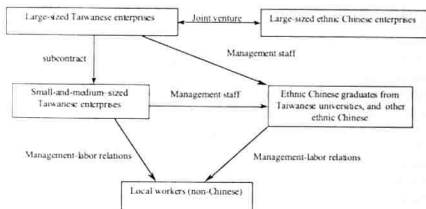
A Taiwanese research has discovered that many Taiwanese businessmen and managers, especially those operating SMEs, are not well educated in "modern" management practices, particularly in an international scene. As a result, their past experiences in military service, compulsory in

Taiwan, provided the basic clue as to how to manage a large workforce.<sup>68</sup> Their patriarchal control mentality is also a legacy of the common business practice in Taiwan during the heyday of the country's export-promotion strategy. During those years, Taiwan prospered by flooding the world market with products from its labor-intensive industries. The business collaborated with the state in lowering the wages and controlling the union movement, in order to improve investment environment and raise the country's competitiveness in the international market. As a result, inhuman working conditions, hideous exploitations and serious environmental detriment were the norm. From the late 1980s, labor movement and rising environmental standards kicked a large portion of "sweatshop Taiwan", both its hardware and software, to Southeast Asia and mainland China, where cheap, obedient, disciplined, and non-unionized labor were seen to be still in abundant supply and quick bucks could still be made. The governments in those countries, anxious to industrialize at all cost, are either unwilling or unable to act against international corporations since international capital is heavily relied upon to create employment. In fact, corruptive collaboration among local governments, international investors and local capital is a major obstacle to the improvement of the workers' lot. The limited improvement in Taiwan-invested factories in Southeast Asia and China in more recent time is really the result of the struggle launched by Western human rights and consumer groups and labor unions. Through public awareness campaign and consumer boycott, those organizations have forced the above-mentioned brand-name Western companies to pressure their Taiwanese subcontractors regarding their labor practices. Western governments have also come under pressure from civil society activists to urge those powerful companies to improve the conditions in which their brand-name products are manufactured overseas.

One sometimes hears that some Taiwan-invested factories have taken interest in charity work, giving material or financial donations to the local communities. It is even said that some of those factories in Indonesia were exempt from brutal treatment by the rioters in May 1998 because of this generosity. Also, during the recent economic crisis in Indonesia, a number of Taiwanese factories donated packages of rice, sugar and cooking oil to the poor, with some businessmen participating in the regional relief work launched by Taiwan's Tzu Chi Buddhist Charity Foundation.<sup>69</sup> However, such traditional-style charity, aimed at facilitating public relations and thus assisting real business, and very

often with an intention to cultivate relations with local political and military elite, does not detract from the significance of reform in labor practices.

Another common — but probably natural — problem with Taiwanese business in Southeast Asia is racial. Some cases of Taiwanese factories taking care of local workers' cultural and religious activities do not distract the popular attention away from a broad picture of racial stratification. Taiwanese businessmen in Southeast Asia tend to treat ethnic Chinese (both local or from third sources) better in both material and personal terms. For example, Muchtar Pakpahan, the leading trade union activist in Indonesia who heads the main independent trade union SBSI and was jailed during the Suharto regime, complained that in many foreign-invested factories, ethnic Chinese were paid more and treated better than non-Chinese Indonesians.<sup>70</sup> According to a study by Hsiao and Kung, in a Taiwan-invested factory in Southeast Asia, non-Chinese locals typically sit at the bottom in the management system (see Figure 1). Thus, the Southeast Asian chapter of Taiwan's economic globalization carries with it a large dose of racial preference, if not pure discrimination.



**Figure 1. Network of Taiwanese investors and ethnic Chinese in Southeast Asia**

Source: Hsin-Huang Hsiao, I-Chun Kung, *Business Networks between Taiwanese Businessmen and Ethnic Chinese in Southeast Asia* (in Chinese) (PROSEA Occasional Paper, No.17, May 1998, Program For Southeast Asian Area Studies, Academia Sinica, Taipei), p.21.



This can be explosive in the long run in this particular region. Indigenous resentment against ethnic Chinese business, caused by economic and socio-cultural issues, has been a regular political feature in the region. Racial preference in Taiwanese business could become part of the "Chinese problem" in domestic politics in the region, engulfing Taiwanese business in a crisis in a way neither the Taiwanese government nor businessmen themselves can control.

An issue similar to the treatment of workers in the region is the treatment of Southeast Asian migrant laborers in Taiwan. Given their massive number, their perceptions of Taiwan inevitably influence the popular perceptions in the region. Having realized this point, two Taiwanese scholars did a survey in October 1997, studying migrant labor's perceptions of their working conditions and living conditions provided by employers and their perceptions of Taiwanese people in general. The category of working conditions includes the items of: nature and kind of work, wages, safety & sanitation conditions of workplace, work load, work hours, attitude and behavior of the employer, work facilities, work efficiency, and style of management. With 123 Southeast Asian labors responding to the questionnaires, the survey shows that 35.7% of them said that the working conditions were "good", about 46% said they were "just so-so", and 16.5% stated they were "no good". In general, the style of management, wage and workload were given the lowest marks.<sup>71</sup> The category of living conditions concerns the quality of the services provided by employers (by contract) in the following areas: food, accommodation, health care, language and communication, home - visit, saving and remittance, breaks and holidays, leisure activities, social contact, relations with local workforce, and religious activities. About 38% of those surveyed said that living conditions were "good", 39% claimed they were "just so-so", about 22% stated they were "no good", and the rest had no opinion. Items of leisure activities, food, and breaks/holidays received lowest marks.<sup>72</sup> In short, the survey shows that far less than half of the respondents felt positive about working and living conditions in Taiwan. Perceptions of Taiwanese people are more favorable. As for the survey question "Taiwanese are friendly", a higher percentage of respondents (54.5%) answered "yes", 32.5% stated "don't know", and 13% said "no". Response to the question "Taiwanese like to offer help" is slightly less favorable: 48.8% said "yes", 35.0% said "don't know", 14.6% said "no", and 1.6% didn't answer the question. To the question "Taiwanese respect migrant labors", 43.1% of the respondents said "yes".

33.3% said "don't know", 22.8% said "no", 0.8% didn't answer the question.<sup>73</sup> The worst impression was made of Taiwanese brokering business or recruitment agencies, through which around 78.6% of the respondents came to work in Taiwan.<sup>74</sup> Only about 20% of respondents stated that brokers provided good service and charged reasonably, while only 9.8% said they did not see Taiwanese brokers discriminating against migrant labor.<sup>75</sup>

Interviews at Taiwan — invested factories in Southeast Asia and China by Western activists have already shown that workers usually fear reprisal for expressing the negative opinions. Thus interviews have to be conducted far away from factories. If this is the situation in their own countries, one may wonder whether migrant workers in Taiwan itself would express their opinions to Taiwanese researchers in a frank way as they wished, when both their living and working conditions are under "management" of Taiwanese employers. However, even if the results in the above survey reflect the true feeling of respondents, they show a large room for improvement. This is because Taiwan, given its diplomatic isolation, needs positive perceptions from a much higher percentage of respondents. In fact, there are also other surveys which show even less positive results. For example, one conducted more recently by Kaohsiung Medical School shows that 58% of the migrant labor surveyed felt that Taiwanese society discriminated against them.<sup>76</sup>

There is a common negative perception of the situation of migrant workers in Taiwan, in terms of working and living conditions, particularly among those NGO activists who have been working on this issue for many years. Mounting cases indicate that migrant workers, particularly the illegal elements among them, are subject to open abuses and blatant exploitation that can turn what appears to be lucrative work into indentured servitude. This is because of a lack of legal protection and welfare assistance, and exorbitant processing and placement fees charged by brokers which put a migrant labor in deep debt even before he or she arrives in Taiwan. Compounding the plight is the inadequate intervention from the sending countries' governments (due to a fear that Taipei may cut down on the import quota), though Manila has been increasingly assertive over the recent years (discussed below).<sup>77</sup> The brokerage problem seems to be particularly serious in Taiwan. One investigation in 1997 suggests that while stories of overseas workers being mistreated in their host countries were nothing new, the problem was especially acute in Taiwan largely because of a near-racket run by brokerages importing

foreign labor to the island.<sup>78</sup> According to Eliot S. Cojuangco, Labor Representative at Manila Economic and Cultural Office in Taipei, while it is true that the income for a migrant labor in Taiwan, about NTS15,680 per month, is higher than in other countries (a fact repeatedly highlighted by Taiwanese officials), the figure is superficial. This is not just because the money is in disproportion to the excessive work, but also because the greedy Taiwanese brokers "suck the blood" of workers. During a standard two or three year contract, something between NTS140,000 to NTS160,000 (about half of a labor's annual income) earned by a worker go to brokers' pockets each year. His or her financial situation is made worse by common practices of unpaid or underpaid salary and forced saving. The Philippine official claimed that Taiwanese brokerages are a menace which migrant workers do not face as seriously in other receiving countries.<sup>79</sup> Meanwhile, there is racism in Taiwanese society. Migrant workers are blamed for all sorts of social woes including crime and epidemic disease, and accused of stealing jobs from aboriginal peoples in Taiwan.<sup>80</sup>

In the mid-1990s, there was already a realization in Taiwan that the rising crime rate among those guest labors might reflect employers' failure to provide reasonable and humane conditions for them.<sup>81</sup> This realization has been reinforced more recently. Many cases of mass gang fighting among Thai, Philippine and Indonesian workers in Formosa Plastics factories during August-September 1999 prompted popular debate on the issue of migrant labor.<sup>82</sup> Trade union and NGO activists argued strongly that those incidents simply reflected a policy which treated migrant workers as robots, to be confined to factory compound as much as possible. They were expected to work, live and then leave quietly. They were the most unprotected, voiceless and faceless people in Taiwan, working and living in miserable conditions, without adequate cultural, social and linguistic services. Little efforts had been made to understand their cultural and social needs as humans.<sup>83</sup>

## **A New "South-going Strategy", with Social Responsibility**

The Taiwanese government's policy aimed at encouraging economic relations with Southeast Asia is called "South-going Strategy", officially initiated in December 1993 with the release of a document entitled

"Policy Statement on South-going Investment" by the Economics Ministry. Since then three more official documents have been released regarding the strategy. They are: "Program for Strengthening Economic and Trade Work towards Southeast Asia" (by Economics Ministry, February 1994); "Program for Strengthening Economic and Trade Work towards Southeast Asia, Australia and New Zealand" (by Council of Economic Planning and Development, May 1997); and "Action Plans and Specific Measures to Strengthen Economic and Trade Relations with Southeast Asia" (by Council of Economic Planning and Development, March 1998). Meanwhile, government officials have made many statements regarding Taiwan's investment and trade relations with the region. A close scrutiny of those documents and statements indicate that they are full of concepts of old style economic rationalism, such as "cheap labor", "abundant natural resources", "economic complementarity", "investment incentive". There is little touch of social justice and humanity. In general, the issue of treating local workers as individuals to be well respected does not arise. Similarly, there are no human rights goals in Taipei's declared guideline for its international development aid.<sup>84</sup> The Taiwanese government has not been more society-oriented than the Taiwanese businessmen regarding economic relations with Southeast Asia. Just like the businessmen, some Taiwanese officials assume that since investment provides employment to the locals, and thus raises their living standard, they would love Taiwan. This attitude, condescending in the first place, ignores the actual resentment on the ground caused by the sweatshop management style, inhuman working conditions and subsistence wages in Taiwan-invested factories. It is true that as an individual, President Lee Teng-hui showed much concern for the welfare of workers, Taiwanese and foreign, and often spoke of this issue from his Christian values. During his visit to Indonesia in February 1994, he took time to visit a large aerospace enterprise (IPTN) in Bandung, a pet project of Habibie, the then Indonesian Minister of Research and Technology, and expressed great interest in the conditions of the workers.<sup>85</sup> However, this personal concern was not translated into Taipei's policy practice. In fact, Lee should have chosen to visit some Taiwan-invested factories there, rather than a model project controlled by Suharto's crony, to express that sort of interest.

It is disappointing to see that Taipei's rescue measures for Southeast Asia in the aftermath of the regional financial crisis since 1997 is just as conservative as, if not more so than, the IMF-designed policies. While

the masses' poverty and social and racial tension caused by the crisis would call for a socially responsive aid package which ideally could contain some affirmative action components, such as was not the case with Taipei's policy. There were several key components in Taipei's measures. First, there was the above-mentioned "Action Plans and Specific Measures to Strengthen Economic and Trade Relations with Southeast Asia" made in 1998. It was intended to assist Taiwanese firms based in the region hard hit by the currency turmoil, mainly through offers of bank loans. Second, with the assistance of the government, a holding company called Southeast Asia Investment Company was formed by KMT-controlled enterprises such as China Development Corp and other big Taiwanese corporations. With a capital of US\$600 million, the company launched new projects and made acquisitions of the existing stock-listing company shares.<sup>86</sup> Third, at the behest of the Taiwanese government, Jeffrey Koo, one of Taiwan's leading tycoons and Chairman of Chinatrust Commercial Bank, put forward an Asian "self-help" proposal at the APEC Summit in 1998. The proposal, drafted by Koo — chaired Financial Crisis Taskforce of APEC Business Advisory Council (ABAC), raised the concept of Collateralized Bond Obligations (CBO). Under this scheme, Taiwan and other more robust APEC economies could help out the troubled Asian neighbors by guaranteeing new state bonds and thus channeling private sector investment.<sup>87</sup> Fourth, the Central Bank of Taiwan provided special loans to the state banks in Indonesia, Malaysia, the Philippines and Thailand, and also injected certain US dollar deposits into those regional banks, in order to smooth the monetary flow. The exact amount involved on both counts was considered too sensitive diplomatically to disclose.<sup>88</sup> Fifth, Taiwan's Central Bank assisted private banks to cooperate with Asian Development Bank to provide loans to their counterparts in the troubled Southeast Asian countries. Though the exact sum has been again not disclosed, one report suggests that nine Taiwanese banks (including Jiao Tong Bank, United Overseas Chinese Bank, and International Commercial Bank of China) joined some US and Japanese banks in providing a US\$1 billion loan to the Import and Export Bank of Thailand, with ADB and the Thai government being guarantors. Those Taiwanese banks contributed a total of US\$84 million.<sup>89</sup>

While laudable in a conventional and dry financial sense, the Taiwanese rescue measures appeared to be purely business-oriented and aimed at cultivating relations with top business and political elite in the region. While the big Taiwanese capitalists like Jeffrey Koo and Liu Tai-ying

(the man who operated the Kuomintang enterprises) were interested in "buying cheap" in the crumbling regional markets, the Taiwanese government was not interested in seizing the crisis as an opportunity to present a new image of a socially compassionate Taiwan either. Another classic example was the communication between Chiang Pin-kung, Chairperson of the Council for Economic Planning and Development, and President Estrada of the Philippines, at the September 1999 APEC summit in Auckland, New Zealand. Speaking of Taiwan's economic relations with the Philippines, Chiang, who attended the summit on behalf of President Lee, criticizing the strikes by the robust trade unions in the Philippines, complaining that this worried many Taiwanese investors.<sup>90</sup> It seemed difficult for Taiwanese officials to go beyond a capitalist's perspectives, even when they were dealing with a country famous for its social crisis and human suffering and popular struggle to rectify social injustice.

The Taiwanese government cannot get away by just pointing out that it is not in control of Taiwan's own multinational companies. Many Taiwanese investors, particularly those operating large projects in Southeast Asia, collaborated closely with officials in charge of "South-going Strategy". They responded closely to guidelines and incentives provided by Taipei. In any case, governments in leading Western countries such as the US, whose standards on human rights Taipei has always declared to follow, have at least issued "codes of conduct" for those countries' multinationals to follow in their overseas investment activities, concerning human rights and working conditions of foreign workers, and the issue of environment protection. Such codes are based on a substantial body of international human rights law that is supposed to govern economic transactions and enterprises. Those codes make it clear that foreign workforce should enjoy the right to free assembly, collective bargaining, decent working conditions and living standards, and practice of forced labor and child labor should be prohibited.<sup>91</sup> A US presidential task force, the White House Apparel Industry Partnership, was formed by a group of NGOs, corporations, and government officials in 1996 to ensure that sweatshop conditions of overseas factories subcontracting for US companies be improved. During the late 1990s, under international pressure mainly from Western trade unions and NGOs in human rights and consumer rights, many American and other Western multinationals hammered out good-behavior codes for their overseas subcontractors such as those from Taiwan investing in Southeast Asia and mainland

China. However, despite some piecemeal improvement, behavior of Taiwanese firms shows there is still a long way to go in the implementation of those voluntary codes. Hence a role for the Taiwanese government itself in working out a new edition of "South-going Strategy", an edition which takes into account social responsibility of business.

There is a historical lesson. Japanese government spent enormous public relations efforts to improve Japan's image in Southeast Asia during the first two decades after the Pacific War. However, thanks to Japanese investors' exclusive and exploitative behavior on the ground in that region, the label "economic animal" was what Japan achieved in terms of popular regional perceptions.<sup>92</sup> In an extensive research, Bryant found that Japanese businessmen were respected but not well liked. They worked hard and were respected both for personal conduct and for high quality goods, but their motivation was still thought to be strictly commercial.<sup>93</sup> In addition, Japanese cultural homogeneity set Japanese business communities apart from local peoples. They enjoyed their own clubs and schools, lacking cordial relations with the peoples of the host countries.<sup>94</sup> The anti-Japanese riots in Indonesia and Thailand in 1974, triggered by Japanese business behavior, suggest that without a human face and a sense of social justice, economic strength alone might not improve a nation-state's image. If one re-focuses Bryant's research on Taiwanese business in Southeast Asia, the result can be conceivably even less favorable.

A new edition of "South-going Strategy" should also include a new policy towards the Southeast Asian migrant labor in Taiwan. Since the inception of labor importation policy in the early 1990s, the Taiwanese government's approach has been very business-oriented, in favor of Taiwan's own employers. It has treated living and laboring humans largely as abstract statistics, as seen vividly in Lee Teng-hui's speech at Cornell University. Those statistics have been used to impress the Southeast Asian governments and bargain with regional politicians at the negotiation table. It is true that the Taiwanese government has made efforts to improve the situation of migrant labors since 1997. This is partly because of a mounting external pressure, particularly from the Philippine government, and partly because of the realization that some practices by employers and brokers have increased social and financial cost to Taiwan itself. For example, heavy exploitation and exorbitant charges have made many migrant workers behave irrationally, trying to make and save money at all cost. Many constantly switch employers looking for better

deals, or have overstayed their work visa and "disappeared" into Taiwanese society, and some have even committed crimes. Taipei's policies since 1997 have made it possible for employers to directly recruit foreign laborers through government channels, trying to reduce brokers' chance of exploitation. Brokerage institutions, while continuing to flourish, are urged to make their charges transparent and reasonable. This measure is supposed to benefit both migrant labors and employers, by removing or reducing the charges they both have to pay to brokers. It is also meant to make workers less likely to switch employers or "disappear" just in order to make enough money to pay for the debt incurred by the astronomical brokerage fees. In addition, the government has begun to deal more seriously with some illegal practices by employers, such as withholding workers' ID documents (as a way of control) and deduction of their salaries by making up various excuses. Also, in some cases of employers' malpractice, workers are now legally allowed to switch employers, thus reducing the latter's chance for blatant exploitation. However, despite those reform measures by Taipei, the working and living conditions of migrant workers and their human rights have not been improved fundamentally. Overall those measures have been designed to benefit Taiwanese business and society first and foremost. A policy package to provide humane and just treatment to the workers as individuals is conspicuously lacking.

A lack of sensitivity to the broad social justice dimension is seen not just in domestic policies, but also in dealing with the Philippine government with respect to the labor's rights, conditions and welfare, when Manila did raise complaints. As the world's second largest (after Mexico) sender of migrant labor, having over 4.2 million workers based in 120 countries in 1995<sup>95</sup>, the Philippines has been extremely sensitive to those laborers' overseas plight. The feelings of millions of families are linked to this issue. Particularly, major cases of severe injustice, whether real or perceived, can easily cause sharp and sustained national outcry. For example, the country was rocked in 1995 by the hanging in Singapore of a maid convicted of a murder, and a death sentence meted out to a maid in the United Arab Emirates. The government responded to the public outcry by enacting a Migrant Workers and Overseas Employment Act, and instructing its diplomats to actively protect Philippine migrants.<sup>96</sup> The Singapore case not only spoiled bilateral interstate relations but also damaged Singapore's public image in the Philippines beyond immediate repair (and an internationally circulated Filipino movie made of the Flor



Contemplation story further complicated the situation). Under public pressure regarding cases of abuses suffered by Filipino labor in Taiwan, a Labor Center was set up within the Manila Economic and Cultural Office in Taipei in 1992 (LC is an organ of the Philippine Overseas Employment Administration, Department of Labor).<sup>97</sup> In June 1995, a "Presidential Fact Finding Commission" came to Taiwan, amid wide complaints by Filipino labors in Taiwan. The complaints about employers and brokers included: exaction of exorbitant fees, illegal dismissal, maltreatment, illegally charged repatriation bond, sexual abuse/rape, underpayment, unpaid salary, delayed payment, unsafe working conditions, slow remittance, abusive management, etc.<sup>98</sup> In fact, President Ramos asked Taipei several times to improve the conditions of the Filipino workers.<sup>99</sup> The Philippine politicians cannot afford to look weak on this issue in domestic political context. In 1999, the Philippine Overseas Employment Administration made regulations to the extent that in the case of a labor dispute, both parties involved — namely including Taiwanese employers or brokers — should come to a Philippine court. Furthermore, for a Taiwanese brokerage agency to deal in Philippine labor, it would have to get accreditation from LC.<sup>100</sup> Though the Taiwanese government has made policy changes in reaction to Manila's complaint, a more significant aspect of its reaction is its resistance to such complaint. Some Taiwanese business groups, mostly brokers, even claimed that Manila was just trying to gain political points over Taipei by taking advantage of Taiwan's precarious diplomatic position. Some Taiwanese officials put forward a condescending attitude, saying that Taiwan offered the highest income for migrant workers in Asia, and thus if given a choice, Filipinos would always choose Taiwan as a top destination. In such arguments, little is heard on the issue of rights and justice. Both the Taiwanese government and brokers were outraged by Manila's actions in 1999 and were quick to accuse Manila of interfering in Taiwan's internal affairs. Regardless of the legal justifiability of Manila's measures, the point is that the Taiwanese government was not much more advanced than brokers in trying to understand why Manila had to go to that length to protect its own labors in Taiwan. Further, accusation of interference in internal affairs deviated from Taipei's usual international standard, since it always liked to see the Western countries interfere in the domestic human rights issues of mainland China.

A new edition of "South-going Strategy" should also pay attention to the issue of environmental protection. One major reason for many

Taiwanese investors to relocate to Southeast Asia is the increased environmental standards in Taiwan. Also, pulp mills and wood processing plants like to move closer to the forests in Indonesia, Thailand and Vietnam. Taiwan-invested factories in the region and mainland China are generally not known for terribly good environmental record. In fact, some NGO activists in the region periodically singled out the Taiwanese as the investors most likely to flout local environmental regulations.<sup>101</sup> In terms of logging industry, Taiwanese loggers have been most daring and wanton in destroying the natural environment in Cambodia, where desperate poverty and government corruption assisted the hands of foreign loggers. Based on careful monitoring of Cambodia's forest sector and the conduct of logging concessionaires since 1994, Global Witness (a British environmental NGO) released a report in January 2000. The report listed four Taiwanese logging companies operating in Cambodia as the nation's "dirtiest".<sup>102</sup> The four companies — Pheapimex-Fuchan, Hero Taiwan, Long Day Machinery and Lang Song International — topped the list of 12 logging concessionaires accused of an alarming variety of serious infractions of Cambodia's forest code including poor forest management, illegal logging, intimidation, violence and serious breaches of their concession agreement with the Cambodian government. Global Witness documented a litany of "forest crimes" committed by the four Taiwanese companies, ranging from illegal logging of "spirit forest" areas of Cambodian hill-tribes people (Hero Taiwan) to illegal military-backed deforestation of Cambodian national parks (Long Day Machinery and Lang Song International). The most damning allegations were leveled at Pheapimex-Fuchan, which was accused of intimidation and murder and was said to get away with such crimes because of its close links with Cambodian Prime Minister Hun Sen.<sup>103</sup>

Again in Cambodia, Taiwan's biggest conglomerate, the Formosa Plastics Group, has committed the worst act of toxic waste dumping in Southeast Asia's recent history. In December 1998, the Formosa Plastics Group, dumped 2,900 tonnes of high toxic waste outside of Sihanoukville, Cambodia. Those mercury-tainted materials, shipped to Cambodia in as many as 144 containers, were produced in the 1980s at a Formosa Plastics Group polyvinyl chloride factory in Kaohsiung County. While those deadly cargoes were remaining near Sihanoukville (until March 1999), a growing tide of hysteria spread across the city due to cases of death and illness connected with the waste dumping.<sup>104</sup> The incident represented an ultimate climax in the efforts of the "island of poison",

as Taiwan was called by environmentalists in very recent history, to shift its own industrial pollution to poorer neighbors. Since such efforts began in late 1980s with massive investment leaving Taiwan for Southeast Asia and mainland China, the Taiwanese government has largely turned a blind eye to the issue. In fact, various incentives for regional investment provided in the "South-going Strategy" made easier the cross-border transfer of industrial pollution. For the government in Taipei, the top priority was to make business groups invest in Southeast Asia for economic and diplomatic reasons and for steering Taiwan away from economic dependence on mainland China. The environmental problems and human suffering which business activities inflicted upon the Southeast Asian societies really mattered little. Furthermore, government officials in Taipei cherished the personal relations forged between Taiwanese businessmen and local officials and business tycoons, because those were useful for diplomatic gains. Taipei cared little about the public reputation of those regional politicians and their business cronies.

In summary, there is a need for a socially and environmentally sensitive "South-going Strategy", for money as well as love. This is a serious challenge to the DPP government, which came to power with slogans of human rights, democracy and environmental protection. First, Taiwan's business behavior in the issues of labor management and environment tarnishes Taiwan's popular image in the region and the world at large. It offsets the effect of Taipei's official claim to the international community that it is the model of democratization and human rights protection in East Asia. Since Taipei cares most about the country's image in the US and other Western countries, it is important to point out that the US NGOs and media have been the leading force in exposing the malpractices of Taiwan-invested factories in Southeast Asia and informing the US government and public of the situation. In fact, an investigative report broadcast by America's CBS in its 48 Hours program in October 1996 about the abusive labor practices by Taiwanese and South Korean factories in Vietnam served as a catalyst for the international anti-sweatshop campaign over the recent years. Also, problems of workers in Taiwan-invested factories in Southeast Asia and migrant workers in Taiwan have received increasing attention of international bodies like the International Labor Organization and the UN Commission on Human Rights. While it is hard for the Taiwanese government to poke its nose in other people's business, it should be at least seen to do what it can. One thing Taipei can do is to amend the various investment protection treaties signed with

regional governments, by adding regulations on labor rights, working conditions, and environmental protection. This is on top of a government-made code of conduct for the Taiwanese firms operating in the region and China.

Second, Southeast Asia is a region with endemic poverty, growing gap between the rich and poor, socio-cultural sensitivities, a situation worsened by the recent economic crisis. It is also a region characterized by severe environmental degradation, as vividly reflected in the region-wide haze disaster in 1997 caused by the massive illegal logging in Indonesian forest. Meanwhile, there has been a strengthening of popular struggle against social injustice and environmental degradation, as discussed in the following section. Such regional developments would call for a compassionate and humane Taiwan, a Taiwan which cares about human aspects as well as hard economic and diplomatic facts in its relations with the region.

### **Burgeoning Solidarity of Social Movements<sup>105</sup>**

Both Taiwan and its Asian neighbors have become enmeshed into the web of economic and technological globalization and concomitant regionalization. This, plus commonalities in political and social developments and economic strategies, have meant that there have developed many common concerns between Taiwan's social movement NGOs and their regional counterparts. Those common issue areas include: crony capitalism, money politics, labor (including migrant labor) rights and conditions, human rights, empowerment of women and other disadvantaged groups, indigenous cultures and land rights, compensation for the victims of political persecution, environment, commercial prostitution including child prostitution, as well as the historical issue of comfort women, etc. In terms of the cross-border dimensions of the issue areas, some are closely associated with an intra-regional North-South relationship between the "tiger economies" and Japan on one hand, and the rest on the other. For example, the former are major investors, traders and development assistance providers for the latter, and such relations have clear, though different, implications for the issues concerning labor, environment and business-government relations on both sides. Second, the former import massive number of migrant labors from the latter, creating one of the most prominent transnational social justice

issues in the region. Third, the increasingly serious issue of commercial prostitution involves an intensified trafficking of Southeast Asian women into sex industries in the more affluent Northeast Asian countries, under the cloak of labor contract or marriage. Fourth, there has been the problem of regional trafficking of rare animal parts, from South and Southeast Asia to Northeast Asia, a major conservation issue in the region. Fifth, Southeast Asia is the chief supplier of illegal drugs in Northeast Asia, a key issue in cross-border crimes in the region.

Common concerns have started to bring the civil society groups in the region close in cooperation for the same goals of social and environmental justice. For Taiwan's NGOs, while such cooperation with regional counterparts on many issue areas is still at a burgeoning stage, cooperation to tackle the plight of migrant labors has become a classic example of economic interdependence contributing to social movement solidarity. For the region as a whole, the issue of migrant labor is one of the key points mobilizing civil society groups across borders. The issue has touched upon all countries in South, Southeast and Northeast Asia with a most strong transnational nature, since labors have moved from countries like the Philippines, Thailand, Indonesia, and even India, Pakistan and Bangladesh to Taiwan, South Korea, Singapore, Malaysia, Japan and Hong Kong. Countries like Malaysia and Thailand are special cases in that they are also major receiving countries of migrant labors from poorer neighbors. For example, in 1994 there were more than one million legal and illegal foreign workers in Malaysia, while over 250,000 Malaysians worked legally and illegally abroad.<sup>106</sup> Meanwhile, about 500,000 Thai workers were employed abroad, and a similar number of foreign workers were based in Thailand.<sup>107</sup> Many migrant labors in those two countries are employed in foreign-invested firms concerned with the rising local labor cost. According to Irene Fernandez, director of Tenaganita (Women Force, a Malaysian NGO) who became known worldwide in 1995 because of a jail sentence imposed on her for "misinformation" in her exposure of maltreatment of migrant labor in Malaysia, Taiwan-invested textile and garment companies were a major employer of migrant women labor in her country.<sup>108</sup>

For all the countries involved, stories of human suffering of migrant labor are similar. In both receiving and sending countries, an increasing number of women, labor and human rights NGOs have worked on this issue. For the receiving countries, this issue also concerns the welfare and rights of local workers. As long as there are cheap and unorganized

foreign labor to exploit, efforts to improve the conditions of local workers in the relevant sectors are frustrated. The Philippine NGOs are most active in the region. This is because the country has the longest history in Asia in sending labor overseas and a most dynamic (certainly most militant) NGO community in the region. Cases of unfortunate deaths and unusual number of fatal accidents of Filipino workers overseas have been closely followed by NGOs back home.<sup>109</sup> Regarding Taiwan in particular, some Philippine NGOs threatened last year that if Taiwan continued to disregard ILO conventions on international labor standards, they would launch a joint campaign with European and US NGOs to call for a boycott of Taiwanese products. This was supposed to follow their earlier campaign to boycott products of some US apparel companies including Levi Strauss. Those companies were accused of exploiting Filipino laborers in its factories based in the Pacific Island Saipan, where workers lived in subhuman conditions and paid slave wages.<sup>110</sup>

Since the problems of migrant workers are transnational, they cannot be dealt with effectively without transnational activism and cooperation among the concerned NGOs of both the sending and receiving countries. Apart from launching joint appeals to the public, governments and international organizations, NGO activists have supported each other's campaign, exchanging information and publications, and assisting each other on special cases of the victimized workers. In addition to the more routine channels, a key forum for cooperation is conferences. The plight of migrant workers has been repeatedly highlighted at many international gatherings organized or attended by Asian human rights and women NGOs. For example, the issue was discussed among more than 200 Asian NGOs involved in the drafting of the Asian Human Rights Charter issued in 1998.<sup>111</sup> It was also discussed at the 1995 World NGO Forum on Women in Beijing.<sup>112</sup> It is a prominent topic at the biannual East Asian Women's Forum, which started since 1994 and has become the most important forum for Asian women activists.<sup>113</sup> Conferences specifically on migrant labor have also been held. For example, an important conference "Living and Working Together with Migrant Workers in Asia" was held in Hsinchuh, Taiwan, in May 1994.<sup>114</sup> Organized by the Asian Migrant Center (Hong Kong) and the Presbyterian Church in Taiwan, the gathering was attended by 50 migrant workers advocates from Japan, South Korea, Taiwan, Hong Kong, Thailand, Malaysia, Indonesia, the Philippines, Singapore, India, Bangladesh and Sri Lanka. The forum statement condemned the deplorable condition of migrant

workers, the failure and inadequacies of governments to protect the rights of and respond to the needs of migrant workers, the corrupt and devious practices of intermediaries such as recruitment agents, the powerful role the syndicates play, especially in the trafficking of women and children. NGOs also demanded that receiving and sending countries ratify and implement key international labor agreements, such as the 1990 International Convention on the Rights of All Migrant Workers and their Families.<sup>115</sup>

In Taiwan, most NGOs working on migrant labor are of religious background. The Catholic Church has long been providing spiritual comfort to the fellow believers from the Philippines. As part of its care for social development, the Church has also set up organizations to provide legal assistance to the Filipinos and other migrant workers concerning unfair treatment, dispute with management, occupational hazard, etc. Such organizations include Rerum Novarum Center, Migrant Workers' Concerned Desk, Hope Workers' Center, and Fisherman's Service Center (a joint project between the Church and Presbyterian Church in Taiwan, caring for the Filipinos hired in Taiwanese fishing boats). Apart from legal services, activities of those organizations include: counseling; public awareness-raising, including such efforts targeted at Taiwan's trade unions about migrant issues to break down the barriers between local and migrant workers; human and labor rights awareness-raising among migrant workers; visits to migrant in detention centers; lobbying on the government to promote just and equitable working conditions for migrant workers.<sup>116</sup> Those groups maintain close linkages with regional NGOs through the two most important umbrella NGO networks, particularly in information exchange: Migrant Forum in Asia (Manila), and the Asian Migrant Center (Hong Kong).<sup>117</sup>

Another active NGO concerned with migrant labor is Taiwan Grassroots Women Workers' Center (TGWWC), sponsored by the Presbyterian Church in Taiwan, which has long campaigned for political reform and social justice in the country. Its activities include: providing legal assistance and temporary shelter; publishing handbooks and information packs for migrant labor in various languages; discussing the issue through its own-published books and periodicals; and regular visits to detention centers.<sup>118</sup> TGWWC has developed extensive bilateral working relations with more than 40 NGOs in other countries oriented towards migrant labors, particularly those in Japan, South Korea, Hong Kong, the Philippines, Thailand and Indonesia. Those relations are focused on exchange of

information, publications and personnel, and mutual help regarding specific legal cases of the deported migrant laborers.<sup>119</sup> TGWWC has a specific focus on the trafficking of women and worked with NGOs in Thailand and Japan on this issue.<sup>120</sup>

Solidarity between Taiwanese NGOs and their Southeast Asian counterparts has served as an encouraging signal for an important development of Taiwan's relations with the region in the future. That is, apart from business relations and the related socio-cultural interactions, there is also emerging a broad grassroots partnership to tackle the woes resulting from the business-driven relations and other common issues. This is a campaign of "globalization from below" to counter the mainstream trend of "globalization from above" such as "South-going Strategy". This is a totally new aspect in Taiwan-Southeast Asia relations, but it is bound to enrich a complex interdependent relationship.

## Conclusion

Economic interdependence between Taiwan and Southeast Asia has brought about significant human interactions, particularly in the forms of migrant labor, management-worker relations in Taiwan-invested factories in the region, and Southeast Asian brides. It has also contributed to a burgeoning transnational partnership of social movement groups in combating the woes of economic regionalization. In fact, today, the most dynamic developments in socio-cultural relations between the two sides can be attributed to Taiwan's economic prowess and its overseas expansion. This market-driven human interaction has opened a new chapter in Taiwan-Southeast Asia relations and is distinct from Taiwan's social relations with any other country or region in terms of mutual penetration. However, while those human relations have yielded many positive results for the broad relations, including diplomatic progress, they have also incurred enormous human suffering. Blatant exploitation, inhumane working conditions and unprotected human rights have become so common, though with gradual rectification since the late 1990s, that they threaten to damage Taiwan's regional image, at an era of global grassroots campaign for social justice and human rights. The Taiwanese government has a key role to play to avoid the collective image of the country being seen by the regional peoples as one of an upstart without compassion and social responsibility. A human face has to be installed on the "South-



going Strategy" formulated by the pro-business Kuomintang government, in order to take care of the issues closely related to Taiwanese economic profile in the region: conditions and rights of foreign workers and environmental protection.

## Notes

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39. *Asiaweek*, 8 August 1997, p.53. Interviews conducted in Taipei of Kenneth Hwang, 14 November 1999, Ung Tedja, 15 November 1999, and Liao Feng-chou, 16 November 1999. The three people are Taipei's officially appointed Commissioners on Overseas Chinese Affairs in Thailand, Indonesia, and the Philippines, respectively.
40. *CDN*, 16 February 1994.
41. *Sinorama* (Taipei), August, 1995, p.30.
42. *Asiaweek*, 15 October 1999, p.38.
43. Web site of World Taiwanese Chambers of Commerce.
44. *Ibid.*

45. Ibid.
46. *ED*, 26 April, 2 May, 1999.
47. *Macroview Weekly* (Taipei, hereafter *MW*), 26 August 1999.
48. *MW*, 16 March 2000.
49. Information from Singapore Trade Office in Taipei, 21 December 1999.
50. Jenny Hu, "Married to Taiwan — The Indonesian Brides of Meinung", *Sinorama*, November 1995, pp.47-55.
51. Wang Hong-zen, op.cit., p.15.
52. *CT*, 28 December 1999.
53. *CT*, 19 June 1999.
54. Figures of the population of Taiwan's religious followers are from *Sinorama*, April 1997, p.94.
55. Scott Simon's email posting to History-ASIA online discussion group, 25 August 1999.
56. Presentation by Chu.
57. Ibid.
58. Julian Baum, "Taiwan and the Foreign Press: Exclamations and Ellipses", unpublished paper, November 1998, internet edition.
59. Email from Julian Baum (*FEER* correspondent in Taipei), 9 May 1999.
60. There are many Western NGOs actively involved in this campaign. The list would include: Clean Clothes Campaign (in a number of European countries), Fairwear (Australia), Maquila Solidarity Network (Canada), Campaign for Labor Rights (US), National Labor Committee (US), Vietnam Labor Watch (US), Human Rights for Workers (US), Global Exchange (US), Corporate Watch (US), United Students Against Sweatshops (US), Sweatshop Watch (US), Women Working Worldwide (UK). Information used in this paper is mostly from the web site of a network which carries reports from all those groups and some Asian NGOs, namely The Nike Watch Campaign (<http://www.caa.org.au/campaigns/nike/>), which nonetheless also disseminates information about companies other than Nike. For reports by Asian NGOs, check also the web site of Asia Monitor Resource Center, a Hong Kong-based networking center for Asian labor rights groups.
61. Web sites of The Nike Watch Campaign and Asia Monitor Resource Center.
62. *CT*, 15 May 1999.
63. Vietnam Labor Watch's report in the web site of The Nike Watch Campaign.
64. A report by Vietnam Investment Review (No.315/27 October-2 November, 1997) carried in the web site of The Nike Watch Campaign.
65. Peter Hancock, *Nike's Satanic Factories in West Java* (Center for Development Studies, Edith Cowan University, Perth, Australia, April, 1997), internet edition.
66. Personal communication with Peter Hancock, April 1997.
67. *Codes of Conduct and Carmelita: The Reality Gap* (a document issued by Asia Monitor Resource Center, Hong Kong, 11 April 1997). *Women Worker in Taiwanese Garment Factory in the Philippines Dies from Excessive Work* (a document issued by Asia Monitor Resource Center and Workers' Assistance Center, Rosario, Cavite, the Philippines, October 18, 1997). Both documents were posted to the author personally.

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80. *CT*, 9 September 1999. *Asiaweek*, 8 August 1997, pp.53-54. *FEER*, 25 May 1995, pp.54-59.
81. Central News Agency, Taipei, 24 February, 1997.
82. *CT*, 26 and 27 August, 6 and 7 September 1999.
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## 5

# **Beyond Business: The Cultural Poetics and Social Politics of Sino-Southeast Asian Transnational Networks\***

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It has been widely acknowledged that business networking plays a significant role in the evolution of the overseas Chinese economies (Mackie 1992; Hamilton 1996a; Yeung and Olds 2000). Yet the logic and inner-workings of these transnational networks have not been fully explained, partly due to the lack of reliable data concerning the operations and mind-set of the Chinese business people concerned. The characteristics and patterns of Chinese businesses' interactions with their socio-political environments remain as another important question that needs to be addressed.

This chapter attempts to examine those issues from an interdisciplinary perspective. By taking a closer look at one prominent Sino-Southeast Asian entrepreneur and placing him within the theoretical framework of social capital and cultural politics, this essay is intended to shed some new light on the making of Chinese business networks and how they are juxtaposed with the state and (non)ethnic social agencies in the transnational arena. It will explore how he has acquired social/ symbolic capital and converted them into political capital, which in turn has an impact on the accumulation of economic capital. I argue that the social politics and cultural poetics form an integral part of Sino-Southeast Asian transnational networking. The business of the Chinese diaspora, in other words, should not be construed as merely business, whose nature and features have been fundamentally shaped by Chinese entrepreneurs' intimate interplay with a variety of social, political, and cultural actors, both institutional (formal) and individual (informal).

This paper is organized into three main sections. The first lays out the overall theoretical framework, namely, the concept of social capital and its relevance to transnational Chinese business networking. After examining the forms, sources, and functions of social capital, as postulated by social theorists such as Peirre Bourdieu and James Coleman, I suggest

that social capital can be employed as a useful comparative tool in delineating the socio-cultural foundation of Chinese business networks. The second portion is concerned with the cultural poetics (or romantic imagery) of Sino-Southeast Asian entrepreneurship and focuses on the perceptions of social capital (and its variations/attributes) held by Tong Djoe, a Sino-Indonesian tycoon residing in Singapore. The third examines the social politics of transnational Chinese networks by looking closely at the practices of Tong Djoe's social capitalizing and the correlations between different layers of social networks and the operations of his transnational enterprises. The concluding section looks beyond this individual case by situating Tong Djoe within a broader and comparative spectrum of modern Chinese transnationalism.

## SOCIAL CAPITAL

This section briefly surveys of the definition, forms, acquisitions, and functions of social capital and delineates the theoretical links between social capital and business networks. It will serve as the conceptual framework within which my specific case is to be placed.

### Social Capital: What's in a Name?

Although the term *social capital* was first used in the early 1960s, it was not until the 1980s that the concept gained an increasing currency and entered the social science polemics concerning human interactions and their economic-political consequences (Portes 1998). According to Pierre Bourdieu, there exist three forms of capital: economic, cultural, and social, of which,

[s]ocial capital is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition—or in other words, to membership in a group—which provides each of its members with the backing of the collectivity-owned capital, a 'credential' which entitles them to credit, in the various sense of the word (Bourdieu 1986: 248-29; my emphasis).

Sociologist James Coleman furthers the studies of social capital by highlighting its function and forms as well as the effectiveness of an

actor-driven approach. In addition to the existence of financial, physical, and human capital, there is social capital, which is **"embodied in relations among persons"** and it

is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors—whether persons or corporate actors—within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible (Coleman 1988: S98, S118; emphasis is mine).

Coleman suggests that social capital has three major forms: obligations and expectations, which depend on trustworthiness of the social environment, information-flow capability of the social structure, and norms accompanied by sanctions (Coleman 1988: S119). Francis Fukuyama argues that social capital is "a capability that arises from the prevalence of trust in a society or in certain parts of it. It can be embodied in the smallest and most basic social group, the family, as well as the largest of all groups, the nation, and in all the other groups in between" (Fukuyama 1995: 26). Lucian Pye, on the other hand, points out that social capital builds upon the norms of civility (the rules that form a society) and denotes it as "networking and learning to work together on the basis of trust" (Pye 1997: 769).

It is evident that social capital can be seen as an essential capacity of social networking, which is in turn based upon trust and the ability of working together within a specific social spectrum. How, then, does one acquire social capital? According to Bourdieu,

[t]he existence of a network of connections is not a natural given, or even a social given, constituted once and for all by an initial act of institution.... It is the product of an endless effort at institution.... In other words, the network of relationships is the product of investment strategies, individual or collective, consciously or unconsciously aimed at establishing or reproducing social relationships that are directly usable in the short or long term (Bourdieu 1986: 249).

Fukuyama (1995: 26-27) makes a similar point by suggesting that the acquisition of social capital requires "habituation to the moral norms of a community and, in its context, the acquisition of virtues like loyalty, honesty, and dependability." In other words, social capital cannot be



acquired simply by individuals acting on their own; it exists in the interaction processes of different (individual and corporate) actors. The acquisition of social capital is also conditioned by the external environments, two of which are particularly relevant: "the closure of social structure," which facilitates the trustworthiness of social structures that allows the proliferation of obligations and expectations, and "the existence of appropriable and voluntary social organizations," which aid the formation of social capital (Coleman 1988: S107-108).

Once formed, social capital can play a significant role in economic and political development. Bourdieu (1986: 253) points out that social capital and economic capital are mutually convertible, though the latter is "at the root of all the other types of capital." Fukuyama (1995: 29) argues, "Social capital and the proclivity for spontaneous sociability have important economic consequences." As a metaphor for a type of "public good," social capital reduces a range of costs through social network-based trust, it is thus being equated with "social infrastructure," which can increase economic productivity and has considerable positive externalities (Unger 1998: 14).

## **Social Capital as a Foundation of Business Networks**

Because of its utilities and multi-dimensional applications, the concept of social capital has received increasing attention among the social scientists (e.g., Portes 1998; Jackman and Miller 1998) and a number of empirical studies using the concept have shed new light on the respective issues under discussion. For example, Lucian Pye regards social capital as "a powerful concept" for explaining Asia. "The amount of social capital amassed by a society sets the stage for the emergence of a healthy civil society, which in turn provides the dynamics for democratic politics" (Pye 1999: 764). He contends that the Chinese economic success in Southeast Asia has been significantly attributed to the fact that, in comparison with the indigenous Southeast Asians, they possess greater amount of social capital, including institutionalized arrangement for ensuring mutual obligation such as *guanxi* [personal connections] (Pye 1999: 776).

Can the concept of social capital be brought into the study of (Chinese) business networks? If so, how? To be sure, there are already plenty of solid studies highlighting the importance of trust and other individual attributes of social capital to Chinese business, some analysts even

characterize Chinese capitalism as "*guanxi* or network capitalism" (Hamilton 1996; Hefner 1998). Nevertheless, no systemic efforts have been attempted to employ the concept and approach of social capital as a consist unit of analysis and a comparative tool to studying Chinese transnational business networks.

On the theoretical level, the feasibility of incorporating the concept of social capital into (business) network analysis derives from the convergence of the two approaches in terms of their forms and functions. "By definition, a network is composed of a set of relations, or ties, among actors (either individuals or organizations). A tie between actors has both content (the type of relation) and form (the strength of the relation)." One of the two major network approaches views "networks as a kind of organizing logic, **a way of governing relations among economic actors**" (Powell and Smith-Doerr 1994: 368-70; 377; my emphasis). Within this approach, trust, mutual forbearance, and reputation may supplement and/or replace the price mechanism or administrative fiat. Another point of convergence between network analysis and social capital (as a strategy of investment) is the multiple logics of networking that requires extensive time and efforts: "Nor are networks created overnight; new relations must be grafted on to old ones, or exist side by side." Seen in this vein, "Trust and other forms of social capital are particularly interesting because they are moral resources that operate in a fundamentally different manner than physical capital. The supply of trust increases rather than decreases with use; indeed, trust can become depleted if not used" (Powell and Smith-Doerr 1994: 382, 385).

The social capital viewed within the framework of network approach provides a compelling tool for analyzing Chinese (business) transnationalism. For one thing, it affords comparative conceptualization through which Chinese social and business networks can be fruitfully studied, thus avoiding the pitfalls of Chinese exceptionalism and Chinese essentialism that underline many existing studies of Chinese business practices (c.f., Hodder 1996). On the other hand, the integration of social capital into business network analysis has some particular relevance to the study of Chinese business practices, which have long been influenced by a variety of linkages that transcend the boundaries between society and the economy. More significantly, social capital constitutes an important comparative advantage when entrepreneurs work in the transnational arena where the socio-political environments are different from the homeland, and both market and legal conditions tend to be imperfect.

Compared with the concept of *guanxi*, social capital offers greater analytical power. For one thing, social capital is an integral part of social science analytical framework, which can be employed with a greater degree of comparative advantages, linking with other social/ethnic settings. Whereas *guanxi* is concerned, it is often portrayed as a unique cultural phenomenon among the Chinese societies, conveying with it a strong sense of Chinese exceptionalism. Second, while *guanxi* is frequently seen as "personal networks" (King 1994), social capital is all-embracing in that it incorporates both institutionalized social networks and informal personal ties as well as their socio-psychological underpinnings. In this connection, the concept of social capital—with its focus on the obligations, trust, and norms as well as its concerns over the dynamics and modes of socioeconomic operations at various levels—would constitute a critical unit of analysis to decipher the nature and characteristics of Chinese business networking in the transnational setting.

It should nevertheless be pointed out that social capital as a concept in explaining the human interactions in the Asian context does have its inherent limitations. On the theoretical front, this concept is derived from the Western social sciences tradition. As a result of well-established tradition of legal protection for private property rights, it is taken for granted that political influence can be acquired after one obtains sufficient economic capital. It is perhaps because of this factor that there is no place of "political capital" in the theoretical formulations of Bourdieu and Coleman. Yet in many Asian (and Chinese Diaspora) societies, political power is essential for the obtaining and retaining of personal wealth, which has generally not been under formalized legal protection. In this context, kinship and native place collegiality in a Chinese society play roles "analogous to those played by law and individuality in the West" (Hamilton 1996b: 43). Therefore, the accumulations and maintaining of political capital should receive greater attention. In addition, social capital theory has been fundamentally shaped by the Rational Choice theory (Herrmann-Pillath 1996), which tend to over stresses universal patterns of human behavior and ignore the differences of place, history and culture. To overcome these inherent pitfalls, it is necessary to balance this actor-centered approach with a socio-political institutionalist analysis. In other words, social capital formation and business networking should be seen as an ecological system that integrates various economic and cultural variables, or to incorporate what Kenneth Arrow calls "the social system" into the study of economic transformation.<sup>1</sup> It is exactly within

this context that cultural poetics and social politics play an indispensable role in the making of transnational Chinese entrepreneurship.

In sum, with its overriding concerns on socially constructed trust, social structure (norms and enforcement mechanisms), and on the integration of business and culture, social capital provides a compelling tool for studying Chinese economic activities in the transnational setting. With proper care and a keen understanding of its limitations, it can be used as a comparative and encompassing framework within which the ecology of Chinese business is explored.

## CULTURAL POETICS

This and the following sections are devoted to a detailed analysis of a Chinese transnational entrepreneur, Tong Djoe, a citizen of Indonesia and resident of Singapore. His career has spanned expansively in the spaces of three nations (Indonesia, China, and Singapore) over a long period of time, which has witnessed the rise and fall of three different colonial masters (Dutch, Japanese, and British) and the formations of new nation-states. In the Indonesian setting, the past several decades have also seen the change of four political regimes, from Sukarno to Suharto to Habibie to Wahid. According to *Kompas* (August 30, 1998), an influential Indonesian newspaper, and *Eksekutif* (Dec. 1999), a leading business magazine, Tong has been personally close to all four of them, in addition to being a close personal friend to the then vice president Megawati. Tong can therefore be taken as a prototype of Chinese transnationalists whose experience has been fundamentally shaped by various cultural, political, and socio-economic currents in different geographical locations. As will be demonstrated, Tong exemplifies the extensive and intimate interplay of culture, politics, and economy—with the acquisitions and applications of social capital playing a key part in these complex interactions.

### Tong Djoe: A Profile

Though he is not as well-known as his Indonesian counterparts such as Liem Sioe Liong, Tong Djoe is no stranger to observers of the Indonesian political economy and Sino-Indonesian diplomatic relations. His activities over the past half of a century have been recorded in at least four doctoral

dissertations (Mestika 1991; Twang 1998; Aden 1988; and Robison 1986) and numerous popular/journalist reports appearing in Indonesian, Chinese, English, and Japanese (e.g., Oshita 1993; Anwar 1996; Lee 1996; Li 1997: 1-7; Sanda 1997). While providing some useful background information, they tend to be sketchy, sometimes inaccurate, and very often, lacking theoretical depth and analytical rigor.

The following account relies heavily on the data from my own interviews with Tong, his personal correspondence, and his speeches at various functions.<sup>2</sup> The existing scholarly work and journalist accounts serve as supplementary information for cross-reference purpose.

Tong Djoe was born in 1926 in Medan, Sumatra, from an immigrant family originating in the village of Penglai, Anxi County, Fujian (Hokkien) Province. His father was a small shopkeeper who had four children (Tong Djoe is the youngest). He went to school in Singapore, enrolling in one of the schools that was primarily oriented toward Hokkien dialect-speaking pupils. In 1943, at the age of 17, he started working in a small shipping firm (Chuan Ann), established in 1940 and owned by his elder brother, Tong Lian Liang (1911-1967). By shipping between Singapore and Sumatra, Tong Djoe thus began a long career associating with the sea that links various Asian nations. During the anti-Dutch war, the Tongs supplied rice, military equipment, and medicines to the Republican army and shipped rubber and coffee back to Singapore. In this process, Tong got acquainted with a number of key military leaders in South Sumatra, among them Dr. A.K. Gani (1905-68) and Dr. Ibnu Sutowo (1914-), who would play a significant role in the evolution of Tong's business (I will return to this later).

From the beginning of the 1950s through the mid-1970s, Tong Djoe and his brother were deeply involved in the developing of shipping and petroleum industries, two of the most strategically important trades in the newly independent Indonesia. At the invitation of A.K. Gani (who became one of the top leaders of the Indonesian Nationalist Party, or PNI, during the 1950s), the Tong brothers participated in the development of PELNI (the Indonesian National Shipping Company), with Tong Djoe helping with the inter-island shipping and his brother taking charge of the shipping between Indonesia and Singapore. In 1953 Tong Djoe formed his own shipping firm, Naga Laut (Dick 1987: 71, 74). After the late 1950s, through his long-time relationship with Ibnu Sutowo, who was developing the Indonesian State Oil Company (Pertamina and its predecessors), Tong Djoe served as Pertamina's overseas representative and agent in Singapore and Hong Kong, charged with the shipping of

crude oil from Indonesia to Singapore for refinery and for exporting to other countries. In 1961 Tong Djoe formed Tunas Company, with its headquarters located in Singapore, and whose 28-storey office tower was the first privately owned office building outside of Indonesia by an Indonesian national. It also represented the height of the Tunas Group, which had business spread over Indonesia, Singapore, and Hong Kong, in such areas as shipping, import-export, and tourism. According to *Matahari*, an Indonesian magazine, together with Liem Sioe Liong, Ciputra, Bob Hassan, and Sofyan Wanandi, Tong Djoe was named as one of the 17 biggest Chinese economic elite in Indonesia (Suryadinata 1998).

By the early 1980s, Tong Djoe had entered the Chinese market, and through his Hong Kong-based Solid Resource Company, he invested heavily in China, especially Xiamen, a booming coastal city close to his Anxi hometown. According to Indonesian and Japanese journalist accounts, the China projects in which Tong Djoe participated valued millions of dollars and his net assets are reportedly estimated at more than US\$500 million (Oshita 1993; Moenbanoe Moera and Eddy Suprpto 1997). Apart from being economically successful, Tong Djoe was one of the key individuals who worked behind the scene in the efforts to reestablish Sino-Indonesian direct trade and diplomatic relations. In recognition of this endeavor and his extensive involvements in the nation's socio-economic development, the Indonesian government awarded him the prestigious Bintang Jasa Pratama Medal in August 1998. This was a significant gesture, not only because it was in the aftermath of the May 1998 Anti-Chinese riots, but because Tong was the only ethnic Chinese being honored.

In short, over the past half of a century Tong Djoe has lived a colorful life that not only spans the space of different nation-states, but also crosses the spheres of economy, politics, and socio-culture. How do we explain the rise (and limitations) of his business? What account for his multi-dimensional callings that transcend space and time? Does the concept social capital offer any useful explanations to his long journey toward wealth and fame?

## Cultural Elements in Tong Djoe's World Views

As mentioned, social relations, obligations, and trust constitute some of the key attributes of social capital, and they are fundamental forces in

shaping the nature and features of Chinese business networks. Tong Djoe's views of these elements are the products of his own upbringings (growing up in an extended Chinese family and attending Chinese school, which emphasized on the moral teachings of Chinese traditional values) and his experiences in dealing with people from various ethnic, national, and cultural backgrounds. In his own words, he has been learning from experiences and from "School of Bolts and Knocks (*shehui daxue*, literally: Social University)." The collective "siege mentality" of Southeast Asian Chinese and their continuous transnational mobility play no small part in the formulation of his views of the society and economy. Central to his social perceptions has been the fundamental importance of human relations and interactions, which can be further divided into different orders and levels, including general relations, family ties, connections based upon native place and kinship, and state-to-state relations.

Tong's general views on human relations are most centrally reflected in the "Twenty Keys to Success," a pamphlet produced by a management professor from Indonesia based upon a lengthy interview with Tong Djoe in 1996. Among the "10 DOS," four of them are directly concerned with the cultivation and maintaining of *guanxi* and *xinyong* (trust). They include such principles as "good friendships are those mutually fulfilling," "giving opportunities to others," and "establishing trust in others." Similarly, the "10 DON'TS" are filled with the ideas of reciprocity and harmony, such as "do not forget other people have their interests too," and "do not start a friendship with distrustful feelings." He is convinced that "money is just like air, a tool that is used for certain purposes and that process is more important than results." In his view, "money can be used out one day, but human relations will not. Therefore, we have to treasure relationship. Money is just a piece of paper, the most important thing is the relationship" (Personal interviews). In a letter to a former vice prime minister of China (dated October 10, 1997), Tong (who is the Director-in-General of the International Confucian Society) states, "Because of the advance of science and technology, the world has been shrunken, and human interactions have significantly increased, we should rely more on Confucianism to maintain harmonious and friendly relationship."

A combination of family, fictive family, kinship and native-place collegiality collectively play an important part in the formation of Tong's social networks, including those linking with *qiaoxiang* (the ancestral hometowns of the Chinese overseas). Tong recalled that being often told

by his father that "Chinese work so hard because they want to leave some wealth to their offspring, you must also work diligently to bequeath something for your children." And he stresses, "the most important thing is the family" (Oshita 1993: Part 7; Sanda and Martisasi 1998). Speaking at the opening ceremony of Singapore Anxi Clan Association's Sixtieth Anniversary (1986), Tong declared, "The teaching of Confucianism can be summarized in three phrases: 'The cultivation of the person lies in the correction of the mind;' 'The regulation of the family lies in the cultivation of the person;' 'Before governing the country, you must first regulate your family.'" "The *Jia* (family) in Confucian teaching does not merely refer to nuclear family," he continued. "Instead, it refers to the associations between the individuals and the state, such as our association." Some 10 year later, he spoke at the opening ceremony of the Second Anxi International World Convention (Anxi, October 17, 1994): "There are some 4-5 million Anxiese residing in all parts of the world and it is difficult for us to gather to celebrate. The fact that we are here is an indication that although we live outside of China, we still think about the hometown and our root."

As a minority entrepreneur operating in a transnational setting that has been characterized by constant political uncertainties, Tong Djoe has been keen to the importance of acquiring political capital. "To have good relations with people in business circles and the government, the most important thing is to know who is who [and who has the key]. You always have to keep in perspective what roles people play and what positions they are in," discloses Tong (Lee 1996: 57; personal interviews). Unlike many of his counterparts, Tong Djoe has placed a great deal of emphasis upon state-to-state relations in his formulation of social capital, which is perhaps a product of his long association with politicians in different nations. He urged the Singapore, Indonesian, and Malaysian governments to development "mutually beneficial co-operation" in 1993 (*Daily Bulletin*, March 8, 1993), and considered that Singapore's move to form close economic collaborations with China "is wise and correct" (*Lianhe Wanbao*, Feb., 26, 1996). In a letter (dated Jan. 19, 1990) to Chiang Hsiaowu, grandson of Chiang Kai Shek and the representative of Taiwan to Singapore, who once suggested to Tong "not be biased toward the mainland," Tong replied: "I am willing to see a unified China, which is to the best interest of all Chinese."

It is evident that familism, trust, community work, reciprocity, and obligations form the central tenets of Tong's views of economy and



society, which are the mixture of both pragmatism and romantic imagery. They become the guidelines for his actions in both business and non-business spheres and the core foundation of his social politicizing activities.

## SOCIAL POLITICS

As noted, the value of social capital can only be realized (and increased) when it is being used, and social capital does not exist in isolation; instead, it is embodied in the process of interactions among various (individual and corporate) actors. Let's now examine Tong Djoe's translation of cultural poetics into social politics. To decipher clearly a wide range of his networking circles and social politicizing, it is necessary to identify three different levels: 1) family and close kinship; 2) the mixture of social/business/political connections; 3) the incorporation of symbolic capital into economic capital, through the acquiring of social capital. These social networking orbits are built upon various foundations and entail a variety of forms, from personal, to institutional (associational), from semi-official to official.

### Family and Kinship

Wong Siu-lun declares in a seminal essay (1985), "The core of Chinese economic organization is familism." The same can also be said of the Chinese social capitalizing practices. Like the great majority of Chinese entrepreneurs, the foundation of Tong Djoe's business and social world has been the family. The building block of this social capital is genealogical relationship and kinship, obligations, trust, and affection. His first job was with the small shipping firm owned by his elder brother. In the early Republican days, Chuan Ann had close business dealings with the pro-Republican Chinese peasant organization, PKTT (Persatuan Kaoem Tani Tionghoa), which was founded by Tong Djoe's relative, Tung [Tong] Ah Swie and Tung [Tong] Tjie Kau. PKTT engaged in the buying of agricultural produce and supplying the Japanese Army remaining in Palembang. It not only cooperated with the Indonesian republican organizations, but also with the Bin Tjok Kai Hong-Seng Hong Toei (National Liberation Front) with Chuan Ann in Singapore. Thanks in no small part to this close kinship tie (both nuclear and extended), the Tongs'

business grew rapidly, the Chuan Ann Shipping Co. in 1949 owned at least half a dozen ships, the smallest weighed more than 100 tonnages, and the biggest more than 1,000 tonnages (Twang 1998: 267-68; Mestika 1991: 425-26).

After the business took off in the early 1950s, Tong Djoe continued to rely on the critical support of his family members, especially his wife, Tan Boew Hwa, and his eldest son, Melvin, who received his academic training in Britain and is now the general manager of the Tunas Company, taking care of the daily operation of the family businesses in Singapore, Indonesia, and China. This core of the family circle provides the foundation of the social networking. With this extended family linkage, additional resources and kin members were being brought in (for example, some offspring of Tong Lian Liang continue to work at Tunas Company), thus strengthening the potential of Tong's collective social capital.

## **Social Politics among Non-Chinese**

"Being Chinese in China is in itself a complex problem," remarks Wang Gungwu (1994: 127-28). "But being Chinese outside China has several additional complicating features... For most Chinese abroad, it is the non-Chinese environment that impinges on their lives most directly." For the Chinese transnationalists, this non-Chinese environment fundamentally shapes their social politicizing strategies. Indeed, as pointed out by Bourdieu, the formation of social capital is not as a natural given; it is the product of deliberate strategies of investment. In Tong's case, this investment has been heavily in human relationship, especially in Indonesia where political uncertainty and market imperfection have been the norm, and the ethnic Chinese have been regarded as "essential outsiders" and systematically discriminated against with (Wibowo 1999). The forging of social capital, therefore, has to be closely linked with the accumulation of (usable and reasonably durable) political capital, through cooperating with non-Chinese, indigenous actors.

The formative period in Tong's emergence as an entrepreneur and a skillful network builder started during the Indonesian Revolution (1945-49), particularly in Palembang, which was the center of the "networks of economic and political brokers" in Sumatra. Using Dutch archival records, Mestika (1991) places Tong Djoe (and other Chinese entrepreneurs originating from Sumatra and Singapore) within a complex "broker

network" centered on Dr. A.K. Gani. As the first resident of Palembang (1945-46), Minister of Economic Affairs and Vice Prime Minister (1946-1947, 1947-1948), he managed to control strategic channels on various levels—local, regional, and national—for promoting the political and economic interests of the Republic of Indonesia in Palembang. This broker network consisted on the one hand of groups of younger people (military and laborers) who had access to material assets such as coal and oil, on the other of Chinese traders who dominated the Singapore network. As a consequence, Palembang, which had some 40,000 ethnic Chinese in the late 1940s, became the center of a regional trade network connecting Java, Sumatra and Singapore. This formative stage was crucial for Tong as a transnational entrepreneur, not only because of his social and political ties forged during this period, but because, as he later said, the thorny journeys traveling on the rough sea reinforced his conviction in the importance of trust and mutual help (*Xinming Ribao*, December 31, 1992). To a significant degree, the experience also shaped an entrepreneurial ethic that defines a stranger in an alien land, such as risk-taking and innovation.

Tong Djoe became an integral component in this networking orbit, in part through the building of a fictive/artificial kinship—Tong was reportedly Gani's "adopted son" (*anak angkat*) and among the closest to him (Mestika 1991: 425-26; Nurhan 1995). And these social ties continued until Gani's death in 1968 (letter from Gani to Tong, dated December 16, 1968). In the meantime, the businesses of the Tongs grew rapidly. Chuan Ann Shipping Co. was engaged in import-export, rubber, and shipping; its ships traveled to a dozen of ports. By the mid-1950s, Tong Lian Liong Co. was formed, also specializing in shipping (*Sanshiwunian zi Gongsan, 1921-1955*). Through Gani's introduction, Tong Djoe and his brother were appointed PELNI's agents, participating in the development of Indonesia's domestic and international shipping. It was in this period that Tong formed his own company, Naga Laut, which subsequently established branches in Hong Kong and Singapore. In the meantime, Tong Djoe was involved with the activities associated with the Indonesian Nationalist Party (PNI) in the mid-1950s, thus expanding the resources of his political capital (it was during this time that he first met President Sukarno). Social and political connections were intertwined in Tong Djoe's ties with A. K. Gani. The complex pattern of linkages and brokerage, involving in different ethnic groups and indigenous political elite in the transnational sphere, became the

foundation and prototype of Tong's subsequent efforts in combining social capital with business networks.

The second, and perhaps more important, pattern of social/business/political linkage was with Dr. Ibnu Sutowo, whom Tong Djoe first met in 1947, when Sutowo was participating in the anti-Dutch guerrilla war in South Sumatra as a major (Bartlett III 1972: 137; Aden 1988: 161). In 1956 Tong Djoe assisted Sutowo in the efforts to bringing the rebellious Sumatra army to negotiations with the central government in Jakarta. During this process, Tong formed personal ties with Achmad Yani and Abdul Nasution, two top military leaders (Anwar 1996; Aden 1988: 161). The late 1950s saw the turbulent transition time in the nation's political and economic history, which brought Tong into another strategic area of the Indonesian economy—petroleum. In 1957, Pertamina (National Oil Company, the predecessor of Pertamina, the Indonesian State Oil Company) was formed by Sutowo, under the order of Sukarno. Tong was involved in this endeavor from the very beginning, as he had known Sutowo personally for a decade and had long been engaged in maritime transportation. Together with production/refinery and marketing, it constituted one of the three key areas in the development of Pertamina (Pertamina: 1974: 107).

Apart from developing its own tanker fleet (Pertamina Tongkang and Ocean Petrol, based in Hong Kong), Pertamina also engaged in the services of other shipping companies, and Tong's Tunas Company was one of its largest suppliers. Pertamina Tongkang, a wholly owned subsidiary of Pertamina formed in 1969, was also managed by Tong (Bartlett III 1972: 368, 378; Aden 1988: 411). Tong Djoe's shipping company owned more than 40 tankers, with more than 100,000 tonnages. Tugu Insurance, found 1965 in Hong Kong, was a 50-50 joint venture between Pertamina and several investors, which served as guarantor for Pertamina in the ownership of their tankers, and Tong was instrumental in its establishment (Bartlett III 1972: 379; Pertamina 1974: 169; Hartadi 1998).

According to Robison (1986: 350), Sutowo built the "largest private indigenous business group in Indonesia" between 1967 and 1976, when he was the President-Director of Pertamina. Tong was one of the two key Chinese partners (the other being Robin Loh). Tunas' Handara shipyard in Hong Kong was supplying Pertamina with tugs and barges. Tong had other substantial private business partnerships with Sutowo, including a shipyard, travel, insurance and engineering companies (Robison 1986:

353-54; Aden 1988: 411). It was during this period that Tong's business reached the height, symbolized by the completion of the 28-storey Tunas building in one of Singapore's prime commercial districts in 1973, the highest building of the time in the nation (*Indonesian Perspective*, Oct 1973: 12-18). Tong conceded in an interview, "My business in Indonesia is a result of Dr. Ibnu Sutowo's trust (*kepercayaan*) in me and my company, Tunas" (Malik 1978: 16). While this political linkage was significant for Tong's business success, it was not durable, for it lacked institutional foundation within the Indonesian political hierarchy, and its acquisition and dispersion relied heavily on the person of Sutowo. In fact, Tong's business was being seriously affected with the fall of Sutowo in 1976 (Malik 1978; Dick 1987: 81).

## Ethnic Strategies

This networking orbit consists of ethnic Chinese actors, both institutional and individual. The most important connection is through the channel of Chinese voluntary associations. According to Coleman (1988), the associational life facilitates the "closure of social system" and is thus conducive to the forming of business trust and the accumulation of social capital. Tong has been a major benefactor for a number of associations, including regional associations, clan associations, trade associations, and recreational and charity associations. Unlike the informal political capital, this social capital has been built largely on institutionalized linkages, which serve as an important foundation for the sustaining of transnational Chinese business networks (Liu 1998; 1999a).

Tong Djoe has been actively participating in two major regional associations in Singapore: Anxi Association and Hokkien Association. The former, founded in 1926, represents those Chinese originated from the county of Anxi (which number about 300,000 in Singapore), while the latter is the provincial association of Fujian (Hokkien) and has been the single most important regional association in Singapore (and many other Southeast Asian countries as well). Tong Djoe was the chairman of Anxi Association from 1977 to 1998 and has been an executive committee member of the latter for more than two decades. The social network build on this regionalism has important economic ramifications. While the Hokkien Association has been traditionally headed and managed by prominent entrepreneurs, there are also a large number of business

people in the Anxi Association. For example, one of Tong's major partners in the early stage of his China investment, Pek Ah Tuan, was an executive committee member of the Anxi Association, where the two first met. Through the Hong Kong-based Solid Resources Holding Company (of which Tong was the chairman and all other board directors were originated from Anxi), they founded three companies in Xiamen in the 1980s: Huicheng Construction Company, Huixing Building Material Company, and Huiyuan Business Systems Company. Huicheng alone had registered capital of RMB20 million in 1985 (McGregor 1992; *Directory of Foreign Investment Enterprises, 1979-1987, Part I*: 296).

Trade associations are another essential venue for the building of Tong's social and economic capital. Together with his brother, Tong Djoe was a founding member of the Singapore Overseas Chinese Importer-Exporter Association in 1947. It was the most important business association for Chinese traders concerned with Singapore-Indonesian trade, and Tong has been its chairman since the 1970s (Twang 1998: 297; Personal interviews). In the 1970s Tong Djoe also served as the chairman of the Singapore Shipping Association (SSA), which was founded in 1953 and represents the interests of ship owners in Singapore whose main purpose was to "development of regional trade by providing dependable shipping and handling services." By the mid-1970s, it had grown from a seven-member organization to a membership of forty-seven and with a fleet of over a million deadweight tones. As a result of Tong Djoe's good office, SSA and its Indonesian counterpart, the Indonesian National Shipowners' Association, concluded an important agreement in 1975, reconnecting the maritime links between the two nations that had been disrupted by the Malaysian Confrontation in the mid-1960s (*Seafreight: Bulletin of the Singapore Shipping Association*, May 20, 1978; *Indonesian Perspective*, October 1975; Dick 1987: 33).

The Singapore Chinese Chamber of Commerce and Industry (SCCCI) is another key arena for social capital accumulation. As one of the most important Chinese organizations in postcolonial Southeast Asia (Liu 1999b), SCCCI has been a vital institutional nexus for Asian Chinese business networks. Since the 1970s Tong has been an executive committee member (as one of the few who are not Singapore citizens). His various involvements with SCCCI include activities in the international trade, and more importantly, in the efforts to bridge the ties between Singapore Chinese businesspeople and the Indonesian government. This relationship was crucial to many Chinese businesses, yet it was seriously affected by

the 1963-65 Confrontations and the subsequent hostilities between the two nations. Through Tong Djoe's arrangements, an official SCCC delegation visited Indonesia in 1975 and was received by President Suharto, thus mending the damaged ties (*SCCCI Annual Report 1975*).

## Transnational Symbolic Capital

While the aforementioned social networking activities have been directly linked with businesses and profit-seeking motivations, some of Tong's social capitalizing practices go beyond monetary concerns, especially when he became financially secure. These include supporting and participating in various charitable and educational organizations, elite clubs, and the so-called high societies. Tong Djoe has been a patron for a number of educational institutions, such as Singapore Maris Stella High School, the Chinese Industrial and Commercial Supplementary School, and the Thong Chai Medical Institution. And this support for the educational cause won him a "Medal of Long-term Service to Education" awarded by the Singapore government in 1997. Tong has been chairman of Goh Loo Club (founded in 1909), executive member of the Singapore Chinese Weekly Entertainment Club (founded in the early 20<sup>th</sup> century), and the Eo Hoe Hean Club (founded in 1895). All these clubs are frequented by prominent (the the older generation in particular) Chinese entrepreneurs for recreational and networking purposes (Chan and Chiang 1994). Tong has also been consistently selected as one of "the top 250 essential registers of Singapore high society," who are "dynamic individuals, whose social and professional contributions in the fields of business, science, medicine, education and the arts entitle them to be part of the Singapore's most select group" (*Singapore Tatler Society: The Essential Guide to the Social Season, 1996-1998*).

Tong's social networking has been characterized by its transnational reach; and he maintains close ties with people in different circles in many parts of Asia. He was, for example, the founding chairman of the International Anxi Society, whose constituencies include more than 3 million Anxiese living outside the Mainland. The Society held its first international convention in Singapore in 1993, which drew more than 2,000 co-ethnics from different corners of the world. The subsequent three international conventions were held in Anxi and they become an important driving force to the local economy and sub-ethnic Chinese

business networks in Southeast Asia (Liu 1998). Mainly because of his extensive involvements in the process of leading to the resumption of Sino-Indonesian trade and diplomatic ties throughout the 1980s, Tong Djoe has built up an impressive arrange of personal ties with top PRC national leaders. In May 1998 Tong was invited to become the member of the Chinese National Association for Overseas Liaisons, whose members include prominent national and internationally renowned social and economic players.

These connections are largely forged out of a sense of charitable and diasporic sentiments, and they help foster symbolic capital, defined as "a credit; it is the power granted to those who have obtained sufficient recognition to be in a position to impose recognition" (Bourdieu 1989). By reinforcing trust and reputation of concerned transnational entrepreneurs, symbolic capital serves as an effective, albeit indirect, dynamic for the accumulation of their social capital. In August 1997 Tong helped arrange an exclusive meeting and photo session between the visiting Chinese Premier Li Peng and some leading Chinese entrepreneurs in Southeast Asia. In an acknowledging letter to Tong (dated September 23, 1997), an Indonesian tycoon wrote that his photo with Li Peng was "a symbol of honor and a manifestation of trust."

There are at least four characteristics in Tong Djoe's social networking/politicizing. First, these networks are elastic and inclusive, rather than inflexible and exclusive, as many analysts and politicians like to portray. They consisted of both the Chinese and non-Chinese actors in a wide range of geographical locations. Second, they are encompassing, covering not only the economic sphere, but social, political, and cultural arenas. These different types of capital are mutually reinforcing, though the availability and accumulation of economic capital constitute the sources and ultimate target of their concoction. Third, they are transnational and coupled with multiple identities. This transnationalism is not only confined to the market term (the market knows no boundaries, so to speak), but is extended to the socio-political dimensions with profound implications for identity (trans) formation.

Finally, the making of Tong's social capital is a product of both culture and environments: Chinese traditional culture (especially Confucian ideals of family, state, and society) serves as the guideline for his actions. It has been subsequently shaped by his diverse experiences exposing to different ethnic and political actors. The particular environments of the Chinese in Southeast Asia (who are often being regarded as outsiders



but strive to get into the inside or being accepted by the mainstream) make the acquisition and sustaining of social/political indispensable. Seen in this context, the social capital formation is not only an essential survival strategy for transnational Chinese entrepreneurs, but an adaptive means of responding to the social and political circumstances in postcolonial Southeast Asia. The emergence of a global capitalism, together with the resurgence of Chinese collective diasporic consciousness, makes this strategy both feasible and effective.

## CONCLUDING REMARKS

This case study highlights the fact that Chinese business practices are intimately connected to cultural poetics and social politics and that social capital can be used as a powerful analytical concept to delineate the nature and features of Chinese business networking and transnational entrepreneurship. These universal (and not Chinese specific) elements include the importance of personal and institutionalized relations, trust and obligations, the linkages with economic and political capital, the crucial role of social networking and sanction mechanisms (see also Fukuyama 1995; Liu 2000).

Although this is a case of an individual entrepreneur whose colorful career has spanned a diverse range of space and time, Tong Djoe is not unique in his efforts to accumulate and dispense social capital and his patterns of linking business networking with cultural politics. Vertically and historically, Southern Fujianese (a dialect and regional sub-ethnic grouping to which Tong belongs) had been among the most successful and mobile entrepreneurs in the recent Chinese migration history to Southeast Asia (Wang 1991). Studies have shown that as a marginal group from the mainland, they were readily prepared to merge with the social and economic networks of the host countries and to "become native people." They were also renowned for their possession of "business confidence": industry, frugality, hard work, the ability to sum up a situation, interpret it in terms of business success, and adapt behavior to the situation to turn it to a business advantages. All these qualities have been essential for Chinese entrepreneurship (Dobbins 1996: 48-71). Tong Djoe's endeavors in blending social and economic capital, through the venue of Chinese organizations, are analogous to those of his predecessors, such as Lim Keng Lian, president of the Singapore Anxi Association in

the late 1940s who later served as the vice chairman of National Committee on the Overseas Chinese Affairs (Liu 1999a). Tong Djoe can therefore be placed within such an environment that has cherished this strong mercantile and entrepreneurial tradition; in a sense, he is the product of this Hokkienese-dominated trading tradition in Southeast Asia.

Horizontally and contemporaneously, there are a number of prominent Sino-Southeast Asian entrepreneurs whose views and practices of social capital and cultural politics are remarkably parallel to those of Tong's. Liem Soie Liong of Indonesia, for example, regards trust as his "second life". The latter includes the need to treat others nicely and modestly, and to leave good impressions. In so doing, Liem believes, people will think of him when opportunities arise (Zheng 1999: 312-314). The key to Robert Kouk's success lies mainly in his extensive social, business, and political networks (Zhou 1993). Udane Techapaiboon, a Sino-Thai tycoon, likes to attribute the success of the overseas Chinese to "two unique Chinese traditions": kinship and native-place sentiments, which are actually the foundation of Chinese social networking (cited in Liu 1998). Other research has also shown that Chinese entrepreneurs utilize a diverse range of social resources and cultural capital in their search for wealth and fame (Chan and Chiang 1994; Hamilton 1996a). These studies provide different insights and empirical data on the essential role of cultural and social politics in the making of (overseas) Chinese business activities.

The 21<sup>st</sup> century brings new prospects for Southeast Asia, and there is no doubt that ethnic Chinese will continue to play a significant role in the region's economic growth and political transformation. Social capital (together with cultural poetics and social politics), in the final analysis, offers an accommodating parameter and a comparative framework to strategically study transnational Chinese business networks in a rapidly changing world. This framework, I believe, would enable us to take Chinese business beyond the realm of pure business and to chart a smoother course sailing in the turbulent deep blue sea.

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## Notes

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- 1. According to Arrow, all three elements of the social system are needed for the economic system to work: "the element of communication, such as codes, symbols, and understanding; the element of shared social norms, which is the reasonable expectation that the norms will be followed even if it would be profitable not to follow them at least in the short run; and thirdly, the existing institutions for enforcement, which themselves operate outside the market system and are needed for enforcement purpose." See Swedberg, 1990: 139-40.
- 2. My numerous interviews with Tong Djoe, conducted over a period of more than five years, include structured interviews and interviews/conversations in a more cordial and relaxed environment (such as visitations to Megawati and Liem Sioe Liong and on the occasions of his hosting various Chinese delegations). Together they form the process of participatory observations. I also made use some personal correspondence between Tong Djoe and national/local leaders in Indonesia and China. The continuing sensitive nature of the ethnic Chinese issue prevents me from revealing the full contents of these correspondences and from directly quoting the names. They nevertheless provide essential background information to the writing of this paper. Unless otherwise indicated, all the following accounts are based upon my personal interviews, including those with Tong Djoe's eldest son, Melvin Tong who serves as the General Manager of Tunas Company and Chairman of the Inno-Pac, a publicly listed company on the main board of the Singapore Stocks Exchange.

## 6

# **New Directions For Southeast Asia's Regional Relations: An Indonesian Perspective**

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It has been widely argued that for the last three decades, peaceful and cooperative intramural relationship among Southeast Asian nations has been built upon, and managed by, the application of regional institutional arrangement, which is manifested in the form of the Association of Southeast Asian Nations (ASEAN). Moreover, the implementation of the principle of "ASEAN Way", which entails a set of behavioral norms and code of conduct for each member of ASEAN in exercising its relationship with other members, had been so far recognized as the primary catalyst in the advancement of the relationship and development in Southeast Asia. Indeed, after 30 years of existence, it is not an exaggeration to claim that so much has been done by ASEAN to transform Southeast Asia from a region of conflict and enmity into one of cooperation and harmony. By the same token, ASEAN has been frequently described as a "success story" of regionalism in the developing world, and as one of the observers of ASEAN sympathetically said, that "today many people would find it difficult to imagine Southeast Asian politics without ASEAN".

In the past, the success of ASEAN, however, owed so much to the international and regional political situations, especially to the mutual pressures posed by major powers. These had virtually created a positive consciousness and attitude among ASEAN leaders that regional stability and solidarity should be solidly maintained. These leaders wholeheartedly believed that regional stability and resilience is the key to rapid and sustainable economic growth, social development and political interactions in the region. Henceforth, as democratization and globalization are among the new trends in the post Cold War international arena, many analysts believe ASEAN would still face a major internal and external readjustment process in order to cope with these changing trends. They strongly

believe that the dominant role of government, especially that of the leaders, was one of the major hindrances to a more democratic ASEAN. Accordingly, they urge the governments of ASEAN to be more accommodating in responding to the growing demands from the people of ASEAN for a more open and transparent relationship, not only within the ASEAN countries, but also an ASEAN's external relations in a wider region.

Against the above backdrops, this paper will basically examine the new course and directions for ASEAN in exercising its relationship in the region, not only in inter-governmental relations, but also in inter-societal relationships within and outside the region. Given the current situation in the region, which is heavily characterised by the economic crisis and its social and political ramifications, this paper will review ASEAN's political, economic and security relationships with major international and regional powers. Accordingly, the discussion is divided into three sections, namely: (1) Reviewing ASEAN's Success: Story from the Past; (2) Rethinking ASEAN and Its Incoming Challenges: The Needs for a New Course; (3) The Road Ahead: New Directions for ASEAN.

## Introduction

Legions of articles and books as well as numerous in-depth studies on the Southeast Asian region have been widely published and even reviewed. This, to some extent, definitely reflects the importance of the region in the wider arena, be it East Asia, Asia Pacific, or the global arena. Indeed, up until mid-1997, Southeast Asia had been respectively viewed as a potential epicenter for Asian dynamics, not only in economics, but also politics and even security.

The Asian Crisis — a widely noted notion that indicates the financial as well as economic crises in several Asian countries, including its protracted social and political ramifications — has put a new perspective on how the nations in the region might cope with its future challenges. There are two contending views regarding the fate of the region in the years to come. On the one hand, many believe that people living in Southeast Asia have proven to be very adaptive in adjusting themselves to its changing environment. In the past, they had managed to struggle against colonialism, to maintain internal stability, and thus, attract more

essential foreign investments to the region. Therefore, the presence of "the catastrophic-learning-experience" of these people will lead them to a better condition, despite the crisis they are experiencing currently. Some new public spirit is also detected, especially on the issue democratization, which is now regarded as a prerequisite for economic progress and development.

On the other hand, however, many also doubt the extent to which recovery is now being undertaken by countries in the region. They argue that not only had the crisis caused a catastrophic deep-cut in the regional pride nor had it badly reduced the level of confidence of the people from within and outside the region, but more importantly, it had illuminated the irrecoverable damages that had been committed by corrupt leaders and their economically and politically greedy cronies, both in public and private sectors, at the cost of the freedom and opportunities that the people could limitedly enjoy. Accordingly, they strongly believe that regional recovery would be too costly, both financially and socially, as it requires a time for the people in the region to return to pre-crisis status.

From the two contending perspectives above, one can easily understand that hope for recovery still exists, even though minimal, notwithstanding its astronomical costs, and the social and political consequences posed by the recovery process.

At this point, regional institutionalism, polity-government relations, and inter-governmental relations in the region and beyond would be some of the major crucial issues to be touched upon. Indeed, on the question of regional institutionalism, the existence of the Association of Southeast Asian Nations (ASEAN), including its institutional development, roles and relationship with other similar regional and international institutions, are among the most important issues. On the issue of polity-government relations, it is interesting to observe and in fact discuss many related matters i.e. the emerging importance of and recognition towards the role of civil society and Non-Governmental Organisations (NGOs). The last point that should also be highlighted is the pattern and directions of inter-governmental relations among countries in the region in the frame of ASEAN, as many observe that the pattern and directions have slightly changed due to the current economic, social and political turmoil in certain key countries. As a matter of fact, this changing pattern will also affect the overall situation in the region and in the wider area.

Against the above backdrops, this paper will basically examine the new course and directions for regional relations in Southeast Asia and



beyond, with special impetus on ASEAN, not only in the forms of inter-governmental relations, but also the inter-societal relationship within and outside the region. Given the current situation in the region, which is heavily characterized by the economic crisis and its social and political ramifications, the paper will review the ASEAN's political, economic and security relationships with major international and regional powers. Accordingly, the discussion presented in this paper is divided into three sections, namely: (1) Reviewing ASEAN's Success: Story from the Past; (2) Rethinking ASEAN and Its Incoming Challenges: The Needs for a New Course; (3) The Road Ahead: New Directions for ASEAN.

## REVISITING REGIONAL SUCCESS

### Cooperative Institutionalism, Strong Leadership and Leaders' Amity, and Global Polarities

If we magnify the extent to which the countries in the region had achieved its current economic, social and political success<sup>1</sup>, among many other things, one could easily point to a series of reasons and situations that enable these countries to enjoy such a standing regionally and internationally, widely ranging from domestic stability to international conditionality posed by the state and nature of the Cold War period. Most of the analyses will converge into at least three main key factors that initially play a leading role in creating and maintaining the success of the countries in the region for the last three and a half decades. *First*, the regional initiative to establish a solid form of cooperative institutionalism, manifested in the establishment of the Association of Southeast Asian Nations—widely known as ASEAN, had enabled the countries in the region to assemble, and thus, to gain a common regional identity, which was largely non-existent prior to ASEAN's establishment in 1967. *Second*, a strong leadership, both in terms of the personal leaderships of several key countries' leaders that allow a stable domestic stability to be achieved, and regional leadership performed by a key member—literally understood as *the primus inter pares*, the first among the equals. *Third*, international pressures and tensions posed by the stable structure of bipolarity during the Cold War period had yielded a common ground for understanding among nations in the region to strengthen their mutual cooperation and understanding, which also encompasses the

national and regional resilience in Southeast Asia. However, not only does the region receive pressure from international super powers as well as from regional major powers, but also support, in terms of economic, financial, security and political support, which were necessary and indeed crucial to the region to bring it to its current stage of development.

Those three necessary components of success will be further discussed in the following parts. However, recognising that there are so many analyses and publications that cover widely and deeply the past history of ASEAN, therefore, the discussion presented in the following parts will not be designed to be a duplication to those well-phrased analyses. Instead, it tries to modestly assess and to a lesser extent, highlight the importance of those components in understanding the level of success the countries in the region are now, or were, enjoying.

### **ASEAN: A Milestone towards Regional Unity**

Against many backgrounds, ASEAN is perhaps one of the unique regional institutions that succeeded in surviving, and surprisingly, blooming and expanding beyond everybody's doubt when it was initiated some 33 years ago. It is surely true that "when ASEAN was established 30 [33] years ago in Bangkok in August 1967, not many people took it seriously" as "many speculated that this regional experiment was doomed to follow the fate of similar previous attempts".<sup>2</sup> However, despite current criticisms, ASEAN has been paramount in serving the role of the main vehicle that best serves the security, political and economic interests of many of its members.

The last statement above sounds absolutely relevant when we look at the regional political terrain and sketch prior to the establishment of ASEAN. Prior to 1967, the region had a notorious reputation as a region of conflict and enmity, mainly due to its fragility and instability in terms of politics and security, where regional intramural conflicts—and even wars as well as intra-state problems in forms of insurgencies and secessionist movements—frequently arose. A troubled Indonesia-Malaysia relation in the mid 1960s was perhaps one of the most important events that marked regional instability. Moreover, the ideological competition between the communists, nationalists, and religious elements of the nations, followed by many communist insurgencies in many parts of the region, posed another internal threat to regional security. As a result,

political turmoil, and its social and economic ramifications, often occurred and such an unfortunate and prolonged situation had damaged the whole region and its people.

Nevertheless, at the height of regional power struggle in Southeast Asia, Indonesia, as the biggest country in the region, experienced a dramatic internal change, which effect was not only regional, but also international. Starting with the abortive coup of the Indonesian Communist Party (PKI) in 1965, which paved the way for the strong military regime under General Suharto to assume power nationally after successfully countervailing the coup, Indonesia gradually changed its foreign policy direction, from an aggressive and high profile one to an assertive and low profile one. Soon, Indonesia and Malaysia managed to mend the broken diplomatic and political relationship, which literally ended the three-year conflict between the two neighbouring countries. Harmony in the region was initially restored by them.

Realizing that the clear and present danger to regional security lay in the regional economic and social poverty, political disunity and inter-state diplomatic disharmony, and in order to prevent any problems in the region, an initiative to establish regional cooperation to foster better economic and social life for the people as well as to strengthen regional identity among many nations in the region was then accordingly proposed. This was finally manifested in the form of ASEAN, established through the signing of the Bangkok Declaration, in October 1967, by five founding country-members: Indonesia, Thailand, Malaysia, Singapore, and the Philippines.

As the southern parts of Southeast Asia relatively stabilized<sup>3</sup>, conflicts and potential dispute escalation continued to occur in the northern area, most notably in Indo-China, in which war in Vietnam posed a significant disturbance to the overall region. For better or worse, understanding that the instability in the northern part might have a major negative impact on its southern half, therefore, it is highly recognized that implementing a regional order was an immediate necessity. In spite of, and following the solidified institutional building and mechanism within ASEAN, the leaders of ASEAN agreed to introduce some common regional conducts, which are stipulated in the documents of: Zone of Peace, Freedom and Neutrality (ZOPFAN) of 1971, and the Treaty of Amity and Cooperation in Southeast Asia (TAC) in 1976. The ability of ASEAN to formulate these two basic—yet most important—documents, had certainly allowed ASEAN to survive, and indeed develop itself during the hard and difficult period of the Cold War until the early 1990s.

## Strong Leadership and Amity: Patron of ASEAN Cohesion

In line with the above arguments, strong leadership in the region is also highly regarded as another type of catalyst toward regional stability in Southeast Asia. Moreover, the well maintained communication and friendship among leaders in the region had yielded in a solid network of regional leadership, which is mostly based upon personal amity of these leaders.

The imprints of personal amity among leaders are well reflected in the core code of conducts of ASEAN, which are consultation (*musyawarah*) and consensus (*mufakat*). Indeed, this personalised-institutional mechanism does not automatically stem from the leaders' personal amity *per se*. Some important strategic and political, as well as power calculations, are some of the additional considerations that preserve the process of consultation and consensus within Southeast Asian regional political relations.

In a context of political realism, and also cultural backgrounds of the people in the region, and with regards to the fact that the region is geographically and economically diversified, such conduct is rational and it serves as the best mechanism. Indonesia, the biggest and most populous country in the region, with a very pivotal political and social influence which had been through a difficult post-coup situation in the 1960s, was then the initiator of the practice of *musyawarah* and *mufakat* in ASEAN. The point of the issue here is that any initiative that came from the largest member—*primus inter pares*—would certainly receive much attention from its smaller members, and raise the possibility of this initiative becoming the general norm.

Nevertheless, it is interesting to question the factor with which the practice of *musyawarah* and *mufakat* can be preserved as general norms for at least three decades. In other words, why did the ASEAN members strongly believe that the conducts of *musyawarah* and *mufakat* are good, and not view them as a means to a silent regional asymmetrical relationship—if not regional hegemony, with Indonesia on the top of the structure?

This matter can be best understood in the behavior and nature of Indonesian foreign policy at regional and global levels, with special impetus on the character of Indonesian diplomacy and strategic communication, and also the performance of Indonesian foreign policy

authorities, including President Suharto himself and his foreign ministers. As widely noted and cited in many analyses, Indonesian foreign policy after 1967 was very much in favour of international recognition and support, especially from the western capitalist countries.

Under the rather unfortunate circumstance of a high rate of inflation—which barely led to a nearly collapsed economy, social disorder, and political turmoil—Indonesian leaders were striving towards re-integrating Indonesia into the international community, with the strong expectation that international aid and investment would return to Indonesia. Indeed, to that effect, Indonesia, which was once known for its aggressive, malicious and high profile conduct of foreign policy, well understood that rectifying its practice of foreign policy into a more low profile and less aggressive type of practice was a crucial necessity. Accordingly, Indonesia needed to redefine its position and rearticulate the so-called “independent” and “active” foreign policy. Accordingly, for the Indonesian leaders, to strengthen its relations with its closest neighbours in Southeast Asia was one of their top priorities.<sup>4</sup>

In addition to that objective, the idiosyncratic factor of Indonesian leaders, with their strong traditional backgrounds, compelled these leaders, including the President himself, to play a modest yet decisive role in exercising Indonesia's policy in the region. Close personal relationships among key formal political leaders of the countries in the region, which is based on self-restraint, mutual respect, and common responsibility, was therefore a format of relationship. This was also manifested and reflected as the way of communication within ASEAN as an institution. The diplomacy of accommodation was then accepted as a typical diplomatic nature of ASEAN.<sup>5</sup> To a large extent, Indonesian leaders were very much in favor of keeping this sense of equality among peers, although for many reasons, it was frequently criticized as a vehicle to maintain Indonesian position as “the first among the equals” of ASEAN.

In most meetings, be it the ASEAN Ministerial Meetings (AMMs) or ASEAN Summits, harmony and common understanding became two major anchors that underpinned the agenda of talks and discussions. Indeed, there is no evil in those two sacred notions. However, they frequently made an open and frank discussion difficult, and therefore, ASEAN tends to always sweep most of its sensitive issues—the issues which could potentially lead to the open dispute among members, and thus reduce the level of intra Association's cohesion—under the carpet of ASEAN solidarity, unity and so forth. Nonetheless, the point of issue

here is that for the last three decades, such a conduct had been so far successfully paving the contention of ASEAN leaders, and regardless of the slowness of ASEAN institutional development, it had inevitably smoothened the evolution of the institutional process of ASEAN, and thus, stabilising the regional.

Definitely, such a conduct and practice of communication, which is centered on leaders and their personal relations, is not totally free from any criticism. Most critics argued that ASEAN is becoming a club of foreign ministers, and a golfing club for its heads of government in Southeast Asia. With regards to regime or leadership transition that is now, or about to take place in many of the ASEAN country members, it was further argued that the current practice of communication and decisionmaking process in ASEAN are so prone to misperception and misinterpretation, especially for some new relatively inexperienced leaders, let alone the non-Asian counterparts of ASEAN. This kind of communication also contributes to a modest progress—not to say slow—of ASEAN institutionalization and institution-building. As one of the ASEAN observers rightly observes "As ASEAN's agenda have become more complex, and its international role is growing, it is unavoidable that ASEAN will also face a number of challenges in strengthening its institutional structures".<sup>6</sup>

Understandably, in practice, the style of communication developed among these leaders and officials laid the foundation for, and contributed to, the development of the so-called "ASEAN Way"—which is characterized by informality and consensual decisionmaking, and stipulated in the inception of non-interference principles, in which self-restraint, respect and responsibility are the common norms. As ASEAN faced a more complex development in its environment, many critics started to doubt the effectiveness of this practice, and therefore, urged a thorough and open review towards the practice and relevance of the ASEAN Way. This criticism also stemmed from the fact that ASEAN is now being relatively more "institutionalized" than that of in the 1970s, following the Summit in Singapore in 1992, in which leaders agreed to "formalize" and "regulate" the ASEAN internal processes into a more fashionable way, including upgrading the status of the Secretary General of ASEAN, Summits and Meetings, and other institutional measures necessary for an organization as big and important as ASEAN. Since then, "ASEAN can lay claim to being the most extensively institutionalized (but not supra-nationalized) regional association besides the European Union".<sup>7</sup>

However, despite all criticisms, one should not omit the fact that regardless of all criticism pertaining to strong leadership and personal amity among leaders, especially among those who were in power for more than a decade, this very friendly situation has significantly and positively contributed to the sustainability of regional stability and harmony in Southeast Asia for the last three decades or so. At least, this has assured an open and continued channel of discussions to take place in the region, despite the fact that the degree of openness and frankness of these series of communication were still questionable. Nonetheless, good communications, in its very own form and uniqueness, had saved the region from falling into a deeper crisis than that of in the 1960s. ASEAN prevails, and in fact grows to its current standing with which its regional importance and role had gained much respect internationally, to a large extent due to good communication among its leaders.

## **Mutual Pressures Posed by Global Bipolarity**

### ***External Factor towards ASEAN Success***

Realising the fact that ASEAN was also established by five non-communist founding countries, and in the height of harsh ideological competition—if not conflict—between the West and East during the Cold War period, it is regarded as sensible to note that ASEAN was solidified by the pressures posed by the two polarities, notably the US and ex-USSR. It was the political and ideological pressures from both sides—actually from the US, which was manifested in the forms of continued perceptions towards the communist threats—and political as well as economic supports that ASEAN, for its own sake, played, and it inevitably became one of the key points in creating a regional unity, and thus, stability.

Following the realist point of view of international relations, it was evident that the balance of power of great powers—in its wider notion to include influence and other intangible denominators—had kept the region in a state of partial equilibrium. Despite numerous conflicts that took place in Indo-China in the aftermath of the Vietnam War, growing consciousness and rationality of great powers to exercise their power and capabilities in a wiser and more cautious way had kept the collision among them at a minimum. The China factor during the Cold War period had added another flavor to the security complexity in the region, which

pushed the superpowers to find new, and indeed maintain old, alliance(s) in the region.

The above situation inevitably posed a dilemma position for ASEAN in terms of strategic politico-security calculations. On the one hand, ASEAN was faced with the fact that the USSR, through its solid alliance with Vietnam, had been a potential threat to at least the ideological standpoint of ASEAN. But on the other hand, factoring the Sino-Soviet split, the US had found China as its new tactical partner, along with Japan, its strategic ally, in deterring the Soviet's growing influence in East Asia. For ASEAN, both China and Vietnam had created mixed feelings and perceptions. In light of ASEAN's unspoken spirit to subdue communist insurgencies in the region, both were regarded as potential threats following their rather negative track records and involvement in regional affairs. However, the market oriented economy, and strong anti-communist sentiments were two cementing commonalities that ASEAN possessed, and this had literally led to a common standpoint that the West (US), despite of ASEAN neutrality, should play a role as the major anchor—if not guarantor of—ASEAN stability. This had been reflected in the fact that most of the ASEAN founding countries, except Indonesia, had established a security alliance with western powers.

Indeed, the above condition would not have a solid ground if the US saw no strategic advantage to being involved in regional affairs, especially after its bitter experience in Indo China. As a matter of fact, the US urged ASEAN countries to improve their power capability, not merely militarily, but also to strengthen their economic development and political cohesion. Obviously, the US believed that ASEAN was too important to be neglected, as the US policy makers understood very well that the Soviets would be the beneficiary should the US abandon this regional entity. With that respect, ASEAN had benefitted from the balance of threats and balance of pressures posed by super powers, and it had played its role as a good and strategic interlocutor between the two superpowers.

### **ASEAN AT CROSSROADS: MODALITIES, NEW TRENDS, AND DEBATE**

In the beginning of the 1990s, international politics saw a dramatic change in global affairs, following the downfall of the communist bloc in Eastern Europe. As the new era began, trends in international relations



have also shifted accordingly. For the last decade, the centrality of conventional security issues, which encompasses the military and high-political game, had been replaced significantly by some politics-economy-related issues. In addition, newer issues were also introduced, most notably democratisation and human rights, as well as gender equality, environment, human security and development and so forth. Globalization was then introduced as a sacred mark of the Post Cold War period, and it has been widely used as a major umbrella that facilitates, promotes and even advocates many of the above issues. It has inevitably made some tremendous impacts on many factors, ranging from individual to international levels.

Indeed, ASEAN as a form of regional entity had also been affected by these new trends. It is clearly seen that for the last ten years, ASEAN had been trying to adapt and thus adjust itself to the new environment, and it actually did very well until the economic crisis hit most of its country members in the third quarter of 1997. This part of the analysis will basically try to assess a set of major changes which took place inside and outside ASEAN, and how ASEAN positions itself in its changing environment in order to preserve its relevance, and thus, viability.

### **Maximizing ASEAN Modalities: Proceeding with Multilateral Projects**

As the world entered a new era of Post Cold War, ASEAN had in many ways achieved numerous successes and recognition in the fields of politico-security, economy, and more importantly, social identity building of Southeast Asian nations. The latter success had to some extent helped the prevention of an open and escalated inter-state conflict in the region. However, as the environment of the post Cold War posed different types of challenges as well as new opportunities, each factor has to consequently be able to formulate its own policies, and to accordingly maximize its own available resources wisely to promptly meet these incoming challenges.

Naturally, when an entity grows bigger and stronger, more challenges, normally followed by higher expectations, will concurrently arise. ASEAN's case is no exception to that logic. Given the fact that ASEAN has been growing bigger and stronger beyond its initial expectation, the leaders of ASEAN were appealed to confidently interact in the larger

field, in which more sophisticated skills and elaborative strategies are absolute requirements. At this very point, confidence is perhaps one of the biggest assets that ASEAN possessed in the early 1990s.

However, in the absence of mutual pressures subsequently posed by super powers, which was previously regarded as a cohesive factor that induced ASEAN unity, the Association was then challenged by the immediate question pertaining to its relevance, direction and roles that it can possibly play in a wider and more complicated arena such as the Asia Pacific. Many doubt that ASEAN would be able to accomplish its ambition under the circumstance in which new internal problems within ASEAN (i.e. the then Indo-China, territorial claims, and also possible leaders transition due to aging incumbent regimes in many ASEAN countries) might potentially destabilize ASEAN current solidarity. Many maintain the arguments that unless a series of bold measures and innovative strategies were undertaken, ASEAN would likely be relegated from its current regional significance and global standing.

Responding to such criticisms, and realizing the complexity of situation that ASEAN faced at the end of the Cold War, ASEAN leaders in their first post Cold War Summit in Singapore (1992), while reiterating their commitments that "ASEAN Cooperation remains vital to the well-being of our people"<sup>8</sup>, had also reached a common understanding to changing ASEAN direction and strategies, and thus, agreed to undertake several important steps, including some institutional development initiatives. Moreover, they also acknowledged that 'the profound international political and economic changes that have occurred since the end of the Cold War "would considerably affect ASEAN".<sup>9</sup> This acknowledgement reflected the presence of common consciousness among leaders that ASEAN needs to anticipate the incoming challenges posed by this global change. Following the presence of collective confidence within the Association as mentioned earlier, this common consciousness and understanding is another modality that ASEAN fortunately had in redefining its existence in the post Cold War era.

Furthermore, following the above conditions, these leaders strongly believed that there were at least four important foci that ASEAN should pay attention to. They were: (1) ASEAN shall move towards a higher plane of political and economic cooperation to secure regional peace and prosperity; (2) ASEAN shall consistently seek to safeguard its collective interests in response to the formation of large and powerful economic groupings among the developed countries, in particular through the

promotion of an open international economic regime and by stimulating economic cooperation in the region; (3) ASEAN shall seek avenues to engage member states in new areas of cooperation in the region; and (4) ASEAN shall forge a closer relationship based on friendship and cooperation with the Indo-Chinese countries, following the settlement on Cambodia.<sup>10</sup>

These political commitments were then followed by one of the most important steps to restructuring the institutions of ASEAN. One step towards the restructuring process is the redesignation of the Secretary-General of the ASEAN Secretariat into that of the Secretary-General of ASEAN, with a ministerial status and enlarged mandate to include initiating, advising, coordinating and implementing various ASEAN activities.

The Singapore Summit also adopted several important strategies that were viewed necessary to tackle the incoming challenges, especially how ASEAN might improve its internal as well as external relations. On the internal side, leaders were confident to state that the membership expansion of ASEAN to include all ten Southeast Asian countries was crucial. On the external relations, ASEAN determined to proceed with its commitment to actively involve in the regional dynamics of a wider arena. Indeed, it is not an easy goal to obtain as it consequently posed a strategic dilemma of deepening and/or widening process. As newer regional trends occurred dramatically in the region, reconciliation on whether or not ASEAN should focus on one of the above processes was never clearly achieved. It remained an endless debate, not only in the circle of official policy makers in the Association, but also among ASEAN watchers and the community.

After the Summit in Singapore, as stated previously, the overall situation in the region was in fact rapidly changed, following some new developments in the economic, and politico-security fields. As one of the noted ASEAN watchers observes, "the complexity of international politics and security in the Asia Pacific region has persuaded regional leaders to review the conventional concepts of foreign policy and security. Leaders are confronted with the reality of the post Cold War world, which produced two dimensions of security considerations i.e. multilateralism and multidimensionalism".<sup>11</sup>

In this context, multilateralism implies the condition in which strong bilateral relations that had been once maintained as the core, if not ultimate, channel of the ASEAN to conduct its business with the major

regional powers, especially with the super powers, cannot be treated as the sole frame of relationship any longer. Bilateralism, while remaining important in developing an individual member's relationship with other actors within and outside the region, is considered insufficient in accommodating some more complicated problems that occur in the contemporary day-to-day international relations. Alternatively, multilateralism offers a broader possibility for actors to interact with as many actors as it wishes, as long as these actors are converged by more or less similar interests and objectives.

One scholar correctly observes that "as the Asia Pacific region approaches a new millennium, regional international relations are moving away from Washington-centred bilateralism to a more diffuse multilateral structure".<sup>12</sup> Surprisingly, under the Clinton Administration, initially, the US government had little optimism towards the success and workability of any multilateral arrangements. But, this pessimistic attitude of the US seemed to be reversed quite remarkably in early 1993. The United States has since become a notorious protagonist of regional multilateral arrangements, as Richard Stubbs of McMaster University tacitly identifies that the US government has profoundly become a "unilateral-multilateralist" in order to solicit an international legitimacy over its conduct of foreign policy.<sup>13</sup>

The above condition forced or even compelled ASEAN or any other actors in the region to be less adamant towards any multilateral arrangements in the Asia Pacific. Actually, for ASEAN, multilateralism in whatever forms is not new in concept for it has been applied for nearly three decades in Southeast Asia. However, multilateralism in a wider context, such as Asia Pacific, generates mixed feelings among ASEAN leaders. Nevertheless, these leaders strongly believed that ASEAN, with its current solidity and credibility, will be able to, and in fact should actively involve in these various multilateral arrangements.

As far as multilateralism in Asia Pacific is concerned, it is no exaggeration to state that the period of 1993-1997 was seen as perhaps the golden age of ASEAN. Not only was ASEAN successful in maintaining its institutional existence through the membership expansion and its active involvement in settling the problem in Cambodia, but also for being a protagonist actor in multilateral economic, political and security arrangements in the Asia Pacific. ASEAN, at the end of the Cold War, while it continued to solidify its internal cohesion by expanding its membership to include all ten Southeast Asian states, was determined

to exercise the strength of its muscle and mind in numerous multilateral cooperative forums. Apart from being an initiator of certain forums (i.e. ASEAN Regional Forum—ARF), ASEAN was also largely successful in positioning itself in the leading position, rather than on the periphery. Having full confidence in its economic success, thus, ASEAN firstly commenced its multilateral attempts with the economic forum, before it then courageously moved towards a more sensitive one, the politico-security forum.

### ***Economic Multilateralism***

In the economic field, following the success of economic development in the region, in which most of the ASEAN country members enjoyed a 7 to 8 % annual economic growth rate, and in accordance with its major regional economic project to create a free trade zone in Southeast Asia through the ASEAN Free Trade Area (AFTA), The Asia Pacific Economic Cooperation (APEC) has been one of the most important economic forums that ASEAN leaders strived to move into.

APEC was formally initiated by the Australian government in 1989, with a strong course and objective to foster the economic performance of and cooperation among its member economies through the promotion of trade and investment liberalisation. But it received little attention until the US recognised the importance of APEC through its first Informal Meeting of APEC Leaders in Blake Island (1993). For ASEAN, APEC is undoubtedly an important multilateral economic forum, and it was initially expected to strengthen the external economic relations of ASEAN, especially with its fellow APEC members. It naturally represents "the culmination of a process of market-oriented, outward-looking policy reforms that began in the ASEAN economies in the 1980s".<sup>14</sup> Moreover, the nature of APEC to advance the member economies with a strong impetus on trade and investment liberalisation and facilitation is definitely compatible, not only with the economic directions of ASEAN economies, but also with the GDP structures of ASEAN-4 (original members minus Singapore) at that time, in which sectors of industry, manufacturing, and service replaced the significance of traditional agriculture.

Moreover, following the World Bank's assessment on Asian's economic performance, which the Bank later called the "Asian Economic Miracle" in 1993, ASEAN was then at the peak of its economic confidence. This strong confidence, which was well sprung from the sound macroeconomic

fundamentals of its major members wherein Malaysia, Indonesia, Thailand and Singapore were regarded as regional economic engines, really boosted ASEAN to incorporate itself to a larger economic forum such as APEC, despite the forum's limited function as a consultative forum of economic cooperation. Moreover, increasing trade and investment flows between ASEAN economies and others in the Asia Pacific gave a strong image and confidence that the establishment of APEC was accordingly necessary to maintain the economic level ASEAN countries enjoyed at that period.

As a matter of fact, ASEAN's inception towards the idea of integrating itself into a greater economic cooperation was a long and difficult process.<sup>15</sup> There was a harsh debate over the need for ASEAN to join a larger forum at the time when AFTA was not solidly implemented. In the later development, indeed, AFTA had been often perceived and treated as a mere training ground for ASEAN economies in their preparations towards the implementation of full trade and investment liberalization as agreed in Bogor Meeting. Overwhelmed by the conviction that APEC is merely a means for new form of economic domination of the western developed economies, PM Mahathir of Malaysia suggested ASEAN to concatenate with its adjacent region, namely East Asia.<sup>16</sup> There was also a question as to whether or not APEC would dissolve the ASEAN identity. Interestingly, it was the time when, for the first time, the notion of ASEAN solidarity and unity was openly tested and thus debated at the highest level.

However, ASEAN, with strong influence of Indonesia as the host of the 2<sup>nd</sup> Informal Summit in Bogor, successfully managed to limit this problem to a manageable level, and thus proceeded with its active involvement in APEC, without necessarily neglecting the cautious feelings of some of its members. As a matter of fact, the Cooperation was further advanced by the bolstering Bogor Declaration, signed by APEC economic leaders in 1994, to set the schedule for trade and investment liberation in APEC by 2010 for the developed economies and 2020 for the developing or less developed members. Nevertheless, following ASEAN commitments to support the advancement of APEC, and as an assurance that APEC will maintain its proportional purpose not to become an intimidating forum of the advanced economies over that of the developing ones, ASEAN insists that APEC should remain a loose institution. ASEAN also maintained that APEC should consistently be an open regionalism, with which the non-discrimination principle is mandatory.

Apart from the above functional and fundamental agreements, and despite all criticisms from within and outside ASEAN with regards to

the APEC decision to have one ASEAN economy acting as a host of Leaders Meeting in every other year, yet, symbolically, such a decision reflects the condition of which the centrality of ASEAN within APEC is well acknowledged, and respected. However, it also shows that ASEAN remains a "symbolic community", in which symbolism is perceived as an inherent part of the overall practice.

Given the above condition, the *raison d'être* of ASEAN, despite its relatively smaller-sized economy compared with that of the economies of the US, Japan or other NIEs, to become one of the most important players in the Cooperation is indeed interesting to be discussed. As usual, ASEAN's leading role in APEC was not necessarily and substantially driven by its economic success, *per se*. Instead, it was largely and substantially driven by ASEAN's current political importance as a prolific consensus-builder in the Asia Pacific. ASEAN's success in APEC lay in its ability to transmit the habit of consultation and consensus as a means to gain collective solidarity among APEC members and thus, creating a common identity of Asia Pacific. This has been demonstrated during the Bogor Summit, in which agreement was reached despite notorious debate over APEC amongst the ASEAN members. In other words, as a collective entity, APEC owes ASEAN for its contribution to the creation of the sense of community in Asia Pacific, which at the end of the day plays a determinant role in smoothing the overall economic discussions and consultation in the forum.

As the current crisis hit most of the Asian economies, including the ASEAN economies, the questions of credibility and relevance, as well as workability of APEC, have again emerged as the APEC response towards the crisis was seen as insufficient, if not non-existent. This has resulted in a series of growing criticisms of APEC, and consequently, although never publicly revealed, governments of APEC economies are losing confidence towards the Cooperation. APEC is losing its credibility, and most notably, its popularity with the people in the Asia Pacific.

Interestingly, as larger multilateralism such as APEC was accused of being impotent and belated in responding to the crisis and in helping the post-crisis recovery process in Asia, most of the crisis-hit countries turned to seek assistance bilaterally, either to a stronger economy such as Japan or to the international financial institutions (IFI) like the International Monetary Fund (IMF). Although Japan, as the leading economy in the region, has come up with the idea of establishing the Asian Monetary Fund (AMF), as a supplementary institution to the IMF/

World Bank, it is again the US that demonstrated its hesitation to support the idea, and they even discourage the implementation of AMF. Therefore, the Japanese government decided to postpone the idea indefinitely, if not cancel it, and unilaterally came up with a unilateral framework of economic assistance through the Miyazawa Plan, in which Tokyo allocated some US\$30 billion to help the crisis-hit economies in their attempts to conduct the economic recovery process.

For ASEAN, one of the biggest lessons that the leaders should learn from the above situation is perhaps the uncertain prospect of economic multilateral arrangements in the Asia Pacific. This does not necessarily mean that ASEAN should undermine, let alone abandon, the overall multilateral projects in Asia Pacific whose initial expectation was to foster and promote greater economic achievements, and thus, elevate the peoples' welfare. Yet, ASEAN should be able to make multilateralism pertinent to its ideals and goals. To that effect, the ability of ASEAN to recover from the crisis immediately and thus re-strengthen its internal economic cooperation in the region is considerably a major, if not absolute, requirement.

As far as ASEAN response to the recent crisis is concerned, the Association seems to be belatedly lagging behind the people's expectations. Indeed, ASEAN has an inherent stringent institutional weakness that inhibits its adequate and optimum response to the crisis. It is the problem of basic principles applied within ASEAN, which comprises the principle of non-intervention and the "ASEAN Way" of doing business. This will be explored more adequately in the latter part of this chapter. But, most illuminatingly, the ASEAN response to the crisis, with regards to trade and investment liberalisation in the region, was once again grossly driven by the attitude of symbolism. Members' agreement to accelerate the full implementation of AFTA by 2002, instead of 2003, whose objective was to maintain international confidence to the region, was largely seen as a symbolic gesture of ASEAN. Many doubt that given the current scale of economic calamity, especially of its largest member, Indonesia, ASEAN would not be able to meet its own decision, as it might affect the members' domestic economic stability, especially on the small-medium businesses. Economic symbolism played by ASEAN would accordingly be incongruent with the economy's level of preparation. This will be a major challenge for ASEAN in the foreseeable future, especially on the economic field. At this very point, ASEAN's credibility is really at stake.



*Politico-Security Multilateralism.* Today, when one thinks about the official multilateral politico-security arrangement in the Asia Pacific, many of us would be quick in pointing to the ASEAN Regional Forum (ARF) as the solid representative of the growing trend of politico-security multilateralism in the region.<sup>17</sup> Although many view it as experimental in nature, but for the last six years since its first meeting in 1994, the ARF has shown a remarkable performance with regards to the security dialogue process, including the level as well as the scope and coverage of security dialogues, widely ranging from the hard-conventional to some soft-unconventional security issues.

Unlike in the economic fields, ASEAN seems to, and indeed does, play a more proactive role in the realm of regional politico-security management. Against all odds, in the sense of ASEAN's relative smaller and weaker power compared to those of the other regional major powers, ASEAN was successful enough in presenting its initiative to establish a more institutionalised politico-security arrangement in the form of the ARF. As one analyst stresses, ARF is an anomaly in international relations. It was ignited and moved by small-middle states or entity of smaller states whose main strategic objective forces big powers to get involved.<sup>18</sup>

Yet, it is true that the ARF is not the first multilateral security arrangement in the region, as there were a number of multilateral as well as bilateral or trilateral alliances that existed in the region, largely as an inherent part of the Cold War. Also, it should not be seen as the only and ultimate framework for security cooperation, as such a view will only reflect our naivete in international politics. Accordingly, the existence of ARF is perhaps best explained as "a complement to and not a substitute for other bilateral security dialogue processes and alliances..."<sup>19</sup> Following this understanding, one should also be aware that there is a strong desire, especially from ASEAN countries, for "an equilibrium between great powers and between them and Southeast Asia".<sup>19</sup> Those are perhaps the embryonic ideas towards the creation of ARF initiated by ASEAN.

In addition, in the absence of a more viable alternative in approaching the more complex-security issues generated by the post Cold War era in terms of the growing numbers of either newer issues that should be strategically covered, or actors involved, which create a sense of security uncertainty to many countries in the region, thus, it is no exaggeration to claim that the ARF is perhaps the only feasible mechanism of handling these post Cold War security problems.<sup>21</sup> As one noted regional security thinker further observes, the significant value of the ARF lies primarily

in the recognition by its members of the interdependent nature of security in the post Cold War era, expressed in the notion of "comprehensive security" as the basis for deliberation and dialogue within ARF.<sup>22</sup>

As far as ASEAN's centrality in the ARF is concerned, there is no doubt that ASEAN centrality was highly regarded and it is well sprung from ASEAN international standing as a solid regional institution, and from its continuous efforts to maintain the stability of Southeast Asia. Indeed, stability does not necessarily contain the immediate existence of peace in itself. Relative peace in Southeast Asia is perhaps an end-result of multi-various interacting factors, in which stability is one factor. A leading scholar has clearly indicated this in his strong argument that the Association has never been "instrumental in helping to devise or manage a peace process in the substantive sense that the term has been employed with reference to the Middle East, for example".<sup>23</sup>

Furthermore, unlike in the economic field, the recognition of ASEAN's pivotal role in the ARF is not a mere symbolic gesture. As far as the dynamic interaction of major powers in the Asia Pacific is concerned, ASEAN's strategic political position as an interlocutor in the ARF has been an assurance towards the workability and unity of the ARF, especially during its formative years. Moreover, ASEAN's leading role in the ARF is also meant to ensure that security process in the region will not be dominated by any major power, and that voices of regional countries will be heard.<sup>24</sup> Responding to these favorable conditions for the Association, ASEAN is thus fully determined to maintain and (hopefully) undertake its primacy and privilege as the "primary driving force" and "administrative manager" of regional security arrangement.

But the above status results in a daunting task, if not burden, for ASEAN to behave as a real and reliable "primary driving force". The crucial question, and challenge, that ASEAN has to tacitly address now is whether or not it can promptly and satisfactorily conduct the task in a correct, effective and dignified manner. Given the complexity of today's international relations in the Asia Pacific and a prolific growing number of newer issues, combined with the current internal situation within ASEAN, this kind of question becomes more and more relevant and indeed, interesting to be analyzed. It partially relates how ASEAN manages its contemporary external relations with non-ASEAN members, especially with the great powers and their complicated strategic interests and inter-great-powers relations as well as internal relations among country members. But most importantly, it largely has to do with the ability of

ASEAN to synchronise the complex interconnected multilateral security agenda, and to administer and deliver the fruitful and acceptable results to all of the members in ARF.

Apart from the inherent tasks and challenges that come along with the status of ASEAN as a manager of ARF, under current circumstances, the fact that ASEAN's deliberation to undertake "the obligation to be the primary driving force" in the process of ARF frequently serves as the main focus of criticisms.<sup>25</sup> Many try to relate the organisational centrality and institutional style of ASEAN with the slow pace of the ARF process. For instance, Robyn Lim argues, "the ARF can do little to promote security because ASEAN insists on its primacy in it".<sup>26</sup> In a stronger wording, Jeannie Henderson maintains the argument that "if ASEAN continues to chair the ARF, the dialogue could stagnate".<sup>27</sup> Some other critics also say that the application of the ASEAN institutional model and style, which has been used as the basis of the ARF process, cannot be any longer suitable to be applied at the larger and more complex arena such as the Asia Pacific. Thus, the model is now considered as a liability, rather than as an asset, that seriously impedes the furtherance of the process within the ARF.

Responding to many criticisms of the ARF process, Rizal Sukma clearly warns us that many criticisms miss the context in which the ASEAN centrality should be genuinely and proportionally understood.<sup>28</sup> He also reckons that "...standard argument advanced by 'ASEAN apologists'—that ASEAN is entitled to play such a role because the ARF was an ASEAN's creation—does not help much to convince detractors and critics alike." Moreover, Sukma argues, "instead, ASEAN did not ask to play such a central role, but the role went to ASEAN primarily due to unique historical and strategic context at the time of the founding of the ARF itself".<sup>29</sup>

In his analysis, he introduces four reasons to support the arguments, namely: (1) ASEAN's leadership role was indeed vital in the founding of ARF as there were growing calls in the region for the creation of a multilateral security forum in which states can address regional security issues. This was crucial in relation with the fact that after the Cold War, it was considerably difficult to decide who is entitled to throw the idea on the table, following a complicated relationship among major powers in the region; (2) ASEAN's leadership role was indeed necessary to ensure that what had been agreed in Singapore in July 1993 would not stagnate soon after it was initiated, meaning that the ARF would not turn into an arena where certain major powers would attempt to pursue a

dominant leadership unacceptable to others; (3) so far, ASEAN had played an adequate leadership role, in which it only played an administrative role in the ARF process; (4) the absence of opposition to the administrative role of ASEAN, expressed rather hyperbolically in the acceptance of ASEAN as the party that "undertakes the obligation to be the primary driving force," also owed itself to the fact that ASEAN at the time was widely acknowledged as a regional organization with a degree of success, not only in building institutional identity and in managing Southeast Asian regional order, but also in showing its diplomatic ability to act as a unitary entity towards the outside world.

All in all, it can be concluded that the leadership of ASEAN in the ARF is primarily a case of strategic convenience, which is in accordance to Michael Leifer's tacit statement that ASEAN's central role in the ARF was a result of "the fact that the major Asia-Pacific powers have been incapable of forming a concerted arrangement among themselves".<sup>30</sup>

However, current criticisms and debate over the ASEAN's effectiveness in conducting its primary role in the ARF is also exacerbated by, and sprung from, the over-estimated expectation that the analysts initially had over ASEAN. Thus, any performance below this expectation immediately leads to a series of harsh criticisms on the overall failure of ARF, instead of the limitation of ASEAN and the ARF process in addressing contemporary security issues. ASEAN has made clear since the very beginning that the process in the ARF would be loose and consultative, and the ARF was not expected to tackle every single security issue and settle them in entirety. Instead, it is a forum established to develop a more predictable and constructive pattern of relationships for the Asia Pacific region. It was also intended to foster the habit of constructive dialogue and consultation of political and security issues of common interest and concern.<sup>31</sup>

To that effect, ASEAN, despite many criticisms, has been steering the management of security issues within three gradual mechanisms namely: (1) Confidence Building Measures; (2) Preventive Diplomacy, and; (3) Peaceful Conflict Resolution. This success was clearly indicated in the series of results and agreement achieved during its yearly meetings, which had begun since 1994. Moreover, although it does not substantially and qualitatively reflect its degree of success, ARF membership has been incrementally increased from 18 founding members in 1994 to 22 in 2000, in which Democratic People's Republic of Korea was accepted as its 22nd member in the last ARF meeting in Bangkok, July 2000.

Indeed, despite the significant number of members who have joined the Forum, where all of the major powers are included, ARF was seen to be less effective in addressing growing critical and protracted situations in some of the region's hotspots, especially the South China Sea, the Cross-Straits Relations, and the Korean Peninsula. This was perhaps the biggest challenge that ASEAN, along with other members, has to grapple with.

As a matter of fact, it would be misleading if someone hopes ASEAN to do the business alone, as ASEAN is neither intended nor in the position/capability to conduct such a resolving action targeted to the problems in those spots. It is likely that since those problems relate to the structure of relations among major regional powers, thus, ARF success in maintaining the stable structure should be understood and acknowledged as part of its indirect contributions to the settlement of the problems. That strategy was indeed imperfect, and rather less active, provided the fact that there was no direct action targeted to immediately solve these problems. However, once again, the fact that ASEAN-led process has so far been successful in emphasizing the merits of dialogues and multilateralism without discarding the primacy of bilateral approach that still serves as the tenet of American engagement in Asia Pacific and the core element of China's international relations. This would at the end of the day help to contain the problems from elevating into unmanageable situations.

Furthermore, the current situation faced by ASEAN, especially on the internal side, in which ASEAN is facing a more crucial issue of maintaining its identity and unity, partly as a result of recent crisis and political upheavals in Southeast Asia, had taught and posed a (bitter) reality to the ASEAN elites that ASEAN should take a more realistic perspective in looking at its centrality in the wider region. In spite of its achievements, and considering growing regional voices that ARF should move beyond its current position and velocity, perhaps it is timely for ASEAN to start thinking about re-managing the ARF process, so that it could be able to meet these changing situations and growing expectations of the group.

In doing so, one of the possible alternatives would be reforming the chairing mechanism of ARF.<sup>32</sup> It does not necessarily mean that ASEAN should totally relinquish its current chairmanship, as this would lead into another major uncertainty and leadership problem within the ARF. Interestingly, it was expressed that "if one is convinced that 'if ASEAN continues to chair the ARF, the dialogue could stagnate', then one is forced to believe that the ARF will flourish and progress if it is not chaired by

ASEAN".<sup>33</sup> That is definitely not the way the Forum should be restructured. If ASEAN's chairmanship in the ARF leads to stagnation, then, it is likely that a non-ASEAN chairmanship will lead the Forum to its demise.

As it was further suggested by Henderson, there are at least two options available with regards to reforming the chairmanship in ARF, namely: (1) The APEC-model, which is a rotating-chairmanship, with an ASEAN country taking every second turn. Yet, it was not recommended since it may create uneasiness in certain members who happen to be major powers, or; (2) Co-chairing mechanism between ASEAN and a non-ASEAN member for a given period. This option benefits ASEAN in at least two ways. First, it will hopefully stem the flood of accusations and criticisms on the ASEAN leadership, as responsibility and obligation will equally be distributed and shared among co-chairs. Second, ASEAN can allocate the rest of its spare energy to focus on its post-crisis reconsolidation process, which is going to become more crucial in the foreseeable future.

Moreover, many more things should be undertaken by ASEAN if it intends to retain its spherical existence and current regional position and centrality in the wider arena, either in economic or political domains. But, most of these things are mostly centrally converged on the internal side of ASEAN. Therefore, the next part of the analysis will try to identify the kind of challenges that ASEAN is facing and how the Association might respond to these incoming challenges.

## **Coping with the Incoming Problems: Rationale for New Directions**

After reviewing a series of ASEAN's successes, as well as its limitations, and a growing complexity of regional and international relations, one could easily observe that ASEAN will be encountering so many more actual and potential problems in the foreseeable future. The problems are expected to arise diversely in all sectors and people's walks of life, namely social, economic, and politico-security frontiers. They are intertwined.

### ***Social Tasks: Bringing ASEAN Back to the People***

It is often asked whether or not the amicable domestic and regional social cohesions that were built and consistently nurtured by the ASEAN founders

and their successors will survive the age of globalization of the 21<sup>st</sup> century. The rapid force of globalisation will inevitably change the peoples' lives all over the globe. The effect of globalization will definitely and inevitably come to the people of Southeast Asia.<sup>34</sup> One way or another, empowerment of the civil society is definitely one of the most prominent evidences of globalization in the region. This has been reflected in the growing voices of the people in the region demanding for democratization and respect for human rights, which are some of the newer issues that ASEAN has to realistically face with.

On this front, people's growing awareness of their social, political and economic rights will affect the way they conduct their vertical relationship with the government. Like a spider web, it will immediately affect the way certain society within a certain ASEAN country looks at the other governments of ASEAN, especially on the conduct of relationship between these governments and their people. In short, ordinary people will have a larger opportunity to reassess their government, other governments in the region, and most importantly, other communities outside its territory. Should the ASEAN governments fail to accommodate or adjust themselves to this new development by formulating a correct strategic policy, then, ASEAN will soon lose the people's confidence.

### ***Economic Problems: Should be More Decisive***

The recent economic crisis has inevitably affected ASEAN and its people. It has sliced down the level of welfare in many of the crisis-hit countries, most notably Indonesia and Thailand, two prominent ASEAN members. More importantly, the crisis has been accused of being the main cause of other bigger political and social turmoil in the region as it was shown in the recent political upheavals and social riots in Indonesia. Consequently, it paved the way to the change of governments (and regime) in respectively Thailand and Indonesia. In other words, it can be argued that the economic difficulties and its attendant political and social impacts have been lingering the overall regional problems.

Indeed, many experts and analysts from within and outside ASEAN have tried to undertake a full examination of the crisis. The economic technical explanations of the anatomy of (economic) crisis and robust policy recommendations have been widely and comprehensively explored and presented to either economic authorities within the government or to the business communities at the micro level.

However, in spite of the debatable scale of the crisis, and its political as well as social transmission at the domestic level, and possible responses that can be conducted to handle the negative impacts of the crisis, ASEAN governments are well aware that the crisis might pose a serious problem to the workability of ASEAN. It was rather unfortunate that the crisis erupted at: (1) the height of ASEAN confidence to elevate its role in Asia Pacific in economic and politico-security fields, and (2) the formative stage of ASEAN's effort to expand its membership to include all Southeast Asian countries.<sup>35</sup> Each crisis-hit country member of ASEAN was compelled to cope with its own domestic problems. As a result, these key countries, especially Indonesia as one of the most important players in ASEAN, allocated relatively less energy, resource and attention to the institutional development of ASEAN for the last two and a half years. There was a strong impression that during the economic crisis, the issue of ASEAN has been put aside, if not neglected. As the Association's Secretary-General Rodolfo Severino clearly indicated in 1998, the crisis had affected both ASEAN's international reputation, and its self-image. The latter is perhaps more crucial than the former, since the crisis badly hit the very pride of ASEAN, which has seen excellent unprecedented and uninterrupted economic development in the last two decades.

The fact that it took ASEAN five months to reach its first coordinated position<sup>36</sup> on the crisis reflects the inability of ASEAN, or precisely its key members, to respond quickly and to coordinate a decisive concerted policy response (bear in mind that cooperation is one of the basic tenets of ASEAN). Actually, as Henderson observes, "although ASEAN made little direct contribution to the economic success of its members, expectations [that ASEAN will respond adequately to crisis] were high, both inside and outside the region. Its failure to do so revealed that ASEAN's reputation rested, at least partially, on the economic success of its members".<sup>37</sup> She continues that the above condition had been based on commonality, rather than cooperation. Interestingly, she argues that "given the primacy of national sovereignty in ASEAN, discussion, let alone coordination, of economic policy had been negligible".<sup>38</sup> In other expressions, she warns the analysts that ASEAN's belated response towards the economic crisis had reflected the fact that ASEAN, let alone its members, remains another player in international *real-politik*, in which the primacy of national interest and sovereignty are solemnly maintained.



### ***Politico-Security Problems: More Complex, More Problematic***

As far as politico-security is concerned, it can fairly be stated that ASEAN will be facing a more complex and varied type of threats towards its common regional stability and order. The forms of these threats are likely to be different from those during the Cold War period, as the possibility of a direct external intervention and other forms of conventional security disturbance (i.e. open military attack) is unlikely to take place. Instead, non-conventional security issues will be likely to dominate or assume prominence in the agenda of security cooperation of ASEAN. These may include the issues of: narco-terrorism; illicit drug and human trafficking; environment and human rights; threats towards democratization; prolific trans-national crimes including money laundering, fraud, and piracy and so forth. It has been so popular today to refer to all those issues as a comprehensive security issue, which is heavily juxtaposed with the concept of human security.

However, the above mentioned newer security threats for ASEAN do not necessarily eliminate the traditional security issues of ASEAN, which are heavily centralized on the territorial integrity and sovereignty of the people. This issue will remain perpetuated and crucial in the ASEAN agenda.

Moreover, the current economic crisis also yields another great lesson to ASEAN—that economic and social security of each ASEAN member may affect the overall regional stable order, and this was proven during the last two years. To this extent, it is imperative for ASEAN to pay greater attention to the threats posed by economic instability. Although it was widely recognised that sound economic fundamentals and economic developments were among core prerequisites to greater regional stability, yet it was unfortunate that there was a strong impression, especially when the crisis first erupted in 1997, that ASEAN leaders denied any impact of the economic crisis on their overall stability.<sup>39</sup>

However, this attitude has gradually changed when the impact of the economic crisis on ASEAN stability became more evident. The latest Joint Communique of the Thirty-third ASEAN Ministerial Meeting in Bangkok, Thailand (24-25 July 2000), while containing a rather over-confident optimism that "ASEAN had emerged from global and financial difficulties of 1997 and 1998 stronger and more cohesive than before", it also addresses the significant impact of the economic fundamentals on

the overall regional order.<sup>40</sup> It also identifies and acknowledges the need for a more comprehensive and cooperative policy in order to tackle and administer various non-conventional issues. As the economic relations become more salient in the future, characterized by a growing need for liberalization and so on, it is crystal clear that the degree of ASEAN's preparedness to enter a free and open market will be crucial and pivotal to determine ASEAN's ability to handle the economic-based security threats.

In conclusion, for the foreseeable future, intra-ASEAN relations in the post Cold War period will be characterized by at least three major problems that reflect the reality of security interdependence: non-conventional security issues, traditional sources of conflicts, and security challenges resulting from the economic interdependence.

In a larger forum such as the ARF, ASEAN's continuous effort will remain important. However, as the internal security problems of ASEAN and its external ones are quite parallel and intertwined, therefore, ASEAN will be faced with more or less similar types of security problems, which heavily centralized on newer security trends and issues. However, as issues at the ARF level are more complex and complicated, in which big powers are intensively involved, thus, ASEAN's ability to continuously nurture and solidify various difficult conventional security agenda will remain significant and important.

## **Promoting Debate within an Expanded ASEAN**

### ***Examining the Principle of Non-Interference and the "ASEAN Way"***

The above new potential problems eventually pose a significant signal that ASEAN must be able to consolidate itself if it intends to tackle all of those incoming challenges, both from inside and outside ASEAN, and thus retaining its current standing and status. Unfortunately, ASEAN's current mechanism, which is primarily centralized on heavy inter-governmental political and diplomatic calculations wrapped in an over-cautious diplomatic manner, seems insufficient to handle these problems. A new mechanism, and thus direction of relationship, is perhaps crucially needed now. This new mechanism requires a more open and frank atmosphere in which even the most sensitive issue can be openly discussed, and debated if considered necessary. Hence, this is not an easy task and it will not happen overnight or within these three to five years due to

the fact that it might affect the current behavior of ASEAN officials and a diplomatic mechanism that has been so deeply implanted for the last three decades. However, the first step towards that direction would be the readiness of the ASEAN leaders to openly discuss and evaluate, if not revise, its principles as to whether or not ASEAN's long standing principles stipulated in the notion of the ASEAN way remains compatible with this new changing situation within and outside ASEAN.

At this very point, it is timely to discuss some radical, yet interesting, issues about the basic fundamental tenets of ASEAN. It is radical in a sense that due to the generational shift of ASEAN leaders and leadership, and the changing nature of ASEAN's internal situation, an official discussion and open debate on ASEAN principles, strategy and standpoints are currently undertaken for the very first time.

There are at least two distinguished issues that are widely discussed in the ASEAN community, namely the principle of non-interference as part of a larger debate on the ASEAN way, and strategic challenges posed by expanding membership. The two, especially the former, become more important to be reviewed in a more frank manner because all of the above mentioned problems requires a set of comprehensive re-assessment, if not re-evaluation, towards the applicability of this principle if ASEAN intends to seriously and comprehensively engage the problems. This has been clearly evident in the case of the economic crisis. However, with the expanded ASEAN, the discussion over this basic principle is not so simple.

Nevertheless, before embarking on further discussion, there are some critical questions that need to be addressed. The questions would be: *Do the current principle of Non-Interference and all manners within the notion of ASEAN Way work so badly that they need to be reviewed, and revised?* Furthermore, *will ASEAN function better if it revises its current principles?* Final question is: *What is the best possible alternative of conduct for ASEAN in order to cope with its incoming challenges?*

Before answering the above questions, first and foremost, one should be able to understand the context of debate. The review or revision of the principles is not meant to dramatically wipe out the principles and replace it with new unfriendly mechanisms, which in the end may confuse the ASEAN members and thus lead to its deterioration and demise. The aim of the discussion is actually twofold: (1) promoting the openness and transparency within ASEAN in order to generate more support and participation from the people within and outside ASEAN, and; (2)

encouraging and creating a more "natural" friendly atmosphere of ASEAN, in which discussion of even the most sensitive issue can be undertaken in a relaxed, yet, effective manner.

First, on the question of do the principles work so badly that they need to be reviewed, or even revised. They definitely do not work that badly. They did work astonishingly during the "old-time" ASEAN in which open military conflicts and other types of traditional security threats are so prone to take place in the region. The principle worked very well among the old leaders, who have been around since the very beginning of ASEAN, and thus, they would understand each other, even without any direct or verbal communication. However, with the changing settings, in terms of ASEAN strategic realms inside and outside Southeast Asia, and leaderships in many of its members, the principle needs to be critically assessed, but not abruptly discarded.

The discussion on whether or not ASEAN should revoke its core principle of non-interference is indeed problematic, and poses a certain dilemma, especially in the (highest) official circle. For most of the officials, the current practice of "ASEAN Way" within ASEAN, in which non-interference on domestic affairs, consultation and consensus are among its strictest principles, is strongly believed as the ultimate cementing point that unites the Association. Therefore, any intrusive idea to discuss this would be regarded as unnecessary, and thus rejected.

However, as the new situation takes place currently, especially with people's growing awareness and interdependence, the behavior of ASEAN to avoid debate and to sweep some problems under the "diplomatic carpet" potentially leads to a difficult social and political dilemma. On the one hand, ASEAN is trying to move closer to its people and to involve as many people's participation as possible in implementing its agenda. Accordingly, ASEAN is determined to listen to and accommodate people's demands and needs as reiterated in the Hanoi Plan of Action and other important post-Cold War documents. This is the social basis of ASEAN's existence in the post-Cold War era. On the other hand, the level of political preparedness of ASEAN leaders, and their strong commitments to maintain the legacy of the ASEAN founders, including the principle, undermine any attempts towards the reviewing process.

But most importantly, the ASEAN officials' resistance to discuss this very issue is simply because ASEAN, being another type of *real-politik* player as reiterated earlier, is not psychologically and institutionally

ready. There are two premises to explain this phenomenon. *First*, the major premise is that ASEAN is not ready to see itself as a mature institution which sooner or later should decide its own direction as to whether or not it should become a more integrated institution as a supranational body. Sovereignty, as the fundamental tenet of ASEAN, remains a sacred notion for its members. Strong argument that this principle should not be revised, due to the historical root that this principle is parallel with the international conduct since the Westphalian system in 1648, only reflects the reality that ASEAN will not move any further from its current position as a diplomatic community.

Moreover, the second premise, which is minor in explaining this resistance, would be that ASEAN is not yet prepared to face the consequence(s) should they revise this principle, especially at the time of ASEAN consolidation after it successfully expands its membership. It is often argued that the revision of the principle during the time of consolidating and espousing new members to the ASEAN way of conduct will potentially lead to a chaotic ASEAN, and thus, the demise of the Association. It reinforces the general accusation that once ASEAN decides to review its principles, newer members who joined ASEAN precisely because they feel comfortable with current principles, will have a strong feeling of being bewildered and betrayed by older ASEAN members.

However, it should be noted that juxtaposing the consequence of the revision of this principle with severe political and diplomatic consequences in ASEAN should only reinforce the paranoid feeling among officials that without the principle, they will collide with each other. One way or another, such a feeling literally undermines the social and political or diplomatic development that ASEAN has been nurturing for the last three decades. Unfortunately, this argument also justifies what the analysts have often said—that the so-called ASEAN solidarity is merely a myth. Moreover, the above arguments contain an element and are so prone to being self-fulfilling prophecy.

Nonetheless, general feelings and arguments of both the promoters and detractors of the idea to review the non-interference principle contain their own virtues as well as limitations if not weaknesses. For those who are in favour for the revision, the reality of a globalized world in which domestic and foreign issues are becoming blurred, and the fact that ASEAN's current problems in economic, political and security cannot be solely resolved through a "rigid domestication problem-solving mechanism", accentuate their argument for the revision. Indeed, the

economic crisis and haze problems are some of the best empirical examples that support their arguments.

Hence, strategic calculations, political consequences and legal arguments around the issue as presented by those who are less-supportive of the revision of the non-interference principle are perhaps succinct reflections of the reality of the regional politics in Southeast Asia. These have been evidenced in ASEAN's refusal of Thai Foreign Minister Surin Pitsuwan's proposal of flexible engagement. In fact, the recent political terrain in the region has been mainly characterized by problems between Malaysia and its neighbors on the case of Anwar Ibrahim, or personal-led diplomatic quarrels between President Habibie of Indonesia and Senior Minister Lee of Singapore, and also continued territorial problems among many members, most notably between Malaysia and Singapore. Add also some subtle yet continuous problems between Malaysia and Singapore. Separatism and regional insurgencies with a potential transnational effect also become other new threats that might destabilise inter-governmental relations among ASEAN members. Given all the above illustrations, they maintain that the non-interference principle is believed to be the only principle that is feasible to be realistically applied in ensuring stable and predictable relations in the region.

All in all, it can be concluded that both camps, be it the promoters or detractors alike, are correct in representing the realistic point of view in their own world of reality. However, what is wrong with the principle is that the principle itself becomes so mystified that it leaves no room for new intellectual discussion. On the practical level, it just weakens ASEAN's psychological preparedness to face even the personal difference among leaders. A series of unpleasant events that took place in ASEAN become so shocking to its community precisely because of the fact that ASEAN members are not made ready to face some differences among them. Actually, it is not the sheer size of tension that greatly shocked them yet it is the rarity of open debate that for most of the part perplexes ASEAN.

*Second*, will ASEAN function better if it relinquishes current conduct and behavior? Certainly, it really depends on the level of psychological, institutional and political preparedness of the ASEAN community to undertake the review process. It will also depend on how creative and effective ASEAN is in establishing a more adequate and suitable conduct. Here, the time frame is the key to this process. Reviewing the conduct of ASEAN is absolutely a timely process, yet the socialization of the need

for an open discussion should have been undertaken immediately. Perhaps, by reviewing or even changing—its current conduct and principles, ASEAN will not function as well as people expect it to be, hence, ASEAN has a greater chance to move forward and to find a new road that it badly needs in order to keep its relevance, and thus, existence and viability.

On the last question of what is the best possible alternative conduct for ASEAN in order to cope with its incoming challenges, ASEAN must be able to succinctly and candidly identify its position and realistic role that the Association can possibly play. As identified in the previous part, ASEAN's incoming challenges seemingly relate closely with the trends of growing vertical and horizontal interdependence. That is the interdependence between countries, between the governments and its people as well as between people of different communities in numerous fields. To a large extent, kinds of trends, such as the empowerment of the polity, democratization, respect for human rights and so forth are not so familiar with the ASEAN day-to-day policy. Therefore, the ability of ASEAN to be in line and parallel with these trends will be crucial in determining whether or not ASEAN will be able to cope with its challenges and problems.

To that effect, ASEAN's new deliberation should be directed to this purpose. On this very point, one of the most immediate actions to be undertaken by the ASEAN officials is to administer the growing people's critical sense and awareness in commenting, analyzing and even actively participating in "some of domestic problems" of country members that might pose significant regional impacts to the rest of the members. This should be immediately clarified and formulated since in the past, the notion of non-intervention or non-interference also encompasses the impossibility of ordinary people for making any comments on their neighboring countries or for conducting any types of actions that can be juxtaposed as interference to its neighboring countries' domestic affairs.

In the past, as a result of the rigid and strict interpretation of the principle, the government often committed repressive actions to suppress its people's initiative. For instance, urged by the Indonesian government, even the Philippine's government, one of the most open and democratic governments in ASEAN, was forced to subdue the initiative of its people to hold a seminar on East Timor in the early 1990s. The rigid interpretation and application of the non-interference has, to a large extent, damaged the relationship between the government and its public. For the same

reason, Indonesia's neighboring countries and their public were faced with an awkward position when they had to engage the haze problem in 1998. The same situation occurred recently in the August bombing accidents in the embassies of Malaysian and the Philippines in Jakarta. Therefore, it is no exaggeration to claim that in the past, the principle is often inappropriately used to maintain bilateral relationship at the expense of the government-people/public relationship.

Aside from the above disproportional application of the principle, many ASEAN officials interpret the applicability of the principle on the non-discriminatory basis in terms of areas subjected to the principle.<sup>41</sup> It was clear that interfering or intervening action is not acknowledged and even deplored in the areas of highly politically sensitive issues such as ideology, military, territorial and national integrity, and sovereignty in a direct notion meaning free from any direct threats, pressures, and influence of foreign powers. But it was not that clear the extent to which a country could "intervene" in the policy of their neighbours' in the economic, social and less-sensitive political fields. In ASEAN, up until the economic crisis hit the region, there was no clarity on the map of areas in which interference is acceptable. Although ASEAN had agreed to strengthen its cooperation in economic fields through the initiative to establish the so-called ASEAN Surveillance Process (ASP)<sup>42</sup>, yet, it was never clear how ASEAN might implement the initiative, and come up with the political and social implications of this enhanced cooperation.

## **CHARTING NEW DIRECTIONS**

### **Reconsolidation, Redefinition and Reform**

Having analysed the past, present as well as future potential circumstances and challenges that shape ASEAN into its current position, standing and situations, it is time for us to start thinking about the possible directions towards which ASEAN should move. The illustration and analysis presented through this paper is once again not designed to provide a detailed operational mechanism of how ASEAN should redirect itself. Rather, it modestly tries to propose a broad suggestion, which encompasses the general philosophical directions of ASEAN.

The main suggestions apprehended by this paper would encompass three major guidelines, which are reconsolidation, redefinition and reform.



It is directed at creating a new ASEAN. In this regard, reconsolidation stresses the direction for ASEAN's psychological development, while redefinition is a semantic used for building a new conceptual basis for ASEAN. Following those two abstract notions, thus, reform is definitely adopted as practical direction for ASEAN's institutional building. All in all, it is expected that these new directions will make ASEAN more decisive in coping with the aforementioned trends and challenges inside and outside the region.

## **Reconsolidation**

### ***Towards a Deepened ASEAN Integrity and Cohesion***

At the time of crisis, perhaps any institution including ASEAN should strengthen their emotional ties to one another, before they can move forward into a more practical action. However, the processes of nurturing psychological proximity, and creating an effective practical mechanism that might enhance, if not accelerate, the process of spiritual consolidation are mutually corresponding to each other. At this stage, it is no exaggeration to state that given the current situation, ASEAN needs to strengthen its sense of solidarity and real friendship before it can move onto a more complicated process of formulating and coordinating policies. Although most ASEAN officials eloquently retain the argument that recent crisis has brought about a new revelation for ASEAN in the form of closer relationship, yet, for some critical analysts, there was no strong and solid evidence to support this statement except that it has been diplomatically bolstered and officially reiterated in the series of ASEAN documents. As the real implementation of this commitment is not clearly existent, thus, such a diplomatic commitment has been merely pervaded as a signal that ASEAN still remains an official diplomatic community, with no clear agenda of its own.

Indeed, the above accusation is perhaps overstated since ASEAN, in spite of crisis, had achieved, or at least tried to have, a clearer agenda for overcoming the above accusation. As an example, ASEAN foreign ministers had agreed to daringly undertake a retreat process, in which they can openly discuss, and even debate, some of the sensitive issues, although not the most sensitive ones. In the economic field, ASEAN has agreed to establish a common monitoring process with which the strictness of national economic authority, especially the financial authority of

ASEAN country members in shaping their own economic policies, becomes less relevant to be rigidly persevered.

However, the crisis had given ASEAN a new chance to rethink the spiritual basis of the Association. ASEAN should think about the importance of the psychological aspect among its members. This kind of issue is definitely not an easy one since it is abstract, difficult to measure, and will be very subjective to a certain degree. Yet, this process of psychological reconsolidation should be undertaken and become the guidance of ASEAN's overall process. At the extreme, ASEAN must dare to ask whether or not the current state of ASEAN's solidarity was natural, in the sense that it is not artificially implanted by ASEAN's current rule of the game. If so, then, ASEAN must be brave enough to find a new chart that might induce more natural, or less artificial, relations to exist.

In the past, the personal amity of the leaders was the key to secure the psychological proximity and friendship among ASEAN nations. Reinforced by the existence of a solidarity-maker and consensus-builder such as Indonesia, who actually also contributes significantly to the technicality of ASEAN, the spiritual consolidation of ASEAN was relatively easy to be achieved and maintained. However, as new younger leaders assume official positions, and as Indonesia's declining position in ASEAN seems to be continuing for the next five years, this "informal" mechanism cannot be expected to work properly any longer. Thus, a new mechanism should be formulated.

However, realistically speaking, ASEAN cannot escape from any criticism that there has been a regrouping process within ASEAN, due to a generational shift. This has been clearly reflected in the last debate over the principle of non-interference. For instance, older leaders of ASEAN maintain their position on the discussion of the principle of non-interference, while on the other hand, there was a strong voice to review this principle, which coincidentally was coined by the younger leaders from Malaysia—on a special case, Thailand, and the Philippines. Analysts were quick to juxtapose this phenomenon with the national interests of the two camps to fill in the leadership position once Indonesia held. Therefore, there is a general feeling that ASEAN members are now competing for the leadership role.<sup>43</sup>

For ASEAN, as an institution that flourished from the very heart of Asian culture and tradition, this kind of situation is definitely not conducive for its future development. Although ASEAN is striving to be more democratic, yet cultural consideration should be taken into full account. Although there

has been a strong denial of leadership competition among members, and there was no clear evidence that confirms this accusation, yet, ASEAN should realize that it can become a self-fulfilling prophecy. In order to avoid this prophecy, ASEAN, at least its leaders, should be able to maintain an open and close contact to one another, not to be easily misguided by harsh media reportage or criticisms. The role of the media becomes crucial in influencing this reconsolidation process. This is exactly where the image of ASEAN lay, and was projected. Thus, restoring the damaged image of ASEAN as indicated by the ASEAN Secretary General means that ASEAN should remain united, not only in action, but also in spirit.

More importantly, to the above effect, ASEAN has to involve as many people's participation as possible along its reconsolidating process. The recent idea proposed by the ASEAN-Institute of International Studies (ASEAN-ISIS) to establish the so-called ASEAN's People Assembly would be one possible alternative in advancing the process of reconsolidation. More people-to-people contacts and initiatives administered by either Non-Governmental Organisations or Governmental bodies, or the joint works of both, should be supported by the governments. If ASEAN is determined to follow the logic of the market, then the best way to preserve its relevance in front of the people is by bringing in the people of ASEAN into a closer relationship. Therefore, people can feel that ASEAN unity is not a mere civic obligation, but it has become a necessity. This would be the most important direction that ASEAN has to work in.

## Redefinition

### ***The Art of Reconciling the Desirable and the Possible***

Having analyzed the recent developments and challenges from inside and outside ASEAN, as presented in the earlier section, it is timely for ASEAN to make and socialize a clarity in its perspective on ASEAN's position in global affairs, as well as the Association's principles, code of conducts and role that it can play at the internal and external context.

Special impetus, however, should be given on ASEAN's common denominator, the ASEAN Way, especially on the revered principle of non-interference. This will pose a significant effect on the further direction, which is institutional development of ASEAN. Correspondingly, further

attention should also been given to the very nature of ASEAN's existence, which is the institutional direction of ASEAN as to whether or not ASEAN could, should or is willing to, move itself from its current form of quasi-integrative regional organisation to a more integrative institution, although not necessarily follow the pattern of integration within the European Union.

First and foremost, ASEAN should seriously consider the appropriateness of its current basic principles, i.e. non-interference. This has become more relevant to be openly discussed since it will tremendously determine the way ASEAN copes with its current and incoming problems and challenges. This is also important because recent debate, although seen as an insignificant reducing factor of ASEAN solidarity, clearly reflects the fact that the principle is creating some confusion. The over-embraced ASEAN Way has becoming so aqueous that it is difficult for the members to clearly understand it, let alone implement it.

Henceforth, one of the most common misunderstandings of the principles is that one is too fast in pointing one's finger at the substantial weakness of the principle, *per se*. Actually, given the various contending pros and cons on this issue, it is observed that the lack of clarity in implementing this principle is one of the fundamental and damaging factors that causes great confusion so far. In fact, as it was reiterated before, it provided the current volatile situation, which is so prone to suspicion and anxiety raising. Thus, removing the principle entirely at this point in time is not the best option at all. As one observer states that "it is [this] fear that led a senior ASEAN official to state that the Thai proposal for flexible engagement was rejected because ASEAN was established to 'manage relationships among countries which would be otherwise at each other's throats...This is the worst time to drop non-intervention as the principle'".<sup>44</sup> This is real and factual in the empirical world.

Given the fact that ASEAN is another type of a *real-politik* player in international relations, in which sovereignty and peace are intertwiningly two pillars of the regional security equation<sup>45</sup>, thus, relinquishing this principle on non-interference drastically is impossible, at least for the time being. Hence, it does not strictly mean that some light and limited modification is unacceptable as was shown in the adoption of the notion of enhanced interaction—instead of flexible engagement or constructive intervention, into ASEAN's contemporary lexicons. The reconciling alternative would be that ASEAN community, both from governmental

and non-governmental representatives, sit together and discuss the clearer mechanism for implementing the principle in a realistic, yet acceptable, way. Indeed, this will not suddenly solve the problem of non-intervention in its entirety. Yet, it might reduce the degree of uncertain subjectivity and concurrently elevate the level of clarity in interpreting and implementing the principles. Charting a clear map of areas and issues as well as terms and conditions in which interfering action is acceptable is regarded as crucial at this point in time.

In doing so, close and continuous discussion among leaders, officials and the people is again becoming more crucial to be maintained. ASEAN must find a relative satisfactory compromise on this problem. Moreover, any attempts to create this compromise should be adhered to ASEAN's other principles of regional resilience (Indonesian notion for *Ketahanan Regional*) strengthened through each member's national domestic resilience (*Ketahanan Nasional*), which remain relevant to the current situation. Hence, bear in mind that the application of these principles might also be undertaken in a reverse way, meaning that regional resilience should also be advocated to strengthen domestic resilience. At this very point, modification, and even revision of the non-interference principle might find its logical and legal basis. This would be a major step towards a more complicated agenda, which is deciding the future end and path of ASEAN's institutional building. This is why redefinition becomes an art of reconciling the desirable and the possible.

## Reform

### *An Improved Institutional Building*

It is no exaggeration to claim that ASEAN is entering a major reform period, at least for several members such as Indonesia, Malaysia and Myanmar. Most of this demand for reform is centralized on the issues of democratization, respect for human rights, clean and good governance, greater access to policy making, sustainable yet equitable development, and institutional transparency, especially in policy and decisionmaking.

Although those kinds of issues are not new in the ASEAN agenda, yet ASEAN has never seriously accommodated them until very recently. For instance, in the field of human rights, as stipulated in the Joint Communiqué of the 26<sup>th</sup> AMM in Singapore, 1993, "The Foreign Ministers of ASEAN eloquently welcomed the international consensus achieved during the

World Conference on Human Rights in Vienna, 14-25 June 1993, and reaffirmed ASEAN's commitment to and respect for human rights and fundamental freedoms as set out in the Vienna Declaration of 25 June 1993. They stressed that human rights are interrelated and indivisible, comprising civil, political, economic, social and cultural rights. These rights are of equal importance. They should be addressed in a balanced and integrated manner and protected and promoted with due regard for specific cultural, social, economic and political circumstances. They also emphasized that the promotion and protection of human rights should not be politicized".<sup>46</sup> To many reasons, it was seen as a diplomatic gesture corresponding to many human rights tearful events that took place mostly in Southeast Europe. Following this decision, they considered the establishment of an appropriate regional mechanism on human rights, although they insisted that "the protection and promotion of human rights in the international community should take cognizance of the principles of respect for national sovereignty, territorial integrity and non-interference in the internal affairs of states".<sup>47</sup> This is remarkably interesting as a strong sense of self-defense towards the international accusation towards the record of human rights in Southeast is clearly detected through the above statement. It also clearly reflects that the workable mechanism in a form of the informal non-governmental Working Group for an ASEAN Human Rights Mechanism would face a serious impediment from ASEAN's own principles. Thus, it explains the relative slow progress in the development of human rights issues in ASEAN.

The structural and principal impediments caused by rigid interpretation of ASEAN's principles also become significant barriers in the development of other non-economic fields. In the case of regional haze, although diplomatic approach had been undertaken to collectively solve the problem, yet, there was some serious resentment among the Indonesians that any kind of criticisms coming from outsiders are juxtaposed with the act of interfering in domestic affairs. That is why the progress of haze management was not as speedy as people in the region expected. Unlike slow progress in non-economic fields, the economic cooperation among ASEAN countries has to some extent reached the level in which national sovereignty is seen as less important and less determinant. ASEAN, through AFTA, has agreed to harmonize its regulation in trade and investment, which reflects that collective interests partly undermine the rigidity of national sovereignty. Although not so seriously carried out, some recent discussion has seriously suggested ASEAN to start thinking

about the use of a common currency. It was rejected, yet it clearly shows that the urge for a closer cooperation, if not integration, exists.

At this point, aside from reviewing its principles to be in line and actual with the current situation and political atmosphere, to begin with its institutional reform, it is timely for ASEAN to attempt more seriously to strengthen the role and authority of the ASEAN Secretariat. That is the basic requirement for creating a more workable and reliable institution-building in ASEAN. In fact, there are also discussions on reforming the mechanisms and frequency of the meetings and so forth as the foundation for ASEAN's overall reforms. Yet, as ASEAN enters more complicated and multidimensional international affairs, thus, coordination is the key word. The coordinating function at the practical and administrative level is one of the main functions of the ASEAN Secretariat. Thus, as ASEAN countries are occupied by a more complex situation domestically, the coordinating function of the Secretariat is accordingly becoming more crucial and important.

However, the problem is that ASEAN governments are seemingly reluctant or lack the political will to increase the capacity and leverage of the Secretariat. Should ASEAN be determined to strive towards a closer cooperation, as it was frequently reiterated in its series of documents, then the strengthening process of ASEAN Secretariat is a necessity.

Indeed, the Secretariat is now far developed and well equipped than some decades ago. The Secretariat's enhanced functions and authority have enabled it to propose basic ideas, as well as undertake some practical tasks decided at the AMM. However, its function is still seen as limited, especially on politico-security. As ASEAN's web of interests is now inflated to include the politico-security agenda in a wider arena, such as in the ARF, it is timely for ASEAN to extend the mandate and tasks given to the Secretariat through the Secretary-General of ASEAN.<sup>48</sup> Yet, Rizal Sukma reminds that "a larger political role of ASEAN may be regarded as an initial step towards a greater political integration. It is also likely that ASEAN is cautious not to give any impression that it begins to entertain the idea of becoming a supranational type of the organization".<sup>49</sup> However, the real question is whether or not ASEAN members have the willingness to undertake the above initiative. If so, and ASEAN is successful and decisive in reconsolidating and redefining its nature and principle, then we can expect a higher possibility of ASEAN to strengthen the role and existence of its Secretariat. Corresponding to that, a stronger and more independent Secretariat will then be translated into the initial

step for ASEAN before it may set course for a new direction towards a deeper relationship, if not integration, in the light of a wider ASEAN membership.

## CONCLUDING REMARKS

### ASEAN's New Directions, Are They Achievable?

One of the leading scholars maintains that it may be argued that ASEAN is no longer the same institutional entity that was formed in August 1967.<sup>50</sup> He specifically refers to the condition of the respective size of ASEAN membership and its implication on the diversity of political identities and interests. Perhaps the above observation should also be placed within the context of ASEAN's changing environment, in which new issues and strategic relations among major actors are two prominent features of this environment. Discussing the new directions of ASEAN will inevitably be related with both ASEAN's internal and external conditions. One thing is clear: external pressures and its salient impacts on the current state of society in ASEAN compels the Association to set new courses and directions in the future, whereas the internal dynamics among the strategic calculations of ASEAN's governments are not sufficient to meet the demand for new directions.

Reflecting from a historical analysis of ASEAN, as aforementioned, an attempt to course new directions of relationship in ASEAN is not an easy one, nor is it going to take place within the decade ahead. Instead, it is a long process that needs continued support in a piecemeal manner. Theoretically, the process of establishing new courses or directions for ASEAN is indeed achievable, although it requires a great number of actors who can actively nurture it. However, in practice, it is impossible to formulate the Association's new directions without implanting the collective awareness among ASEAN members that such directions, in which reconsolidation, redefinition and reforms are its core elements, are important if ASEAN wishes to retain its existence in a changing setting.

The real daunting task that needs to be accomplished immediately is to urge the governments of ASEAN to be less adamant towards any argument or analysis that supports the institutional or even "constitutional" review of ASEAN. In other words, concerned community of ASEAN should continually remind the governments that they should be



proportional in judging new situations within and without the Association, and their judgments should not be a jittery one. This will entail the conditionality for the governments to be more apprehensive and responsive in accommodating such a growing demand for a new ASEAN.

However, on the other hand, the above new directions, which can be easily juxtaposed as the directions towards a deepening process of ASEAN, should not be imposed as such without taking into full consideration the sensitivity of governments towards certain issues i.e. sovereignty and national territorial integrity. Regardless how different ASEAN is now from that of a decade ago, one should bear in mind that for ASEAN, the problem of "deepening" or setting up a new direction towards a deepening process, has to be located in the context of separate and jealousy guarded sovereignties. ASEAN is, and does behave like a strict inter-governmental institution in nature—and seemingly will remain so for a decade or more—thus these common denominators like sovereignty and national respects will be sacredly guarded. Therefore, a realistic sense should be a cardinal tenet in introducing new directions to the ASEAN community.

All in all, it is a problem of manner and strategy that matters, and again, time is the very key at this point. Perhaps one of the most realistic conciliatory ways to avoid the deadlock in discussing this problem is the formulation of the so-called "middle way"<sup>51</sup>, a more operational and agreeable mechanism in elaborating the cardinal rules of ASEAN without necessarily repudiating the imperative to accommodate current demands for a more open and transparent ASEAN. However, time is a luxury that ASEAN hardly possesses for the time being, as more developments take place rapidly inside and outside the region. For better or worse, the attempt to chart new directions of ASEAN should neither fall within the governments' remittance alone nor that of the polity *per se*, since it should not become a gambit for ASEAN's short-sighted interest. Instead, it should be a collective attempt, in which proportional understanding and collaborative spirit are indeed necessary.

## Notes

1. At this point, countries mentioned in this part are the original Southeast Asian countries that initially agreed and indeed associated themselves in a regional organization of *the Association of Southeast Asian Nations (ASEAN)*. These include Indonesia, Malaysia, Thailand, the Philippines, and Singapore. As Brunei

Darussalam is accepted as the sixth member of ASEAN and as the regional organization expanded its membership to a full ASEAN-10 to include Vietnam, Laos, Myanmar and Cambodia, the latter part of the analysis will also partly refer to these latter members of ASEAN, especially those who have attained a major and significant achievement in political and economic development e.g. Brunei and Vietnam.

2. The previous attempts to create a regional institution had been reflected in the establishment of the Association of Southeast Asia (1961) and MAPHILINDO (Malaysia, Philippines, Indonesia) in 1963, which all did not work the way they were designed to, and were thus abolished or terminated. See for example Rizal Sukma, "Challenges to ASEAN-10: An Indonesian Perspective", paper presented at the Seventh ASEAN Young Leaders Forum, Singapore, 25-26 October 1997.
3. Many scholars refer this sub-region as the Archipelago or Insular Southeast Asia, which comprises Indonesia, Malaysia, and the Philippines. The northern part of Southeast Asia covers a larger inland area, which includes Thailand, and the Indo-China states including Myanmar.
4. See also Baladash Ghoshal, "Security Interdependence: Issues and Prospects" in *Strategi: Journal of Strategic Studies and International Relations*, Malaysian Armed Forces Defence College, Vol. 7, August 1999, pp. 14-36.
5. For further elaboration on this key principles, see Michael Antolik, *ASEAN and the Diplomacy of Accommodation* (New York: M.E. Sharpe, 1990) pp. 8-10, as quoted in Rizal Sukma, "Challenges to ASEAN-10", p. 3.
6. Ibid, p. 7.
7. This was partly an opinion of a well-known Singaporean scholar Chin Kin Wah, as quoted from Jeannie Henderson, *Reassessing ASEAN, Adelphi Paper no 328* (New York: Oxford University Press, 1999), p. 24.
8. See *Singapore Declaration*, a joint statement during ASEAN Fourth Summit (1992) in Singapore, at <http://www.aseansec.org/summit/summit4.htm>  
<http://www.aseansec.org/summit/summit4.htm>
9. Ibid.
10. Ibid.
11. See C.P.F. Luhulima, "Confidence Building Measures and Preventive Diplomacy in Southeast Asia", a material given at the Advanced Course, RI. Ministry of Foreign Affairs, Training Institute, September 28, 1999, at .html" [http://pacific.net.id/pakar/luhulima/tulisan\\_04\\_.html](http://pacific.net.id/pakar/luhulima/tulisan_04_.html)
12. See Sheldon W. Simon, "The Parallel Tracks of Asian Multilateralism" in Richard J. Ellings and Sheldon W. Simon. (ed), "Southeast Asian Security in the New Millenium" (NBR, New York: M.E. Sharpe, Inc, 1996) p. 13.
13. This notion was adopted through a two-day intensive meeting in Ebenhausen, Munich, Germany (July 2000), in which Prof. Stubbs put the label of "unilateral-multilateralist" to the current US government, based on the fact that most of the US (foreign) policy requires an international legitimacy, which was mostly achieved through the US initiative to multilateralize its action towards certain issues or countries. With his permission, I adopt this term to demonstrate the US current behavior in conducting its foreign, including regional, policies.
14. See Sheldon W. Simon, "The Parallel Tracks of Asian Multilateralism", p. 18.

15. For a more comprehensive study on the changing ASEAN attitude towards greater economic cooperation, see Hadi Soesastro, "ASEAN Economic Cooperation in a Changed Regional and International Political Economy", in Hadi Soesastro, ed., *ASEAN in a Changed Regional and International Political Economy* (Jakarta, CSIS: 1985).
16. This has been reflected by the abortive proposal of Malaysian PM Mahathir Muhammad to create the East Asian Economic Group (EAEG), which later on turned into the proposal of East Asian Economic Caucus (EAEC). In the proposal, Malaysia urged Asian economies to strengthen their regional economic cooperation with Japan as the leading engine. This proposal actually sparked mixed feelings among Asian economies, following the negative reaction of the US towards the implementation of such a provocative idea. The US was reactionary due to the perception that such an idea would undermine the establishment of APEC, which at that time was still at its early formative stage.
17. However, given the fact that there are hundreds of articles, books and working papers on the history of ARF, its institutional functions and mechanisms and so on, and for the sake of the pertinence of this paper, no further elaboration on the ARF process will be undertaken here.
18. This was primarily Dr. Michael Leifer's opinion, as quoted by Edy Prasetyono in Edy Prasetyono, "Peran Institusi-Institusi Keamanan di Asia Pasifik (The Role of Security Institutions in the Asia Pacific)" in Bantarto Bandoro and Ananta Gondomono, eds., *ASEAN dan Tantangan Satu Asia Tenggara (ASEAN and the Challenge of One Southeast Asia)*, (Jakarta, CSIS: 1997) p. 178.
19. See Chin Kin Wah, "ASEAN in the New Millenium", in Chia Siow Yue and Marcallo Pacini, eds., *ASEAN in the New Asia: Issues and Trends* (Singapore, ISEAS: 1997) pp. 154-155.
20. Statement by the then Indonesian Foreign Minister Ali Alatas, quoted in *the Far Eastern Economic Review*, 11 July 1991. This was re-quoted from Rizal Sukma, "Security Interdependence in Asia Pacific: View from Jakarta", in *Strategi: Journal of Strategic Studies and International Relations*, Malaysian Armed Forces Defence College, Vol. 7, August 1999, pp. 37-59.
21. For a more elaborated work on this issue, see Rizal Sukma, "Security Interdependence in Asia Pacific: View from Jakarta".
22. Ibid.
23. See a brilliant piece of analysis and criticism by Dr. Leifer on the existing notion of ASEAN peace process in Michael Leifer, "The ASEAN Peace Process: A Category Mistake" in *the Pacific Review*, Vol. 12, No.1, 1999, pp. 25-38.
24. See Zakaria Ahmad & Baladas Ghoshal, "Security Interdependence in Pacific Asia", in *Strategi: Journal of Strategic Studies and International Relations*, Malaysian Armed Forces Defence College, Vol. 7, August 1999, pp. 1-13.
25. Rizal Sukma, "ASEAN and The ASEAN Regional Forum: Should The Driver Be Replaced?" paper presented at the ASEAN-ISIS Conference "ASEAN 2020 Vision: Crisis and Change", Singapore, 21-22 July 1999.
26. See Robyn Lim, "The ASEAN Regional Forum: Building on Sand", in *Contemporary Southeast Asia*, Vol. 20, no. 2 (August 1998), p. 115.
27. See Jeannie Henderson, "Reassessing ASEAN", in *Adelpi Paper* 328 (London: International Institute for Strategic Studies, May, 1999) p. 70.

28. Rizal Sukma, "ASEAN and The ASEAN Regional Forum" pp. 2-4.
29. Ibid, pp. 3-4.
30. See Michael Leifer, "The ASEAN Regional Forum: Extending ASEAN's Model of Regional Security", Adelphi Paper 302 (London: International Institute for Strategic Studies, 1996) p.30.
31. This was reiterated in the First ARF Chairman's Statement (1994). The full text can be obtained at the <http://www.aseansec.org/>, under the ARF section.
32. See Jeannie Henderson, "Reassessing ASEAN" p. 70.
33. Dr. Rizal Sukma expresses this interesting, yet critical idea in responding to recent criticism that claims that if ASEAN continues to chair the ARF, the dialogue could stagnate. He then stresses that this kind of argument will consequently lead to two principal questions, namely: (1) has ARF functioned so bad under ASEAN that the Forum needs a fundamental structural change, and; (2) if ASEAN relinquishes its leadership position, will ARF function better? For further debate and arguments, see Rizal Sukma, "ASEAN and The ASEAN Regional Forum" p. 5.
34. See for instance Sukhumband Paribatra, "Preparing ASEAN for the Twenty-First Century" in *The Indonesian Quarterly*, vol. XXVI, no. 3, 1998, pp. 158-163.
35. Actually, in 1997, when the crisis first erupted in the region, ASEAN has reached its common agreement to accept Myanmar and Cambodia as its new members. However, uncertain and deteriorated domestic situation in Cambodia marked by Hun Sen Coup in 1997 have been resulted in the postponement of Cambodian membership in ASEAN.
36. It was stipulated in the Manila Framework, agreed in November 1997. The framework, endorsed by ASEAN's heads of government at APEC and ASEAN summits in November and December 1997 affirmed that individual countries bore primary responsibility for tackling the crisis through domestic reform, and that the IMF was the competent international body to assist where necessary. However, the most significant element was an agreement to create a surveillance mechanism within the ADB, thereby helping ASEAN countries to exert 'peer pressure' on each other over macroeconomic and monetary policy. For further elaboration, see Jeannie Henderson, "Reassessing ASEAN" p. 43.
37. Ibid p. 42.
38. Ibid.
39. Refer to an intellectually stimulating piece of observation undertaken by Dr. Luhulima in commenting on Indonesian President B.J. Habibie's speech at the Hanoi Summit that financial crisis is separated from the stability of security of the region. For further discussion, see CPF Luhulima, "ASEAN's Security Outlook: A Re-evaluation Against the Background of the Financial and Economic Crisis", research manuscript undertaken at the ISEAS, Singapore, p. 3.
40. See Joint Communique of The 33<sup>rd</sup> ASEAN Ministerial Meeting, Bangkok, Thailand, 24-25 July 2000. Material can be obtained at the <http://www.aseansec.org/amm/pramm33.htm>
41. See for instance Melly-Caballero-Anthony, "How Do We Engage or Cooperate", a paper presented at ASEAN-ISIS Conference on ASEAN 2020: Vision, Crises, and Change, 21-22 July 1999, Singapore.

42. It was stated that, "...in response to the rapid changes in the global financial environment, and the risk of contagion, the ASEAN Finance Ministries and Central Banks have strengthened their cooperation and consultations. The ASEAN Surveillance Process (ASP) was to encourage peer reviews and share experiences on policy challenges facing our respective economies, in order to enhance macroeconomic and financial stability in the region. Development of work programmes to implement the finance-related activities of the Hanoi Plan of Action is currently underway. For further details, see Joint Communiqué of the 32<sup>nd</sup> ASEAN Ministerial Meeting, 23-24 July 1999 at <http://www.aseansec.org>.
43. It is interesting to note that many analysts relate this competitive behavior with the increased insecurity or security dilemma among ASEAN countries. Further elaboration on this can be seen in Alan Collins, "Mitigating the Security Dilemma the ASEAN Way" in *Pacifica Review*, Vol. 11, no. 2, June, 1999 pp. 95-114.
44. Ibid. p. 113.
45. See Donald K. Emmerson, "Indonesia, Malaysia, Singapore: A Regional Security Core?" in Richard J. Ellings and Sheldon W. Simon, Eds. *Southeast Asian Security in the New Millennium* (Armonk, NY: M.E. Sharpe for National Bureau of Asian Research, 1996) p. 34.
46. See JOINT COMMUNIQUE OF THE TWENTY-SIXTH ASEAN MINISTERIAL MEETING Singapore, 23-24 July 1993 at <http://aseansec.org/>.
47. Ibid.
48. The extend to which current authority of ASEAN Secretariat and ASEAN Secretary General can be seen in the ASEAN Secretariat Homepage. However, a concise, yet, stimulating ideas of reform and change of the ASEAN Secretariat can also be seen in the works of Dr. Luhulima, in CPF Luhulima, "ASEAN's Security Outlook: A Re-evaluation Against the Background of the Financial and Economic Crisis", personal research undertaken at the ISEAS, Singapore
49. See Rizal Sukma, "Challenges to ASEAN-10", p. 11.
50. Michael Leifer, "Regionalism Compared: The Perils and Benefits of Expansion", a paper presented at the 14<sup>th</sup> Asia-Pacific Roundtable, Kuala Lumpur, 5 June 2000.
51. This was briefly mentioned by Rizal Sukma, in which he urges the need to reflect upon, and differentiate the "intervention from above" (that is from governments) and the "intervention from below" (that is from the society), as well as the difference between "overt interference" (through consultation in line with the ASEAN Way) and "covert interference" (public denouncements and criticisms). See Rizal Sukma, "Indonesia and Non-Intervention: Debate in Southeast Asia" in David Dickens and Guy-Wilson-Roberts, eds., *Non Intervention and State Sovereignty in the Asia Pacific* (Wellington: Brebner Print Ltd for Centre for Strategic Studies, 2000) pp. 96-97.

## ASEAN's Relations with Big Powers

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### KEEPING RELATIONS WITH BIG POWERS IN BALANCE

#### Background

During the establishment of ASEAN, the Southeast Asian nations were facing a great challenge. Since becoming independent, the region's nations found it was impossible to deal with the political conflicts at home and in the region only through unilateral or bilateral management and coordination. Some of the conflicts became much more serious. For example, relations between the Philippines and Malaysia were broken, which made the newly established Southeast Asian Association collapse due to the conflict over Sabah in 1962. Meanwhile, the big powers' involvement in Southeast Asia was based upon their own global interests rather than Southeast Asia's regional interests, so it was not fully accepted by the region's nations. Therefore, the Southeast Asian nations shared a common goal for regional cooperation in the 1960s and regionalism was thus born.<sup>1</sup>

ASEAN was established while the big powers were readjusting their relations in Southeast Asia. The contradictions between China and the former Soviet Union came to the surface publicly in the early 1960s. In 1967, the United Kingdom decided to withdraw half of its military forces in Singapore and Malaysia in four years, and the military forces would withdraw totally by 1975; the United States put forward the "Nixon Doctrine" to reduce its forces in Asia in 1969; the Soviet Union stepped up its expansion in Asia through the "Asian Collective Security System". These changes led to the Southeast Asian balance of power to shift from that between capitalism and socialism after the Second World War, to that among the United States, the Soviet Union and China. The situation made the newly established ASEAN realize that dealing with the relations

of the big powers was its main task, since it concerned ASEAN's existence and development.

ASEAN was simply treated as a dependent of the West before. Indeed, ASEAN had the political background and intention of the West when it was established, though it clearly declared that ASEAN was "only an economic and cultural Association".<sup>2</sup> Most ASEAN nations were close to the Western ideology. ASEAN was set up during the Cold War, a special historical period of confrontation between the West and the East. ASEAN's pro-West position was quite natural due to its political, economic, and social factors, etc.

The purpose of ASEAN's establishment focused more on avoiding domestic disputes than on cooperation. Creators of ASEAN agreed to carry out cooperation in the economic, social and cultural fields, but they did not undertake any obligation for integration. They even relied upon outsiders for their security and interests. Thanks to political, historical and cultural reasons, ASEAN members had different relations with big powers. However, the difference in the traditional linkages and practical requirements were so great that ASEAN, as an entity, had to have a common relation with the big powers, which should conform to the general ASEAN interests.

## The Content and Purpose

"Peace, Freedom, Neutral area" is not only the aim that ASEAN has been trying to realize, but also the strategy ASEAN has been using to balance the big powers in Southeast Asia. It has the following characteristics: (1) **"Non-symmetry"**: Though ASEAN tries to keep the big power in general balance in the region, the ASEAN relations with the big powers are not in equidistance; (2) **"Dynamic"**: There is a dynamic balance, a balance in the development, rather than a static state; (3) **"Relative"**: The balance is relative, not absolute.

## *Reason for Keeping Big Powers in Balance*

From history, the Southeast Asian nations could not achieve stability and security by allying with some big powers or a group to fight against some others. During the Second World War, the Western countries could not keep Southeast Asia from the Japanese invasion; after the Second World

War, France and the United States could not "save" Vietnam. While a small country is always a part of the big powers' strategy, a big power always acts according to its own fundamental interests.

Southeast Asia has been one of the key areas for competition among the big powers. The big powers' interference is a basic reason for the instability and insecurity in Southeast Asia. Most disputes in Southeast Asia were often caused by national or regional domestic political problems. These problems provided big powers with opportunities for interference. National domestic disputes were mainly in the fields of political character, ideological choice, legal position of the national regimes etc., while regional disputes were mainly from historical hostilities, geopolitical and ideological contradictions, and tensions caused by the combination of national and regional domestic disputes.

These contradictions were not only the historical burden, but also a reflection of the real world's politics. They were beyond the coordinating capacity of the newly born ASEAN in terms of complexity and far-reaching impact. Therefore, simply wiping out the big powers' existence and competition in the region was obviously not realistic because differences in geopolitical situations and small nations' worries about their survival made it impossible for Southeast Asian nations to have a common policy towards the outside powers, and many nations continued to strengthen the security relations with the big powers. So, keeping big powers out would not naturally lead to the peaceful solution of regional disputes (the disputes, which were restrained within the big powers' competition, might even become more serious). This could be proved by the fact that detente did not bring about stability to Southeast Asia after the Cold War. But it does not necessarily mean keeping big powers out of the region is not positive at all. In the long run, it is in the regional nations' common interest to get rid of big powers' interference. Though the result of such interference just preserved a few nations' security and stability, the condition was in line with the big powers' regional interests or balance of interest. Thus, while the big powers' regional involvement could to some extent, restrain the outbreak of some domestic disputes, it could also cause regional instability. Essentially, the big powers' involvement could provide the region with relative stability, but would cause absolute instability.

ASEAN's voice for "Zone of Peace, Freedom and Neutrality" (ZOPFAN) in 1971<sup>3</sup> was weak, but it clearly expressed the hope, requirement and way to have a new relation with big powers. It was the



first time for ASEAN to put forward policies towards big powers. And it indicated that ASEAN began to develop relations with big powers through coordination and began to change the situation in which ASEAN members dealt with the relations with big powers individually.

Facing the Southeast Asian reality, ASEAN first used "Zone of Peace, Freedom and Neutrality" (ZOPFAN) in its relations with the big powers, formed a faint common interest and started a dialogue with the big powers. It had the following characteristics:

- (1) admitting the big powers' regional interest;
- (2) treating relations with big powers as complementarities to the ASEAN members' security strategy;
- (3) aiming mainly to protect the members' own security;
- (4) adopting the principle for the whole ASEAN area.

In the 1980s, ASEAN successfully made use of the "Cambodian issue" to strengthen its integration and created a relatively consistent regional security interest. It could be seen that there was:

- (1) improvement in the capacity for coordination and mechanism;
- (2) consolidation of the regional concept for security;
- (3) enlargement of the scale to the whole Southeast Asia;
- (4) endorsement from the international society since there was direct involvement in checking the expansion of the Soviet-Vietnamese alliance and greatly improving the relations with the United States, China and Western Europe.

In the 1990s, with the end of confrontation between the different alliances, ASEAN made a readjustment of its relations with the big powers. ASEAN created a form of comprehensive dialogue with the related big powers and tried to gradually dominate the security coordination in Southeast Asia or even in the Asia-Pacific region through:

- (1) enlarging of ASEAN to cover the whole of Southeast Asia;
- (2) participating in regional security dialogue as equals with the big powers;
- (3) paying attention to the whole Asia-Pacific region;
- (4) acting as a driving force in the process of regional security cooperation.

The cooperation in Southeast Asia is quite encouraging. Cooperation within ASEAN not only strengthened regional security and stability, but also balanced the big powers' regional interest successfully and improved the international environment for ASEAN's existence. "Zone of Peace, Freedom and Neutrality" has become ASEAN's aim for 2020, in addition to a balance strategy of big powers.<sup>4</sup>

### ***The Principles in Keeping Big Powers in Balance***

The "Freedom, Peace and Neutrality" suggestion was first formally put forward by Malaysia Premier Minister Abdul Razak bin Hussein in 1970. It has two main tenets:

One is, Southeast Asia becomes neutral under the guarantee of the United States, the Soviet Union and China. But these big powers should accept and respect Southeast Asia as a neutral area, and guarantee neutrality through setting up a monitoring mechanism. The other is that Southeast Asian nations should follow the principles of mutual non-aggression and non-interference while dealing with ASEAN's internal affairs, and should not get involved in the conflicts among big powers, but should try to keep the conflicts away from Southeast Asia.<sup>5</sup>

The suggestion indicated that the foreign policy of some ASEAN members began transferring from a "pro-West" to a "non-alliance" movement, and dealing with the big powers as an "objective" and "neutral" manner. For this, ASEAN established a special committee to be in charge of the research on the concrete content and implementing the principles of ZOPFAN. In 1976, the conceptual structure and measures for establishing ZOPFAN were adopted at the first ASEAN Summit.<sup>6</sup> ASEAN believed that ZOPFAN could not be realized until the regional nations could freely pursue national development and regional cooperation without outside interference.

The conflicts among the big powers in Southeast Asia were the main reason for regional instability. Therefore, eliminating hostility among the big powers was the basis for realizing Southeast Asian regional peace and stability. Neutrality could prevent Southeast Asia from becoming a platform for the big powers' competition for advantage and interest, so it could maintain permanent security and stability to some extent. Meanwhile, ASEAN felt that the neutrality proposal was also in line with the interests of the United States, the Soviet Union and China. For the first time, ASEAN, according to the power structure changes in Southeast Asia,

expressed to big powers that big powers' role in the Southeast Asian region should be re-evaluated and its influence should be reduced.

The ZOPFAN proposal also directly affected relations with big powers outside of Southeast Asia based on the following principles:

Firstly, the ASEAN nations should not be involved in the hostility among big powers, should not join in any treaty contrary to ASEAN's aim for ZOPFAN, and should not invite or agree to any interference in regional and ASEAN members' domestic affairs, from outside powers.

Secondly, the ASEAN nations should refuse to provide military bases for foreign countries and allow the usage, storage and transportation and test of nuclear weapons within the region. China, the Soviet Union, the United States and Japan would be invited for inspection if they do not interfere with the regional and national domestic issues, and respect Southeast Asia as a ZOPFAN.

Lastly, the ASEAN nations should solve their domestic conflicts peacefully, not set up new alliance treaty and military base, and reduce the existing military bases gradually.

The ASEAN proposal for ZOPFAN indicated the establishment of a Southeast Asian regional order, which the big powers should respect. Practically, ASEAN nations should stick to the principles mentioned above, begin with a new starting point for the national security and politics, create a mechanism and process for regional disputes, eliminate outside military existence gradually, set up a non-nuclear zone in Southeast Asia, and win over the respect and recognition for the new regional order from the main outside powers.

### ***Purpose of Keeping Big Powers in Balance***

Realizing peace in Southeast Asia would create a favorable environment for ASEAN member nations' political and economic development, and promote regional cooperation and independence. But the ZOPFAN proposal and process were not acceptable to all the ASEAN members at the beginning. It was not only the big powers outside, but also some of the ASEAN members who had certain reservations. In addition, there were some limitations for carrying out and implementing ZOPFAN. The different considerations among the ASEAN nations were the following:

Malaysia put forward the proposal because of its disappointment over the British reducing its presence on the one hand, and suspicion of the "the Five Power Arrangement" role for the regional security on the other. So Malaysia

tried to keep its policy flexible during the big power relations' readjustment.

Indonesia agreed with the Malaysian proposal because Indonesia is the largest nation in ASEAN. It tried to play a leading role within ASEAN though it was not a strong nation. Reducing the big powers' involvement in the region would be conducive to its leading position in Southeast Asia, as well as strengthening its role in the non-alliance movement. Thailand and the Philippines wanted to make use of the neutrality to prevent the Soviet and Chinese expansion into Southeast Asia while the United States took less defense responsibility there.

Although through discussion and consultation, the Malaysian proposal was approved generally in ASEAN, there was still some reservation, especially by Singapore. Surrounded by the two big Muslim nations—Malaysia and Indonesia, Singapore is the smallest nation within ASEAN with a population majority of ethnic Chinese. Its security has been under the protection of a big power, but Singapore did not want to displease Malaysia so as to agree to the neutrality proposal.<sup>7</sup>

ASEAN has adopted ZOPFAN as its strategy towards the big powers for the following purposes:

- (1) To stress the ASEAN concept and establish a regional image. Thanks to the lessons of former failure in cooperation in the region, it was most important for ASEAN to exist and develop. However, ASEAN's existence had to rely on the support from big powers, but had to be free from their direction. So by promoting ZOPFAN, ASEAN could define its integrated regional interests and aim, and draw a line between the regional interests and big powers' interests, as well as the in line with the non-alliance policy that some ASEAN members advocated.
- (2) To balance the big powers in Southeast Asia and maintain regional stability. From the establishment of ASEAN to the beginning of the 1990s, Southeast Asian "stability" was achieved together with the confrontations among big powers. Therefore, it is difficult for ASEAN to keep the regional stability by itself. But ASEAN could change the position of the power fulcrum to maintain longer regional stability amidst the big powers' confrontations. The Southeast Asian area would be in danger if the big powers could keep a general power and strategic balance. By the neutrality policy, ASEAN was able to limit the outside powers' activity in Southeast Asia and take collective action to prevent the big powers' dominance in Southeast Asia.

- (3) To look forward and format an ASEAN's Southeast Asia. ZOPFAN, as a long-term aim, did not seriously influence the ASEAN individual member's existing policy. In addition, it could make ASEAN, as a collective power, have a voice in the region's policy and future, and have a coordinating power when regional international relations undergo changes. With the end of the bipolar system, relations among the big powers in Southeast Asia, even in the whole Asia-Pacific region, underwent readjustment. But the old thinking of the Cold War still existed and caused the big powers to still lack mutual trust. Therefore, relations among the big powers were still not stable although there was a detente in the Asia-Pacific region. Under these circumstances, ASEAN's ZOPFAN could be acceptable to all big powers, which provided ASEAN a good chance to play a more active part in making a basic policy for the region's international relations. ASEAN, as one of the region's main powers, took part in and dominated the regional security cooperation while ASEAN enlarged itself to cover the whole Southeast Asian nations.

## **ASEAN WAY OF COORDINATING THE RELATIONS WITH BIG POWERS**

### **Three Pillars for Realizing Neutrality**

Implementing ZOPFAN relied on the improvement of ASEAN's position and strength. For the past 30 years, ASEAN gradually improved its relations with big powers through institutionalizing and integrating itself. However, the ASEAN strategy for the balance of big powers did not mean equidistantly dealing with the relations of all big powers. ASEAN always readjusted its policy towards the big powers in accordance with the regional balance of power. In order to realize ZOPFAN, ASEAN set up the three pillars: (1) enlarging ASEAN; (2) building "ASEAN Free Trade Area"(AFTA); (3) strengthening multilateral security cooperation in Southeast Asia through "ASEAN Regional Forum"(ARF).

*Enlargement of ASEAN.* ASEAN declared that it was open to all nations in Southeast Asia when ASEAN was established, but it was difficult to realize it under the historical background of confrontation between the

different political groups. Until the middle of the 1980s, ASEAN only admitted Brunei when it became independent in 1984. The bipolar confrontation in Southeast Asia was diminished with the end of the Cold War. It was the right time for ASEAN to enlarge itself. So the plan of ASEAN enlargement had begun to be put into practice.

- July, 1992, Vietnam and Laos signed "the Treaty of Amity and Co-operation in Southeast Asia" (TAC) and became ASEAN observers;
- May 1994, ASEAN's six members had an informal meeting with Vietnam, Laos, Kampuchea and Myanmar in Manila. The ten nations agreed to establish a "10-nation community in Southeast Asia";
- July, 1995, Vietnam became a full member of ASEAN, and Kampuchea and Myanmar became ASEAN observers respectively;
- July 23, 1997, Laos and Myanmar joined ASEAN. Kampuchea's membership was postponed because of its domestic political problems;
- April 30, 1999, Kampuchea took part in ASEAN and fulfilled the ASEAN's enlargement.

After enlargement, ASEAN's area is expanded by almost 50%, to 4.48 million square kilometers from 3.05 million square kilometers. Among the new members, Myanmar represents the second largest nation in Southeast Asia. ASEAN's total area overtakes India, ranking the 6<sup>th</sup> largest in the world. ASEAN's population also increased by 43%, to 500 million from 350 million. Among the new members, Vietnam is the second largest populated nation in Southeast Asia. The population of the enlarged ASEAN is only after China and India, ranking 3<sup>rd</sup> in the world. As for GDP, ASEAN-10 members' is over US\$700 billion in total<sup>8</sup>, and overtakes some big countries, such as India and Australia.

The enlargement of ASEAN has a great impact on relations between itself and the big powers and international relations in the Asia-Pacific region:

Firstly, facilitating the regional stability. After the Cold War, the tensions in Southeast Asia have abated with lessening confrontations among the big powers. But the detente does not mean peace in Southeast Asia. Regional differences in the historical, cultural and conditional backgrounds made the disputes and the contradictions among the region's nations complicated. The admissions of Myanmar and other Indochina nations enable ASEAN to deal with these problems in a supranational way. It

will mean that Southeast Asia, with the instability after the World War II, may turn to cooperation from confrontation. In addition, it will strengthen the ASEAN capacity for collective coordination.

Secondly, reducing the big powers' "intervention". Big powers' interference in the Southeast Asian region has been the main factor for instability after the World War II. ASEAN covers the whole Southeast Asia after enlargement, and the ASEAN organization has been upgraded to a regional cooperation from a subregional one. Therefore, problems in Southeast Asia have become ASEAN internal issues. It will be difficult for big powers to interfere in Southeast Asia as before.

Thirdly, becoming a new force in the multipolar world. After enlargement, ASEAN will be involved in international affairs as a Southeast Asian nations' group for the first time. It may have a positive influence on the international relations in the Asia-Pacific region at a time when big powers are redefining their regional interests, relations and policies. To a large extent, ASEAN wants to strengthen itself through enlargement, play a key role in Southeast Asia's affairs and be an important actor in the Asia-Pacific region. This may also break the framework in which the developed powers are the dominant force. Meanwhile, due to ASEAN's developing power, ASEAN nations will not only stress their own current regional interests, but also try everything to preserve the regional interests in forming the future region's international relations.

Fourthly, stressing an "Oriental" character. Most ASEAN members were Western nations' colonies. With several decades' efforts after independence, they have been on the road to modernization through industrialization. However, ASEAN nations have been canonizing the "Asian Value". Politically, they are dissatisfied with the Western nations' interference under the excuse of "human rights" and "democracy"; culturally, they advocate the Asian tradition; socially, they are afraid of being Westernized. In fact, enlargement of ASEAN strengthened the ASEAN power to balance the Western big powers.

*ASEAN Free Trade Area (AFTA).* Early in the 1970s and 1980s, ASEAN discussed the establishment of a free trade zone. With the development of globalization and regionalization, ASEAN decided, in 1992, to build AFTA by 2008. But in 1995, ASEAN revised it to an earlier date, 2003. AFTA can not only increase the economic cooperation level in Southeast Asia, but can also enhance the ASEAN's position in the Asia-Pacific

regional economic cooperation, in addition to improving the ASEAN economic competitiveness in the process of globalization.<sup>9</sup>

AFTA also serves ASEAN's political strategy, as well as an economic development strategy:

Firstly, due to major differences and comprehensive contradictions, ASEAN originally had difficulty carrying out any political or security cooperation even without the big powers' interference. So ASEAN had to start its cooperation in the economic field where there were fewer differences. It is clear that choosing economic cooperation was a strategic consideration from the beginning.

Secondly, after the Cambodia issue was resolved politically, ASEAN's cohesion, to some extent, was reduced. AFTA can provide a new motive for cooperation among ASEAN members.

Thirdly, ASEAN economic cooperation moved slowly until the 1990s while ASEAN had not been keen on any institutionalized and comprehensive economic cooperation in the Asia-Pacific region. With the situation changed and the trend of regional cooperation in the late 1980s and the beginning of the 1990s, ASEAN was forced to make a readjustment. ASEAN took part in APEC while it tried to establish AFTA. Thanks to ASEAN's weak position in the economic cooperation across the Asia-Pacific region, ASEAN has since tried hard to speed up the AFTA establishment. Its time schedule is far ahead of the trade liberalization process under the APEC schedule.<sup>10</sup> ASEAN wants to play a more important role in the future economic cooperation in the Asia-Pacific region by having close economic integration.

Finally, AFTA is the basis for ASEAN's integrated community in the 21<sup>st</sup> century. "The Southeast Asian Community" aim was put forward in the 1970s. It was reiterated in the Southeast Asia Informal Summit in 1994 and the ASEAN Informal Summit in 1997. According to the ASEAN experience, close economic cooperation is a precondition and shortcut to achieving this aim.

*ASEAN Regional Forum (ARF).* Among the dialogue systems between ASEAN and the big powers, ARF is the youngest one, set up in Bangkok, Thailand in July 1994, with participants of ASEAN members at that time (Indonesia, Malaysia, Singapore, the Philippines, Thailand and Brunei), the dialogue partners (the United States, Japan, Canada, Australia, New Zealand, European Union and Korea) and Vietnam, Laos, China, Russia, Papua New Guinea. Now, it has 23 members (Mongolia, India,



Kampuchea, Myanmar and North Korea joined in respectively). Though the Western nations have not been so confident in ASEAN's role in ARF, especially after the financial crisis in 1997, ASEAN has never given up its position as a driving force and is playing an important role in this only regional security cooperation.

ASEAN is at an advantage in this process. ARF is the only official and multilateral security forum, including the main powers, in the Asia-Pacific region. But its annual dialogue follows the ASEAN Foreign Ministers' meeting (AMM) with the chairman in rotation among the ASEAN members. So ASEAN is, in fact, in control of ARF's discussing of content and procedure beforehand.

During the readjustment of the relations between ASEAN and the region's big powers, ASEAN built up its dominant position through forming ARF's regional security arrangement and avoiding internal conflict in the Southeast Asian area. By using ARF, ASEAN promotes consultation, balance and cooperation among the nations in the Asia-Pacific region, especially the big powers, and keeps differences under control. In 1993, the United States proposed "the New Pacific Community" and tried to dominate the regional political and security cooperation. ASEAN reacted promptly by establishing ARF on the basis of its dialogue system with the big powers, together with inviting Russia, China and India. ASEAN thus made use of Russia and China to balance the United States in the region and strengthen its own position.

The key point of the relations between ASEAN and big powers is to maintain the stability and prosperity of Southeast Asia. By the enlargement of ASEAN, AFTA and ARF, ASEAN can increase its influence as a regional group, as well as promote its political, economic and security integration.

## **ASEAN Dialogue Mechanisms with Big Powers**

Apart from the mechanisms mentioned above, ASEAN also has the followings channels to deal with big powers:

### ***Meeting with Dialogue Partners***

Except for the bilateral relations with the big powers, the meeting with dialogue partners are the most important communication between ASEAN

and the big powers. It is also called "the expanded ASEAN Foreign Ministerial Meeting" or "Post-Ministerial Meeting"(PMM). It refers to the ASEAN foreign ministers' dialogue collectively with ASEAN's partners' foreign ministers after the annual AMM. The dialogue partners include the United States, Japan, China, Russia, India, Australia, New Zealand, Canada, Korea and the EU. The mechanism originated in the 1970s.

When ASEAN came into being, the members had serious contradictions among them and were lacking mutual trust. So ASEAN's main task at that stage was to have better understanding and complete organization rather than to move fast for cooperation. The ASEAN ministerial meeting was the highest level for decision making at that time. ASEAN had not amended its pace for cooperation until the middle of 1970s. Meanwhile, the great changes in international relations in the Asia-Pacific region made ASEAN consider setting up a dialogue mechanism with the big powers:

1. The United States made a strategic readjustment in Asia because of its failure in the Vietnam War. The US arm would reduce its presence in Asia and avoid direct involvement in regional conflicts. The US would guarantee regional security through more cooperation with its allies. The United Kingdom did the same from the end of the 1960s.
2. ASEAN was worried that the Indochina nations, as ASEAN's neighbors, would still treat the region according to the ideological difference.
3. China rejoined the international society by resuming its position in the United Nations and improving its relations with the United States.

Facing those regional changes, ASEAN was very afraid of the regional imbalance of power caused by international relations readjustment in the region. And the United States' behavior in Vietnam made ASEAN realize that depending on one or two big powers for security was not reliable for the region. Therefore, ASEAN, as well as intensifying its own solidarity, needed to make a readjustment in its relations with the big powers. It was crucial for its existence and development.

In 1976, ASEAN held the first summit meeting of its members and "the Treaty of Amity and Cooperation in Southeast Asia" (TAC) was the result. On the one hand, ASEAN stressed internal cooperation by clarifying

the fields for economic cooperation, and on the other hand, ASEAN decided to enlarge the scale of cooperation and reached principles for political and security cooperation. During the second summit meeting in 1977, ASEAN reached a decision to build the dialogue mechanism in order to strengthen the relations with all Western big powers, as well as detailed the internal economic and political cooperation. The first round dialogue countries were the main ASEAN political and trade partners: Australia, Japan, New Zealand and UNDP (1976), the United States (1977), EU (1980), Canada (1981). After the Cold War, other big powers in the Asia-Pacific region joined in one after another: Korea (1991), India (1995), China and Russia (1996).<sup>11</sup> In addition, ASEAN established a series of bilateral committees with the dialogue countries so as to strengthen the partnership and gradually form the dialogue mechanism with these powers.

The meeting between ASEAN and dialogue nations is not only the established channel for ASEAN to understand, communicate and cooperate with its key political and economic partners, but also an arena for ASEAN to explore the solution to regional issues with common interests. Generally speaking, ASEAN discussed with its dialogue partners the international and regional political problems and economic cooperation, as well as bilateral relations. Through dialogue, ASEAN can request the support and understanding from the dialogue partners. At the same time, ASEAN can also try to keep the powers balanced for security in Southeast Asia.

The dialogue mechanism is an ASEAN creation in dealing with the relations of both internal and external big powers. The aim of ASEAN is for cooperation and development, but Southeast Asia is an area full of differences in social systems, cultural traditions, religious beliefs and ethnic customs. And the changing relations among the big powers have direct impact upon the region's situation. So, in addition to ASEAN's building up, coordinating and developing relations with big powers are the key points for ASEAN's growth. But ASEAN's dialogue partnership assumes a different meaning with changes in the regional situation and development of ASEAN.

First, after China, Russia and India joined, ASEAN's dialogue system, for the first time, realized the evolvement of all regional big powers. In fact, all of the permanent members of the United Nations' Security Council have become ASEAN's dialogue partners. So ASEAN's international status has been much improved and has enabled Southeast Asia to possess a general channel for international dialogue.

Second, enlargement of ASEAN's dialogue partners reflects ASEAN's maturity and confidence. From the current annual arrangement: AMM-ARF-PMC, it is clearly indicated that ASEAN hopes to be a driving force in regional affairs.

Third, however, the function of the ASEAN dialogue mechanism has been relatively weakened because of rapid development of economic and political cooperation since the end of the Cold War. Until the end of the 1980s, there was no large scale and official mechanism for economic and political cooperation in the Asia-Pacific region. Therefore, ASEAN dialogue meetings were crucial for the political, economic and security cooperation between ASEAN and the big powers. Currently, in the Asia-Pacific region, APEC has made a concrete arrangement for the whole region, including Southeast Asia, in economic cooperation. In addition, it has also formed a dialogue system from top leaders to scholars. Meanwhile, ARF has regular meetings on regional political and security issues. APEC and ARF have overlapped and intersected with ASEAN's dialogue mechanism in many fields.

### ***Asia-Europe Meeting (ASEM)***

ASEM was put forward by ASEAN member Singapore in 1994. The aim was to expand its scale and scope of dialogue with big powers and to prevent the United States from dominating the economic and political cooperation in the Asia-Pacific region. ASEAN believes that it can increase and enhance its regional role by intensifying the relations with EU because they share common strategic and economic interests. EU paid much attention to the Eastern European area due to the confrontation between Western and the Eastern Europe during the Cold War and the great changes in Russia and Eastern Europe after the Cold War. Thus, the dynamic emergence of the Asia-Pacific region has been relatively neglected and the relations between Southeast Asia and Europe have developed slowly. This situation is not in line with the interests of the highly integrated EU. From the middle of the 1990s, EU readjusted its policy towards Asia. Under this circumstance, ASEAN's proposal for ASEM was positively welcomed by EU.

In March of 1996, the first ASEM was held in Bangkok, Thailand. Seven ASEAN members and China, Japan, Korea, together with 15 EU members participated in the meeting and discussed political dialogue promotion and economic cooperation reinforcement. Both sides agreed

to establish a comprehensive "New Asia-Europe Partnership Relations". From then on, Asia and Europe have had regular summit meetings, which is greatly significant:

One, ASEM realized equal dialogue between Asia and Europe. Most of the Asian nations used to be European colonies or semi-colonies, and suffered from European invasion and occupation. With the long-time efforts and development after the Second World War, Asia, as a group under ASEAN for the first time, opened a dialogue channel with Europe and realized an equal and strategic relation between Asia and Europe.

Two, ASEM had a relative impact on the United States' regional influence. Asia and EU had a successful summit dialogue without involvement of the US. Improved Asia-Europe relations can not only expand bilateral economic and technological cooperation, but also reduce the US's relatively dominant position in the regional cooperation. More significantly, the participants from the Asian side are the same members as "the East Asia Economic Caucus"(EAEC) put forward by Malaysia in the early 1990s. EAEC was not successfully carried out since the US rejected it. But it in fact received support from the EU.

Three, ASEM gave prominence to ASEAN. ASEM, to some extent, formed a triangular pattern among Asia, EU and US. It reinforced Asia-Europe relations and made the relations between Asia, Europe and North America more balanced.

### **ASEAN+3**

At the end of 1997, ASEAN started the informal Eastern Asia summit meeting. It was also called "ASEAN+3" or "10+3".<sup>12</sup> All ASEAN members, as a whole for the first time, had a dialogue with the most important East Asian powers—China, Japan, Korea, for a closer cooperative mechanism in East Asia. In addition to the summit meeting, there have been economic, foreign and financial ministers' meeting and central banks heads' meeting, together with some special working groups. The aim of ASEAN+3 is to promote economic growth, sustainable development and social progress in East Asia in the next century.

Southeast Asia, in the form of ASEAN, has collectively taken part in the East Asian regional cooperation. It has great influence on international relations in the region, especially when big powers are redefining their own interests, foreign relations and policy direction. Moreover, ASEAN stresses "Asian power and voice" and an equal position with the big

powers, which will challenge the traditional regional international relations with the dominance of big powers.

## **RELATIONS BETWEEN ASEAN AND THE MAIN BIG POWERS**

### **ASEAN-US Relations**

The US is ASEAN's most important strategic partner. With several decades' development, ASEAN-US relations have shifted from a security-dominant cooperation to a more comprehensive cooperation, from the bilateral level to the regional level.

ASEAN was slack when it was established. Meanwhile, the United States wanted to use "the South-East Asia Treaty Organization"(SEATO) to check China, confront the former Soviet Union and reduce the French and British regional influence. Therefore, ASEAN-US relations were mainly the bilateral relations between individual ASEAN members and the US. At the end of the 1960s, "the Nixon Doctrine" was put forward, which made ASEAN distrust the US role in the region. So both ASEAN and individual members shifted toward neutrality and tried to keep a distance with all big powers in order to maintain a balance of the big powers. As a result, ASEAN improved relations with China and the Soviet Union.

After 1975, the regional situation developed with the following characteristics: US failed in Indochina and SEATO was at the brink of being dissolved. Those changes gave ASEAN and the US common interests for regional security: ASEAN was facing a practical threat from Indochina because of the Vietnamese invasion of Cambodia with Soviet support, and US turned to ASEAN for keeping the stability in Southeast Asia. Thus, at the end of 1970, ASEAN not only established dialogue relations with US, but also expanded bilateral relations between ASEAN member nations and the US. The Philippines and Thailand resumed security relations with US; Singapore and Indonesia (as the most important actor in ASEAN) also began security cooperation with the US.

In the 1990s, great changes were taking place in Southeast Asia. The Cold War, with half a century's confrontation between the two military groups, had ended. Around the world process towards a multi-polar system, and emergence of some independent regional powers, such as

China, India, ASEAN, etc., made the Asia-Pacific region more multi-polarized. At the same time, lasting high growth of the region's economy made the region's nations more interdependent. Therefore, economic issues and cooperation became more crucial in the region's internal and external policies. Under these circumstances, the US had to make some readjustment to its global and the Asia-Pacific region's strategies in order to stress the economic factors and put more efforts to solve its domestic economic problem and reinforce its economic relations abroad. As a result, the US reduced its military forces and bases abroad, including withdrawing some troops from East Asia. The reaction from ASEAN was complicated.

ASEAN's strategic position became influential. With its enlargement, ASEAN, as a group, is playing a more crucial part in international affairs. Politically, ASEAN will not only be playing a leading role in Southeast Asia, but also move towards an integrated organization of the Southeast Asian nations. It is a reality of regional geopolitics. ASEAN's stance and influence on the issues of regional security, territory dispute, human rights, democracy, etc. indicate that ASEAN can independently affect the Asia-Pacific region and international politics. As for security, ASEAN is well known for shifting to build a multilateral security cooperation from the bilateral defense arrangement, as well as "an arm race" within Southeast Asia since the end of the Cold War. Economically, long-time high growth since the 1970s, together with building AFTA within a short time, have strengthened ASEAN's position both in the world economy and the Asia-Pacific economy. With the trend of economic regionalization, ASEAN's internal economic, political and security cooperation have been intensified while ASEAN members are becoming more interdependent.

Though the confrontation between the two polars in Southeast Asia has abated, the big powers' regional existence is still present. The US still keeps the region under its control, and the Russian military power cannot be underestimated. The Chinese military force is in the process of modernization; the Japanese military power will expand when the US-Japan alliance is renewed. All these factors cause ASEAN to worry about regional security. Therefore, ASEAN is trying to improve and develop relations with the Asia-Pacific nations so as to keep the balance of the big powers on the one hand and hope that the US can consistently guarantee the security on the other, as well as improve its own military capacities.

After a long development, ASEAN and US economic exchange has become so close that ASEAN relies heavily on the US economy.

Meanwhile, ASEAN is facing competition from both outside, mainly Chinese economic emergence, and inside, mainly the new members' economic development. So the American market, capital and technology are extremely crucial for ASEAN future development. ASEAN-US economic relations have been of strategic importance to ASEAN.

With the close political, economic and security linkages between ASEAN and the US, ASEAN treats the US as a key power for Southeast Asian stability. ASEAN believes that US troops should stay in the Asia-Pacific region in order to keep the region's security and prosperity and to balance regional big powers, such as with China, Japan etc. But ASEAN does not want to form an alliance with the US and does not want to see the US heavily involved in Southeast Asia, because:

1. The US considers Southeast Asia as a part of its global strategy and only cares about the American interests in Asia. For example, the US rescue action was slow during the financial crisis in 1997; US refuses to sign the treaty, "the Southeast Asia Nuclear Weapon-Free Zone"(SEANWFZ).
2. ASEAN has a fear of the US taking over its leading role in regional security. The US challenged ASEAN by putting forward "the Asia-Pacific Community", expanding APEC's function to the security field and trying to institutionalize ARF.
3. ASEAN cannot tolerate US interference in its domestic affairs. ASEAN used to have some friction with the US on trade, intellectual property, democracy, human right, etc. The US often took actions according to its domestic law or social value, which dissatisfied ASEAN. The most serious friction was over the Myanmar issue when it became an ASEAN member in 1997.

The US used to promote mainly the bilateral security arrangement as its priority. In 1993, the US readjusted its policy by stressing the main position of the bilateral security mechanism but included the multilateral mechanism as a supplement at the same time. The readjustment improved ASEAN-US security relations. Though the ASEAN-dominated ARF does not satisfy the US desire for a more institutionalized security mechanism in the Asia-Pacific region, the US can still keep an advantageous position in the security, political and economic cooperation of Southeast Asia. In the "East Asia Strategic Report" (*United States Security Strategy for the East Asia-Pacific Region*) in Nov. 1998, US confirmed ASEAN's more



active role in regional security and its consistent support for ASEAN. Even after the financial crisis weakened ASEAN's key nations and ASEAN itself, they were still the US's main partners for security. ASEAN and US share the common aim of preventing conflict, keeping stability and promoting economic development in Southeast Asia. So ASEAN has publicly suggested and supported the continuation of US troops' deployment in the region.

## **ASEAN-Japan Relations**

From the geo-political or geo-economic standpoints, Japan is the most important partner in Asia. So ASEAN-Japan relations is very close and often called "the special relations".

### ***From the Establishment of ASEAN to the End of the 1970s***

When ASEAN was established in 1967, ASEAN-Japan already had close economic relations. After the Second World War, Japan made atonement to Southeast Asia, while Southeast Asian nations were lacking capital for development. So ASEAN promoted the Southeast Asian economy; in return, obtaining raw materials supply, the commercial market and destination for investment from Southeast Asia also profited the Japanese economy.

In the middle of the 1970s, the Western nations suffered the economic frustrations of Southeast Asia but ASEAN's economy developed rapidly. This situation provided Japan with opportunity in Southeast Asia. Japan also realized that better relations between ASEAN and Japan could advance Japan's political and economic position in Southeast Asia, as well as gain it materials, market and investment. At the same time, the US hoped that Japan could give economic assistance to ASEAN nations for regional strategic considerations. ASEAN also welcomed the Japanese economic assistance and cooperation, in addition to a larger political role in Southeast Asia.

But, national capitalism in ASEAN was suspicious of the Japanese economy. In the early 1970s, there were some movements to boycott Japanese goods, or even to be anti-Japan in Southeast Asia. Japan had to provide more official aids and expand cultural exchange. Therefore, Japan put forward the "Fukuda Doctrine"<sup>13</sup> in August 1977. ASEAN

members were happy to accept the Fukuda Doctrine since it was in line with both ASEAN and Japanese economic and political strategic needs. So it became the turning point for ASEAN-Japan relations.

### ***From the End of the 1970s to the End of the 1980s***

Vietnamese invasion of Cambodia and the former Soviet Union's expansion southward threatened ASEAN's and Japan's security. ASEAN wanted to see if Japan could play a more active political role in Southeast Asia's stability. At the same time, Japan was paying more attention to ASEAN's regional political role. So, from the requirement of both sides, ASEAN and Japan began political cooperation for mutual interdependence.

In 1979, Japan issued the "Japan Policy towards Southeast Asia", which indicated that one of the Japanese diplomatic pillars was to enhance and develop the friendship cooperation with ASEAN member nations and, together with ASEAN, contribute to Asian peace and prosperity. From then on, Japan began its political diplomacy in Southeast Asia. In 1983 when visiting ASEAN, Japanese Prime Minister Nakasone Yasuhiro clearly pointed out it was important for Japan to have ASEAN support and to have a closer cooperation with ASEAN because it was a key step for Japan to become a political power.

### ***Since the End of the 1980s***

After the Cold War, world politics became more multipolar. Japanese economic and political actions are constructive. If Japan wants to play the role of a real political power, ASEAN should be a starting point since ASEAN's understanding and support are very crucial for Japanese involvement in international affairs, especially for Japanese diplomacy in Asia. In fact, ASEAN fears that Japanese military expansion could lead to a regional imbalance. For that reason, Japanese Prime Minister Kaifu Toshiki visited five ASEAN nations with the following purposes:

- a. explain Japan's constructive role for building a new order in the world after the Gulf War and its sending mine dredgers to the Gulf;
- b. understand the history of Japanese invasion of Southeast Asia; emphasize its intention to make an international political contribution rather than become a military power;

- c. emphasize the importance of bilateral relations between Japan and ASEAN members.

Kaifu Toshiki expressed that Japan-ASEAN relations was the most important next to Japan-US relations, and ASEAN and Asia would be the key area for the Japanese Official Development Aid (ODA).

Later, Japan became even more active. In January 1993, Japanese Prime Minister Miyazawa Kiichi gave a speech in Bangkok, titled the "Miyazawa Doctrine", which proposed four basic Japanese principles on Asia:

1. actively participate in the security dialogue in the Asia-Pacific region;
2. promote open economy in the Asia-Pacific region;
3. pay attention to democracy in the region, human rights and environment issues;
4. cooperate with the Indochina nations.

Meanwhile, he also suggested that relations among Japan, ASEAN and Indochina for co-existence and prosperity and mutual benefit be important for Asia-Pacific cooperation. Miyazawa's ASEAN trip closed the bilateral relations.

ASEAN nations' natural resources, geographical location and strategic position are critical for Japan; and Japanese capital, technology and market are also important for ASEAN members' modernization. It is the basic reason for ASEAN's close economic relations with Japan.

Firstly, ASEAN's biggest trade partner is Japan. From the end of the 1960s, Japan had replaced the US as ASEAN's biggest trade partner. After the 1980s, ASEAN relied less on Japan but ASEAN was still Japan's largest trade market. ASEAN was the third largest trade partner for Japan, just next to the US and the EU. ASEAN imported most of its electronic, machinery, chemical, metal, transportation, technology-intensive products and other manufactured goods from Japan. And Japan imported from ASEAN most of its rubber, tin, tantalum, tungsten, tropical products and natural gas, and some timber, oil, copper, nickel.

Secondly, Japan is one of the largest foreign investment resources for ASEAN. The US used to be the biggest, but Japan overtook US in the early 1980s. From the middle of the 1980s, Japanese investment in ASEAN grew fast (nearly 4.5 times higher) thanks to appreciation of the Japanese Yen. Japanese investment in ASEAN increased from US\$856 million to US\$4.7 billion during 1986-89. In the first three years in the

1990s, Japanese investment in ASEAN expanded four times again. Obviously, Japanese investment contributed greatly to ASEAN nations' high economic growth.

Thirdly, ASEAN is the key receiver of Japanese ODA. Almost two-thirds of Japanese ODA is concentrated in the ASEAN area. Indonesia, Thailand, the Philippines and Malaysia have been the top recipients. Japanese ODA focused on ASEAN for historical, geographical, economic and political reasons. It started with Japanese atonement for the Second World War. Most of ASEAN members suffered a lot during the Japanese invasion and occupation during the War. In addition, Japanese ODA's economic aim was to encourage its export, together with promoting investment abroad and guaranteeing a supply of resources. ASEAN nations were, are and will be the ideal place for these purposes.

ASEAN, generally speaking, is happy with Japan's political role corresponding with its regional position, as well as with its active economic actions. ASEAN cannot carry out any regional cooperation without Japan because of Japan's special position in Asia. But ASEAN cannot tolerate a militarized Japan since most of ASEAN members have had the experience of Japanese occupation. They are still suspicious of Japan's military role in the region. In addition, ASEAN does not want to see a regional imbalance due to Japanese military expansion. However, ASEAN believes that a bigger Japanese political role is positive for keeping the balance in the region because, after the Gulf War, the US's effort for a US-centered unipolar world was not in line with ASEAN interests. In the meantime, ASEAN needs Japan's economic cooperation, technology transfer and support for Southeast Asian security, as well as Japanese economic management and governance.

After the Southeast Asian financial crisis in 1997 and the unified European currency, Japan's position was relatively weakened. On the one hand, Japan strengthened its strategic relations with the US. Japan further improved its credibility in the Japan-US alliance, re-ensured the effectiveness of the Guidelines for Japan-US Defense Cooperation and joined the US National Missile Defense (NMD) system and Theater Missile Defense (TMD) system. On the other hand, Japan enhanced its relations with ASEAN. Japan intends to form a Japan-centered international economic cooperation in Asia. ASEAN is the ideal backyard since the ASEAN economy has been highly integrated with the Japanese economy.

In January 1997, Japanese Prime Minister Hashimoto Ryutaro visited Southeast Asia to review the bilateral relations across the century. Hashimoto suggested Japan and ASEAN should discuss the security problem on a

bilateral level and jointly find the solutions to regional issues, such as terrorism and environmental pollution. His broad and deep relationship between Japan and ASEAN was named the "Hashimoto Doctrine". If the Hashimoto Doctrine could be accepted, Japan would become the first big country to attend the ASEAN summit meeting regularly. ASEAN-Japan relations would expand to the security field in Southeast Asia.

In 1998, Obushi made a speech in the Diet that stabilizing the Asian economy was an urgent task. And Japan planned to provide another US\$30 billion, in addition to the original US\$44 billion, to Asia for assistance. He had also put forward his Asia diplomacy as the "Obushi Doctrine".

Japan is seeking closer bilateral relations with ASEAN through further economic, political and security cooperation in order to take the leading role in the process of regional economic recovery and development, and in the future regional cooperation. ASEAN deems Japan will inevitably become a real big power. Therefore, Japan should take a big power's responsibility and obligation in the region's economic and political cooperation, and should make more contribution if it wants to be one of the region's leading forces. But ASEAN, at the same time, fears Japan is striving to be the region's dominant power. So ASEAN is suspicious of Japanese military expansion, and wants to use the US and China to balance Japan, while encouraging Japan to play a bigger role. In addition, ASEAN's closer relations with Japan can also balance American and Chinese regional influences since there are some serious problems in the Sino-Japan relations, such as historical issues and territorial dispute; the US also has some economic frictions with Japan. In order to keep the US from dominating Asian affairs, ASEAN can let Japan play a more active role in Southeast Asia on the condition that ASEAN remains as the driving force. The progress of "10+3" and "10+1" are good examples.

## **ASEAN-China Relations**

Relations between Southeast Asia and China have had a long history, which can be traced back to the time of the 2<sup>nd</sup> century B.C. Entering the 19<sup>th</sup> century, Southeast Asia had closer trade and business relations with China as more and more immigrants travelled to Southeast Asia from China. Meanwhile, Southeast Asia and China were suffering from Western colonial invasion.

ASEAN nations are neighbors to China. In recent years, the economic and political relations between ASEAN countries and China have entered into a new period of comprehensive and friendly development as the international and regional situations change. However, ASEAN-China relations since the establishment of ASEAN have been a sinuous process for various reasons, such as ideological differences, historical issues and cultural variations.

### ***Development of ASEAN-China Relations***

*Confrontation (ASEAN Establishment to the mid-1970s).* When ASEAN was set up, ASEAN and China were suspicious of each other, and sometimes they even treated each other as a security threat because of issues with the local communist parties and ethnic Chinese in Southeast Asia, and some territorial disputes. There was therefore long-time hostility under the Cold War's atmosphere. So ASEAN and China started relations with distrust and confrontation. Though ASEAN tried to be independent politically, ASEAN, in fact, was close to the Western camp, because of "the Vietnam War" and ideological similarity with the West.

*Reconciliation (the mid to late 1970s).* In the 1970s, the US began reducing its military presence in Southeast Asia and improved its relations with China. Meanwhile, Vietnamese invaded Cambodia and Sino-Vietnam relations deteriorated seriously. Therefore, ASEAN-China relations started to improve because the general barrier between ASEAN and China from the ideological confrontation was reduced and ASEAN and China were facing the same challenge posed by Vietnamese regional expansion. Malaysia established diplomatic relations with China in 1974, and Thailand and the Philippines did the same in the following year. It took about 10 years to establish official relations between ASEAN countries and China.

*Cooperation (the early 1980s to early 1990s).* ASEAN and China began a strategic cooperation. China readjusted its foreign policy. It gave up its policy of "exporting revolution" and settled the relations between the Chinese Communist Party and local communist parties.<sup>14</sup> In addition, China adopted economic reform and opened to the outside world since the end of the 1970s. Therefore, ASEAN and China carried out cooperation. They not only coordinated policies towards the Cambodian issue, but also began official economic relations.

*Partnership (After the Cold War).* ASEAN and China relations reached the highest point in the early 1990s. After Indonesia restored diplomatic relations with China in August 1990, Brunei established diplomatic relations with China in September 1990 and Singapore did the same with China in September 1991. From then, all ASEAN countries (at that time) had diplomatic relations with China. So ASEAN-China relations developed fast. In 1991, ASEAN invited the Chinese Foreign Minister to attend the 24<sup>th</sup> ASEAN Foreign Minister's meeting; in 1994, ASEAN asked China to join in the ARF; in 1996, ASEAN admitted China as a formal "dialogue partner"; in 1997, ASEAN and China agreed to establish partnership of good neighborliness and mutual trust oriented towards the 21st century.<sup>15</sup> And ASEAN began "ASEAN+3" and "ASEAN+1" with China. ASEAN and China relations entered a new period of comprehensive and friendship development.

### ***ASEAN-China Economic Relations***

ASEAN-China economic relations' smooth progress is a desire of both sides, as well as the result of international political and economic changes.

Firstly, the pattern of international economic relations after the Cold War requires international interdependence. It is a favorable condition for ASEAN and China relations. ASEAN and China's economic cooperation developed together with the process of ASEAN's enlargement, AFTA's evolution and China's consistent economic reform.

Secondly, as mentioned above, the improvement of ASEAN and China political relations laid the foundation for the bilateral economic cooperation between both ASEAN and China, and between ASEAN member nations and China.

Thirdly, economic cooperation is necessary for ASEAN and China's economic development. ASEAN, with a population of 500 million and acreage of 4.5 million square kilometers, has its oldest members realize industrialization and has sped up its integration. China, with a population of 1.2 billion and consistent high growth, is opening up wider to the world. The broad cooperation between ASEAN and China can make production and resource allocation more efficient, and the economies more competitive.

Finally, it is a promotion from the on-going economic trend of globalization and regionalization.

From the 1970s, ASEAN and China's trade relations have been in progress with a general improvement of bilateral relations. In 1975, the bilateral trade was only US\$523 million. It increased to US\$2 billion in 1980, and it reached US\$6 billion in 1990, and in 1999, the bilateral trade was US\$27 billion.<sup>16</sup> As for the bilateral trade between ASEAN members and China, Singapore is largest, accounting for 36% of more than a third of the ASEAN total trade with China, then Malaysia with 18%, Thailand and Indonesia are 15% respectively in 1998.<sup>17</sup>

Investment is another important field in the economic cooperation between ASEAN and China. ASEAN has invested in China more than US\$10 billion. China will increase its investment in ASEAN by being actively involved in the infrastructure projects for the economic cooperative development along the Mekong River.

Since the ASEAN and China bilateral economic relations are becoming more important for both sides, a mechanism for cooperation becomes necessary. In 1994, ASEAN and China reached an agreement to set up two committees dealing with economic and trade cooperation and scientific and technological cooperation. In recently years, "10+1" promoted the cooperation at a concrete level.

## **Problems**

After the Cold War, ASEAN countries and China went into a period of comprehensive and friendship development. It not only benefitted the bilateral cooperation and economic development, but also maintained regional peace and stability. But ASEAN still has misgivings towards China to some extent, and there are still some barriers in the bilateral relations. These are:

Firstly, the "**China Threat**". With the traditional geopolitical influence, ASEAN is afraid that the result of Chinese modernization, especially in China's defense, will be a threat to ASEAN.

Secondly, **territorial disputes**. ASEAN members of Vietnam, the Philippines, Malaysia, and Brunei have territorial disputes with China over the Nansha Islands, as well as dispute with Indonesian over maritime space. Since the disputed islands and surrounding seas are rich in resources and strategically important, the sovereignty disputes on these islands have become more complicated. China has suggested the disputed islands be solved according to the international law and the sea law of the United Nations. Before that, the concerned countries should "shelf the disputes"



and "jointly develop". China also had an informal dialogue with ASEAN on the disputed area and discussed the "Code of Conduct". However, the Nansha Islands issue is very sensitive and even within ASEAN, it is still a problem. So ASEAN tries to keep its internal disputes under control and has dialogue with China, while getting support from the US as well.

Thirdly, **economic barriers**. They are mainly in the following areas: (1) Compared with the economic growth of both sides, bilateral trade has developed slowly; (2) the export structure of goods are similar, mostly being of resource-intensive or labor-intensive products; (3) trade markets are also similar, namely the developed countries; (4) both sides contend for foreign investment from the international capital market.

Although ASEAN-China relations is in its best period, ASEAN still treats China, a huge neighbor, with wariness thanks to the reasons above. Therefore, ASEAN's relations with China have the following characteristics:

1. ASEAN believes that a stable China benefits ASEAN, but worries that China is in transition and Chinese modernization is not certain in term of its content and direction. So ASEAN should engage China in the regional cooperation process and influence its development within acceptable norms.
2. ASEAN has a fear of regional imbalance or conflict with other powers caused by China's emergence. These results will lead to regional instability and weaken ASEAN's role. So ASEAN has to anticipate China's emergence, and at the same time, ASEAN should make use of the economic and political opportunities as much as possible during the process of Chinese reform and opening up to the outside world.
3. ASEAN expects the UN will be important during the multipolar process. China, as one of the five permanent members of UN's Security Council, can represent ASEAN interests and requirement internationally.

Generally speaking, ASEAN agrees to leave room for China's development in the region, but wants to make use of the US, Japan and India to check China at the same time. ASEAN also wants to makes use of China to balance the US and Japan and compete with the Western countries on ARF process, human rights, democracy, APEC agenda, etc. Checking one another among the big powers and keeping regional balance

are ASEAN's strategy to maintaining regional peace and stability. But China treats ASEAN as an important cooperative partner and a friendly neighbor. After the Southeast Asian financial crisis, China took a rescue action for the first time by providing about US\$5 billion to ASEAN countries. Meanwhile, it kept the Chinese currency stable. China made valuable contributions to the Southeast Asian economic stability and recovery.

## **ASEAN-Russia Relations**

The relationship between ASEAN and the Soviet Union was transformed to an ASEAN-Russia relationship after the Soviet Union collapsed in 1991. Although most ASEAN member countries were Western-oriented, they had established diplomatic relationships with Soviet Union before ASEAN was founded. During the Cold War the antagonism between the US and Soviet Union dominated the world. ASEAN-Russia relationship was constrained by the times, and ASEAN-Russia relations in its real sense began from the end of the Cold War.

### ***Phases of ASEAN-Russia Relationship***

*Suspiciousness and hostility (from ASEAN's founding to the mid 1970s).* While other ASEAN members respectively relied on the UK and the US and other Western countries, the Soviet Union only kept a close contact with Indonesia and North Vietnam before ASEAN emerged. When ASEAN emerged, the Soviet Union questioned that it was an organization manipulated by the West, while ASEAN worried that the Soviet Union would expand its force by supporting local communist parties.

In order to isolate China, squeeze the US out, and strengthen its own influence in Southeast Asia, the Soviet Union proposed to build a "collective security system" in 1969, and set up an Asian mechanism centered in the Soviet Union. ASEAN responded with nothing but alertness. ASEAN attacked the expansion of the Soviet Union towards Southeast Asia, and put forward a suggestion to build ZOPFAN in Southeast Asia. The 6<sup>th</sup> Conference of ASEAN Foreign Ministers decided to reject this "Asia Collective Security System" initiated by the Soviet Union with the reason that it did not comply with the ASEAN target of economic cooperation and political neutrality.

Three dimensions dominated the then ASEAN strategic concern: First, ASEAN's ideological orientation during the Cold War period. It was impossible for ASEAN to give a rash consent to the Soviet Union's proposal given its internal and external "vulnerability" in security and reliance on the West. Second, if the US "abandoned" Southeast Asia, and the Soviet Union became the most ambitious and powerful expansionist power in the region, it would most likely destroy the regional balance, and cause a new round of competition among big powers. Third, confronted with the readjustment of relations among big powers in the region, ASEAN should keep its distance from the relations among the powers concerned to wait and see what happens before a new balance of big powers is established.

*Antagonism and Conflict (from the end of the 1970s to the mid 1980s).* The end of the Indochina Peninsular War resulted in the relative detente of the regional situation and a short period of improvement in ASEAN-Soviet relations. However, it disappeared swiftly after Vietnam allied with the Soviet Union in October 1978. The Soviet Union provided economic, military and political aid to Vietnam to intrude into Cambodia, and allow the Soviet Union to use Cam Ramb Bay and Da Nang Harbor facilities, thus giving the Soviet Union bases for its Pacific Fleet in Southeast Asia, and to strengthen its navy's strategic ability in the Indian Ocean and the Pacific Ocean. It simultaneously threatened the security of the Straits of Malacca, and made the Soviet Union directly involved in Southeast Asian affairs. The Vietnam-Soviet alliance and the Soviet army's entrance into Southeast Asia not only threatened the security of ASEAN members, but also directly threatened the life of ASEAN. After ASEAN made clear that the Soviet Union had changed from being the biggest potential threat to a real major threat to the security of Southeast Asia, it took a series of measures: (1) ASEAN unanimously supported Thailand's independence, sovereignty and territorial integrity in the conflict with Vietnam along the boundary between Thailand and Cambodia; (2) it supported the Coalition Government of Democratic Kampuchea (CGDK) consisting of the trilateral resistance groups; tried hard to keep the legal seat in the UN General Assembly and the Non-alignment Movement; and advocated to convene an international conference to solve the Cambodian issue; and opposed the regional solving scheme raised by the Soviet Union<sup>18</sup>; (3) it re-enhanced ASEAN-US military, political and security cooperation; (4) it improved relations between ASEAN and China.

*Detente and Readjustment (from mid-1980s to the early 1990s).* In the guide on Gorbachev's "New Thinking", the Soviet Union took a series of measures to reform and adjusted its foreign policy in 1985. Its new Asia-Pacific policy aimed to improve and enhance the relationship between the Soviet Union and the Asia-Pacific Ocean countries by cooperation rather than confrontation. ASEAN was its first choice in the Asia-Pacific region to carry out the new policy. With the detente between the Soviet Union and the US and the relative decline in importance of the Cambodian issue, Vietnam's inflexible stance towards Cambodia not only became a major obstacle for the Soviet Union to implement its new policy, but also a heavy political and economic burden. The Soviet Union paid more and more attention to the role played by ASEAN in the region and appealed for equal co-existence with ASEAN. ASEAN wanted to solve the Cambodian issue and the local communist party's issues as soon as possible, and the Soviet Union could play an active role. There were different opinions in ASEAN about the Soviet Union's role, and some wanted to use the Soviet Union to balance the influence of US and China. The economic crisis that happened in the mid-1980s gave an opportunity for developing the relationship between ASEAN and the Soviet Union.

*Cooperation and Development (from the early 1990s to the present).* Russia replaced the Soviet Union after the latter disintegrated in 1991. It not only dominated the Commonwealth of Independent States (CIS), but also appeared on the world scene as a major power. Meanwhile, the Cold War had ended and the regional cooperation in Southeast Asia replaced the direct military and political struggle gradually. APEC was established in 1989, AFTA started in 1992, ARF came into being in 1994 and Vietnam joined ASEAN in 1995.

In the process of Russia's engagement in the Asia-Pacific cooperation, ASEAN gradually improved and developed bilateral relations with Russia. The disintegration of the Soviet Union made the Soviet-Vietnam alliance naturally out of effect. The political settlement of the Cambodian issues and Vietnam and Laos joining ASEAN largely eradicated ASEAN's worry about Russia. So on the basis of the relations' normalization, cooperation between ASEAN and Russia developed considerably. In the year of the Soviet Union's disintegration, Russia was invited to join the ASEAN Foreign Ministers Conference. Their cooperation became institutionalized in 1993. Russia was invited to join the ARF in 1994.

Russia presided the ARF Second Track Meeting to discuss the principles of the Asia-Pacific security and stability. ASEAN formally accepted Russia as its dialogue partner in 1996.

The major reasons that ASEAN-Russia relation went from confrontation to cooperation were: (1) Russia still remained as a world military and political power, though it faced serious difficulties. The role Russia played in Southeast Asia's regional cooperation should not be kept out of ASEAN's consideration. (2) Russia paid more and more attention to economic cooperation and intended to resort to Southeast Asian dynamics to relax its domestic difficulties and expand its influence. (3) The technology, market, personnel, resources and heavy industry in Russia attracted most ASEAN members.

Of course, ASEAN had been very vigilant about the Soviet Union and worried about its military threat and regional expansion. Although Russia remained as a world power, its strength decreased considerably compared to the past. ASEAN held that Russia in a short time could not be a threat to ASEAN. To heighten ARF's standing and ASEAN's position when dealing with other powers, ASEAN wanted to use Russia's psychological anxiousness to join in the Asia-Pacific cooperation to open up economic and political cooperation with Russia, and put it into the frame of regional security led by ASEAN. The contradictions between Russia and other regional powers could be used to contain the US, Japan, China and India. Thus it not only could heighten its own security coefficient, but also occupy an active position in the process of forming the power balance in Southeast Asia. The dynamics of ASEAN to develop a relationship between ASEAN and Russia also came from the needs of the economy. In the process of Russia's difficult economic transition, ASEAN on the one hand, could acquire more benefits and trade opportunities and promote economic and trade pluralism. On the other hand, it could use Russia's cheap and good-quality techniques and equipment. Arms trade occupied an important place in ASEAN-Russia relations. Defense budget that shrank sharply after the Cold War resulted in Russia's defense industry producing surplus, and more than half of it was left unused. Russia had to expand its arms export. At the same time, there was an urgent demand to modernize national defenses among ASEAN members with their "lost" US protection. The competitive quality and price of Russian arms made them purchase Russia's arms one after the other.

## ***ASEAN-Russia Economic Cooperation***

Although there were some cooperative projects between ASEAN and Russia, no dynamics and needs existed for comprehensive cooperation because of political conflicts. Russia readjusted its policy towards ASEAN and put developing economic cooperation as the top priority. Bilateral trade increased sevenfold from US\$0.65 billion in 1994 to US\$53 billion in 1996. Arms trade between the two sides occupied an important position as ASEAN members renewed their arms equipment, and Russia's arms had the edge in quality and price.

In addition, Russia proposed to cooperate with ASEAN's private enterprises in August 1996. There were 50 joint ventures. Both sides agreed to cooperate in trade, investment, science and technology, environmental protection, tourism and personnel training, etc.<sup>19</sup>

## **ASEAN-EU Relations**

There exist historical origins as well as actual needs in the relations between ASEAN and the EU. Some members in the EU had once been suzerains over most of ASEAN countries, and the EU was ASEAN's important economic and trade partner. The European recovery and the rise of Asia in the post-war period witnessed a fundamental change in the relations between Asia and Europe. ASEAN had regarded the EU as an important balance in the relations among powers. The first reason was to contain the super powers. During the Cold War, ASEAN resorted to the EU's strength to contain the Soviet Union's expansion in Southeast Asia when the US "retreated in defeat" from Asia. After the Cold War, ASEAN used Europe to contain the US. The second was to contain the "newly emerged" powers. ASEAN regarded China, Japan and India as these powers, which had contradictions and conflicts with the US in political, economic, cultural and security issues, etc. In the process of their rising, these powers would destroy the regional balance. So to strengthen the cooperation with EU could contain the newly emerged countries and be beneficial to the stability of the relations among powers in Southeast Asia. Another important reason for ASEAN to develop relations with EU was the need for regional cooperation. With the end of the confrontation between the Soviet Union and the US after the Cold War, intra-regional contradictions re-emerging and affecting

regional security became common problems both in ASEAN and the EU. It was crucial for both sides to enhance cooperation to prevent post-Cold War regional and sub-regional power disequilibrium.

## Phases of Development in ASEAN-EU Relations

With its present 15-member countries, the EU developed on the basis of the EC. Most members in ASEAN have deep historical origins with the EU, so very close bilateral relationships existed on both sides between different members. But contact between the two organizations started from the beginning of the 1970s. It has been about three decades and could be approximately divided into three phases.

*Initiative (1970s).* ASEAN set up a special coordinating committee in 1972 in charge of ASEAN-EU economic cooperation. But the formal contact between each other was conducted in 1975, when an ASEAN-EU joint workshop was to be established in charge of the cooperation process between both sides.<sup>20</sup> At first, it did not go smoothly because: (a) both disputed a lot about the representatives' level for the workshop and study aims.<sup>21</sup> (b) the slow process of technological and capital aid provided by the EU. (c) both lacked a clear and unanimous cooperation strategy and efficient administrative organizations. The workshop suspended its activities after its first grouping gathering.

The reality made both recognize that it was impossible for ASEAN-EU cooperation to be fruitful only through joint study without government involvement and political consultation.<sup>22</sup> Furthermore, the triumph of Vietnam over the US and the "retreat" of the Western countries made ASEAN expand cooperation with the Western countries on the basis of enhancing cooperation among themselves. The first ASEAN-EC ministerial meeting was held in Brussels in Sept. 1978<sup>23</sup>, in which the signing of a cooperation agreement was discussed. Although no substantial progress had been made, the layers of cooperation between both sides had been greatly deepened.

*Operation (1980s).* Vietnam's invasion of Cambodia in 1979 made ASEAN face direct threat, and quickened the pace of ASEAN cooperation with Western countries. At "the second ASEAN-EU ministerial meeting" held in Kuala Lumpur in March 1980, both sides signed the EC and

ASEAN cooperation agreement, in which commercial, economic and technological cooperation were planned to be conducted. A joint cooperation committee was established to supervise the implementation of cooperation. This meeting was generally regarded as a mark of the institutionalization of ASEAN-EU economic cooperation. ASEAN's export to the EU in 1980 increased by one third compared with that 1979, and trade surplus increased by half.<sup>24</sup>

The EU was also regarded as a very important partner in the political and security cooperation with ASEAN at a time when economic cooperation between them was also enhanced, and it was won over to support ASEAN in the Cambodian issue. EU and other Western countries became ASEAN'S first formal dialogue partners.

*Climax (1990s).* The change in Eastern Europe after the Cold War gave EU new economic opportunities, which resulted in a falling of EU trade and investment with ASEAN. At the same time, the pace of EU's integration quickened since it entered the 1990s. The EU decided to build a big European common market by the end of 1992, and realize free transaction of commodity, capital, service and personnel.<sup>25</sup> The EU Summit held in December 1991 passed the Maastricht Treaty aimed at building a European economic and monetary union and European political community. EU members formally signed the Maastricht Treaty in November 1992, and the treaty formally came into effect by the end of 1993 after EU members ratified it.<sup>26</sup> Thus emerged a close cooperation group. The EU's gross domestic product reached US\$8,810 billion in 1997 (US:US\$7,640 billion<sup>27</sup>, Japan:US\$4,060 billion), which became the foremost in the world.<sup>28</sup> Thus changed the power contrast both in quantity and quality. The EU intended to play a greater role in international affairs and be on an equal footing with the US and Japan. This made 1994 a year for the EU and ASEAN to mutually readjust their policies.

September: both agreed in the 11<sup>th</sup> ASEAN-EU ministerial meeting to set up an eminent group, which would study the establishment of a comprehensive relationship covering the political, security, economic, cultural and other domains between ASEAN and EU towards the 21<sup>st</sup> century.

October: Singapore raised the concept of "an Asia-Europe Summit" to enhance political dialogue and economic cooperation.

December: the EU Summit put forward the new Asia strategy to enlarge the EU's influence on Asia.



### ***Asia-Europe Summit***

The 1<sup>st</sup> "Asia-Europe Summit" was held in Bangkok in March 1996. Leaders from seven ASEAN countries, China, Japan, Korea and 15 EU countries attended. The theme was the facilitation of the building and development of a new form of partnership between Asia and Europe, and they discussed such issues as the political and security situation, economies in Asia and Europe and other areas of cooperation, etc. It set the basic principles for cooperation in Asia-European relations, and called for the promotion of trade, investment and technological cooperation. The 1<sup>st</sup> Asia-Europe Summit indicated that there was a good institutionalized start to the two continents' comprehensive cooperation. It has since been established that the mechanism for a regular leaders' consultation should take place every two years.

The 2<sup>nd</sup> Asia-Europe Conference was held in April 1998, which was an important international meeting held after ASEAN was seriously attacked by the financial crisis. Both sides put forward a series of important principles and suggestions to further propel the process of the Asia-Europe Summit:

- (1) The process must be based on the principle of equal partnership, mutual respect and benefit, the form being open and gradual to enhance mutual understanding by dialogue. Simultaneous effort should be made in the three critical fields—to promote political dialogue, enhance economic cooperation and expand cooperation in other areas. Besides, as an "informal process", the meeting needs no institutionalization. The Asia-Europe cooperation framework was passed in the conference to guide and coordinate those participants to carry out dialogues and various activities on political, economic, financial and other areas. It also decided to set up an Asia-Europe prospect group to conduct mid-term and long-term prospects.
- (2) To enhance trade and investment based on open market and international criterion would make an important contribution to Asia's early recovery of comprehensive economic growth. The trade facilitation action plan and investment promotion action plan were passed.
- (3) Great potential existed in cooperation in the area of technology with mutual benefits for Asia and Europe. In order to strengthen technological cooperation, the possibility of convening a meeting attended by ministers of science and technology of those countries (participants in the 2<sup>nd</sup> Asia-EU Summit) was discussed. It was emphasized to improve the intercourse and cooperation in the areas of culture and society as well.

- (4) Paying high attention to the issues of human resource development, poverty eradication, employment, environmental protection and sustainable development, etc. The leaders in attendance wished to enhance cooperation between Asia and Europe in anti-drug, organized crimes attacks, etc.
- (5) Asian economic and financial situations were discussed. The participants were fully confident in the trend of Asian region's economy growth recovery, and put forward suggestions about the region's financial and economic reform. It was decided at the meeting to set up an Asia-Europe conference foundation to promote Asian regional readjustment in financial and economic structures.

The Asia-EU Summit was a milestone in the relations between Asia and Europe, and was a blueprint for the relations between Asia and Europe in cooperation and development in the 21<sup>st</sup> century.

### **Problems**

However, the development of the relations between ASEAN and EU did not necessarily mean that contradictions between Asia and Europe were automatically dissolved. On the contrary, it worsened during the economic crisis. Their divergences existed mainly over in the issues of East Timor and Myanmar.

*East Timor.* A one-time colony of Portugal, East Timor gained national autonomy in 1975. After Indonesia sent troops to East Timor and proclaimed it the 27<sup>th</sup> province of Indonesia in 1976, Portugal severed diplomatic relations with Indonesia and did not recognize the Indonesian annexation, which gained the support of some EU countries. After a bloody event broke out in the capital of East Timor in 1991, the Western countries condemned Indonesia for infringing upon human rights. Since then, the issue of East Timor has been a source of tension in relations between Indonesia and some EU members. With Indonesia's flexible stance expressed on the issue of East Timor independence in February 1999 and East Timor currently in the process of independence under the United Nations Transitional Administration in East Timor (UNTAET), it would be beneficial towards improving of the relations between Indonesia and the EU, but it may still be a potential barrier for relations between Indonesia and some EU members in the future.

*Myanmar.* Myanmar had been under the absolute control of the military after several political reversals since its democratic movement took place in 1988.<sup>29</sup> Thus the EU showed dissatisfaction over Myanmar's "human right situation", and opposed ASEAN's acceptance of Myanmar as its member in 1997. It was ASEAN's 30<sup>th</sup> anniversary grand celebration, when they perceived that ASEAN, which consisted of 10 Southeast Asia countries, could not be realized with domestic political troubles in Cambodia. ASEAN accepted Myanmar notwithstanding EU's pressure. After that, both sides disputed over the issue of Myanmar participating in bilateral dialogues with the EU and the Asia-Europe Conference as one of the ASEAN members. Eventually, ASEAN made a concession on the issue of Myanmar's participation in the Asia-Europe Conference, worrying that EU's sanction against Myanmar would affect the whole relations between EU and ASEAN. For example, when Mahathir visited Myanmar in March 1998, he warned the government of Myanmar to improve its domestic human right situation lest it further enraged the EU. The eventual cancellation of the EU-ASEAN foreign ministerial meeting planned in March 1999 foreshadowed the future cooperation of both sides.

In addition, there was friction over the treatment of the economic crisis. There had not been any significant action taken by the EU after it provided an export credit of US\$ 1.5 billion to Indonesia, Thailand and Korea in 1997. So ASEAN countries held that EU countries were engaged more in words than action. The lack of confidence in the EU about ASEAN's economic future created different views among EU members on how to help the Southeast Asian countries. Some thought that the best approach for the EU to overcome the Southeast Asian financial crisis was to open markets to Southeast Asia. However, it indicated that it was difficult for the EU to take larger actions any longer. EU wanted to expand its influence on Southeast Asia and enhance its ability to contend with the US and Japan by developing bilateral relations at the time when ASEAN had fallen into difficulty. France emphasized before the 2<sup>nd</sup> ASEAN-EU Summit that the relations between the two continents—Asia and Europe—lacked the dynamics and visibility and had a loose structure in the big Asia-Europe-US triangle. Asia and Europe should deepen mutual understanding and cooperation, and better support each other.<sup>30</sup>

## **ASEAN-Australia Relations**

The role played by Australia in Southeast Asia after the Cold War cannot be underestimated although it used to not be regarded as a big power. Australia has been put in an important position in ASEAN's big power strategy because:

- (1) There was a common understanding about the Southeast Asian regional development both in Australia and ASEAN. Both wanted to heighten Asia independence to contend with the EU and NAFTA under the premise of maintaining Southeast Asian regional stability. Thus cooperation between the two sides was an essential prerequisite.
- (2) As a developed country of some weight and a Western country as well, Australia wanted to "engage in Asia" in order to play an active role when powers readjusted their relations to one another. For example, Australia contributed a great deal to the political resolution of the Cambodian issue, initiating APEC and supporting the ASEAN-created ARF, etc.
- (3) As the biggest country in the Oceania, Australia was the gateway by which ASEAN strengthened its cooperation with the Australian New Zealand Closer Economic Relationship Trade Agreement (CER) and countries in the South Pacific region.

## **The Common Benefits of ASEAN and Australia**

Australia and ASEAN shared close relations with each other. Australia became one of ASEAN's first group of dialogue partners in 1974. Australia further readjusted its Asia policy, and proposed a guiding principle to "comprehensively engage" in Southeast Asia. Its major contents included: continuing support of ASEAN for contributing to the region's social and economic evolution; participating actively in the gradual development of a regional security community based on a sense of shared security interests; working for the involvement of Indochina countries and Myanmar in a cooperative framework of regional security affairs; developing partnerships with different neighbor countries to realize national interests in the region, and recognizing cultural similarities and differences from different places.<sup>31</sup>

The following common benefits were the reasons for Australia and ASEAN to develop relations with each other:

- (1) Politically, Australia had some common historical origins with ASEAN countries. Malaysia, Singapore and Brunei, together with Australia, were all colonies of the UK and members of the British Commonwealth of Nations. As a legacy of UK's retreat from Southeast Asia, the "Five Power Defense Arrangement" (FPDA), created at the beginning of 1970s, have since been an important guarantee of security in the region and for its members. Australia supported and helped to set up ARF, and also expressed its backing for the Treaty on the Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ).
- (2) Economically, they had complementarities. Raw materials, agricultural products, technology and capital in Australia were crucial to ASEAN's economic development. And ASEAN's well-qualified and cheap manufactured goods and continuously expanded market attracted great attention in Australia. With the rapid economic development in ASEAN countries, economic relations between Australia and ASEAN became closer and closer. Australia's exports in 1996 to ASEAN accounted for 16% of Australia's total exports in the year, which surpassed that of the EU and the US. And import accounted for 10% of Australia's total imports.<sup>32</sup>
- (3) Geologically, Australia and ASEAN were not only immediate neighbors, but also the intersection of regional cooperation. Australia and New Zealand signed the CER in 1983 and "all barriers to trans-Tasman trade in goods—creating in this respect a single market—were removed by July 1990".<sup>33</sup> On the basis of cooperation between Australia and New Zealand, both countries actively carried out economic cooperation with the Southeast Asian region. The ASEAN Economic Ministerial Meeting held in September 1994 discussed the possibilities of cooperation between AFTA and CER, and established the ASEAN economic ministers—CER consultative meeting, thus determining the directions and areas of cooperation.<sup>34</sup>

### ***Relations between ASEAN Members and Australia***

*Indonesia and Australia.* Indonesia had always been listed as the "northern threat" in Australia's security strategy. The relationship between Indonesia and Australia worsened especially after Indonesia invaded East Timor in 1975. The bilateral relation was improved after Australia gave recognition to this "irreversibility".<sup>35</sup> The Indonesia-Australian relation made the most substantial progress in the late 1980s. The two countries

signed "the Timor Gap Zone of Cooperation Treaty" in December 1989, which put an end to the 10-year negotiation on the differences over the maritime boundaries and the exploration and exploitation of the rich resources between the two countries.<sup>36</sup> In April 1992, Indonesian President Suharto and Australian Prime Minister Paul Keating came to an agreement to set up a "Ministerial Forum" as an "institutional framework for the long-term development of bilateral relations".<sup>37</sup> The two countries also signed a Security Treaty in December 1995. Australia formally initiated the building of an Australia-Indonesia developing area in east Indonesia. It was planned that an economic area could be developed in the eastern part of Indonesia, including Bali, Kalimantan, Sulawesi, Moluku and Irian Jaya. In the "Australian Foreign and Trade Policy White Paper 1997", the relations between Australia and Indonesia was listed as one of the four most important bilateral relations.<sup>38</sup> After the social chaos in 1998, Indonesia's political instability caused Suharto to step down, Habibie's short-term in power, and Wahid to win the election as the new President. However, the bilateral relations deteriorated seriously because of Australians support of East Timor independence and leading multinational troops to East Timor to restore the social order and peace, with ratification from the UN in 1999.

*Malaysia, Singapore, Brunei and Australia.* This region once belonged under the sphere of UK's influence. Malaysia, Singapore and Brunei had contact with Australia through the UK and its colonial system. Australia supported this region's economic development at the beginning of the Cold War through the Colombo Plan and related projects. Nowadays, relations among Malaysia, Singapore, Brunei and Australia have been established on the basis of mutual respect and common benefits.

The economic and trade relations between Malaysia and Australia worked well whereas political relations were once tense. The Prime Ministers of both countries made use of an opportunity to have a talk in 1991, when they attended the ASEAN dialogue partners meeting and formalized their relations. When Howard came into power in 1996, contacts between leaders of both countries apparently increased. The relations between Australia and Malaysia entered into a new period of partnership.

As one of Australia's important trading partners, Singapore was Australia's 3<sup>rd</sup> biggest export market in Asia and its 8<sup>th</sup> export market in the world in 1996, and was also Australia's biggest investment place in Asia. They also shared very close relations in defense. Singapore is one member of the FPDA and built its permanent pilots training school in Perth, Australia.

The relations between Brunei and Australia had also been developed after UK's withdrawal. They had close relations in military matters. Australia helped Brunei to train civil servants, military officials and students. Many troops of the Brunei Royal Armed Force had been trained in Australia; some had finished their studies in the Australia Staff College and other military schools.

*Thailand, the Philippines and Australia.* Both Thailand and the Philippines had close relations with Australia. The relations between Australia and Thailand developed firmly and defense cooperation was intensive because both had military alliance relations with the US. Both sides decided in 1997 to build a bilateral regional security dialogue mechanism on the basis of the existing high-level talks.

The relations between Australia and the Philippines developed rapidly mainly because they had more common points in their cultures, and most Filipinos could speak English. The Philippines is Australia's 10<sup>th</sup> largest source of immigrants. There were also many Australians traveling to the Philippines. The Philippines was Australia's 4<sup>th</sup> largest development aid receiver. Australia's investment in the Philippine increased quickly in the 1990s. There existed important defense cooperation between the Philippine and Australia.

*Indochina Countries and Myanmar with Australia.* When the Cold War started in the 1950s, the Western countries regarded Indochina as a dangerous place of "communism expansion". Australia's "Strategic Basic Paper" produced in 1952 indicated that Indochina was "the key to the defense of Southeast Asia".<sup>39</sup> It followed the US to announce the sending troops to Vietnam in 1953. Successively there were altogether 47,000 military personnel involved in the war. This was the biggest military action taken by Australia after the 2<sup>nd</sup> World War. Bilateral trade between Australia and Vietnam developed rapidly after the Cold War as the US removed the embargo on Vietnam in 1994, and Vietnam joined ASEAN in 1995. By the end of 1997, Australia's investment in Vietnam amounted to A\$800 million. In addition, political and military contacts and cooperation between them developed rapidly. Vietnam was set to be one of Australia's four major targets to develop bilateral regional security dialogue in East Asia. They built a mechanism of security dialogue. Their bilateral relations were defined as "maturing partnership relations".

Australia played an active role in propelling the resolution of the Cambodia issue. Not long after the Paris Agreement, Australia started to implement a perennial aid plan in Vietnam and Cambodia in 1992, and helped Laos to build a "Friendship Bridge", over the Mekong River. Australia's aid to Vietnam, Cambodia and Laos reached respectively A\$200 million, A\$47.5 million and A\$92 million from the fiscal year 1994/95 to 1997/98.

Australia opposed the military regime in Myanmar to hold power, and posed trade and economic sanctions and arms embargo against Myanmar. But the Australian government realized that the best way to change the current state of affairs in Myanmar was by lessening antagonism and encouraging the Myanmar government to move gradually towards democracy. In addition, Australia hoped that regional organizations like ASEAN could exert influence to encourage the Myanmar government to improve its domestic human rights situation and pay attention to Myanmar's market potential.

In addition, economic relations between Australia and ASEAN strengthened through the cooperation between AFTA and CER. The long-term objective of these two economic regions was to be linked together and form a big trade area. The trade sum between the two increased from US\$7.9 billion in 1990 to US\$15.9 billion in 1995. Australia also supported ASEAN's Mekong Basin Development Plan, and provided aid to regional development. It became one of the biggest aid donors for this region's development from 1975 to 1998, and its already provided and planned aid to this region totalled A\$2 billion. Some ASEAN members, including Brunei, Indonesia, the Philippines and Malaysia, also developed with Australia, the "ASEAN-Northern Territory Growth Area" in the North Territory of Australia.

## **ASEAN-India Relations**

India is the biggest country in ASEAN's neighbor located in the South Asia sub-continent. Relations between ASEAN and India showed undoubted importance. First, ties of long historical origins existed between India and ASEAN. Indian culture forged a deep influence on literature, religion and society in Southeast Asia. Second, as a country with a large population, India not only has a powerful navy, but also possesses nuclear weapons, which is regarded as a balancing force to restrict the influence of China and Japan in the region, and also a priority for ASEAN to



conduct regional security cooperation. Third, India was once a threat to Southeast Asia in the Cold War. Strategic relations between New Delhi and Moscow ended with the disintegration of the Soviet Union at the beginning of the 1990s. India launched its economic reform and provided opportunities for cooperation between India and ASEAN. The resources and market of India held much attraction for ASEAN. In addition, India's relatively high educational, scientific and technological level was advantageous to ASEAN's developing members. Fourth, enhancing cooperation with India is conducive to the cooperation between ASEAN and SAARC (the South Asian Association for Regional Cooperation).

### ***Phases of Relations between ASEAN and India***

While neither had been put in the most important position in each other's diplomatic strategy, both regions had all along laid stress on mutual concern. While relations between India and ASEAN had their own features, they were restricted by the times as well. It should not be forgotten that the changes in India and South Asia had been an influence on ASEAN. Roughly, the phases of their relations may be defined as follows:

*Phase of Cooperation (1960s).* ASEAN was founded on the grounds that the UK was ready to withdraw from Southeast Asia and the US had an undefined attitude towards Southeast Asia in 1967. India did not want to see China expanding its influence on Southeast Asia. ASEAN also worried about the "China threat" and communist parties acquiring powers in three Indochina countries. Such mutual concerns made India actively seek out the possibility of security cooperation with ASEAN at the beginning stage of ASEAN. At that time, on the way to visit Australia and Japan in 1968, Indian Prime Minister Indira Gandhi visited Singapore and Malaysia—two members of the British Commonwealth in ASEAN. However, India had not received the anticipated effect, because: (a) ASEAN emphasized the concept of a geographical Southeast Asia and put it as one of ASEAN's characteristics. So ASEAN opposed the proposal put forward by India that "powers jointly guarantee" Southeast Asian security and channeled ASEAN in the track of a Pan-Asian cooperation led by India.<sup>40</sup> (b) Although ASEAN had its own strategic consideration, the aim of ASEAN was to conduct economic and social cooperation. ASEAN as a whole was not prepared to form an open strategic and security alliance. (c) Although "antagonism" among powers affected the existence of ASEAN—ASEAN

was a third attempt to cooperate in the region after the Second World War—it was held that a prerequisite for ASEAN to exist and develop was to resolve properly its internal contradictions among member countries.

*Emerging Divergences (1970s).* Though cooperation between ASEAN and India did not achieve comprehensive development after the former was founded, both had the will and desire to cooperate. But differences emerged gradually when it entered into the 1970s, thus hindering cooperation between each other. ASEAN held that India formed strategic alliance with the Soviet Union, resorted to "containing China" to enlarge its own influence on Southeast Asia, and enabled the Soviet Union to interfere into the region through India.

While the US decided to "withdraw from Southeast Asia" at the end of the 1960s, the Soviet Union put forward a proposal—the "Asia Collective Security" system. Therefore, India's active initiative that big powers jointly guaranteed ASEAN's security caused doubt amongst ASEAN countries. India and the Soviet Union signed the "India-Soviet Peace and Friendship Cooperation Treaty" with military implications in August 1971. India acquired advanced and sophisticated arms from the Soviet Union. Not long after, conflicts between India and Pakistan broke out, which directly resulted in the division of Pakistan and the independence of Bangladesh. India made nuclear tests in May 1974. The US "abandoned" Indochina in 1975. A series of events made the strategic order change completely.

First, both the proposals—"collective security" and "powers guarantee" Southeast Asian security—put forward respectively by the Soviet Union and India emphasized that Southeast Asia security was determined by powers and ASEAN's regional role was neglected.

Second, the Soviet Union allied respectively with India and Vietnam and went southward along two lines—East (Moscow-New Delhi-Dakar) and West (Moscow-Hanoi).

Third, the Soviet Union navy stationed in India and Vietnam, and the Soviet Union helping India to strengthen its navy, directly threatened the security of the Straits of Malacca—lifeline of the Southeast Asian countries.

Last, the security in ASEAN countries relied mainly on the Western countries, since they naturally sought for help from these countries when faced with outside threat.

*Towards Antagonism (1980s).* Vietnam intruded into Cambodia in 1978, and quickly came to the boundary between Thailand and Cambodia and

directly conflicted with ASEAN. India gave diplomatic recognition to the People's Republic of Kampuchea (PRK) regime under Heng Samrin propped up by Vietnam in July 1980. Thus India joined in the direct conflict with ASEAN. ASEAN held that India had completely been in sympathy with the Soviet Union's strategy and directly threatened the security of Southeast Asia. ASEAN chose to unite with US and China, and support the Coalition Government of Democratic Kampuchea (CGDK). It had since formed the order of antagonism between the Soviet Union, India and Vietnam on one side, and China, ASEAN and US on the other. The relations between ASEAN and India fell to the lowest point in history.

*Recovery of Development (1990s).* India readjusted its long-term policy of inclining towards the Soviet Union and followed an all-directional foreign relation policy with the resolution of the Cambodian issue, the end of the Cold War, and the "rise" of the Western countries' protectionism in international economic cooperation. It developed relations with the US and other Western countries, laid stress on improving relations with the Asia-Pacific countries, and diluted the strategic antagonism between India and ASEAN. Thus bilateral relations were gradually relaxed and improved. India was formally accepted by ASEAN as a "dialogue partner" in July 1996. Besides, India actively demanded to join APEC and the Asia-Europe Summit. A four-country economic cooperation organization — India, Bangladesh, Sri Lanka and Thailand was founded in June 1997.<sup>41</sup>

### ***Economic Cooperation between ASEAN and India***

*Reasons for Economic Cooperation.* Although economic relations between ASEAN and India were considered of minor importance in ASEAN's foreign economic relations, both were willing to enhance cooperation. Their trade developed rapidly when it entered the 1990s, and the two-track trade sum increased from US\$3.54 billion in 1994 to US\$7.22 billion US\$ in 1997.

The reasons that the ASEAN-India economic relations developed were as follows: First, economically, structural complementarities existed between ASEAN and India. ASEAN needed India's machinery equipment while India needed ASEAN's resources and consumables for everyday use. Second, although India's science and technology level on the whole did not match that of the developed countries, some useful techniques were more suitable for ASEAN's developing countries. Third, ASEAN

was an important place for India to invest outside. India's investment in ASEAN involved areas such as engineering, medicine, synthetic fiber, textile, iron and steel, instrument, etc. Last, India had a large number of immigrants living in Southeast Asian countries. Good economic and trade relations not only could be beneficial to social stability and development, but also guarantee that the immigrant remittance channel would remain unimpeded.<sup>42</sup>

*Mechanism of Cooperation between ASEAN and India.* ASEAN-India Joint Cooperation Committee was founded after ASEAN and India formally built a dialogue partnership in 1996. Together with the existing "ASEAN-New Delhi Committee" and "ASEAN-India Commercial Committee", they were charged with determining the domain of cooperation with each other and implementing specific cooperation. Now the cooperation mainly concentrates in the areas of trade, investment, science and technology, tourism, infrastructure, human resource development and transaction, etc. To facilitate cooperation, they discussed the creation of science and technology and investment working groups, cooperating with each other firstly in the area of material science, biological science and information science etc., and establishing the "ASEAN-India Foundation" to provide funds for future cooperation projects, where India has put in a capital of a half million US dollars, and is administered by the "ASEAN-India Joint Cooperation Committee". Besides, India as a formal member took part in a series of ASEAN's dialogue consultation mechanisms, such as "ARF" and "PMC", etc.

## Notes

1. There were some forms of regional cooperation among the Philippines, Malaysia and Thailand in 1961 and among the Philippines, Malaysia and Indonesia in 1963. But they were all disbanded mainly because of domestic differences.
2. Diane K. Mauzy, *Politics in the ASEAN States* Marican & Sons (Malaysia) Sdn Bhd 1984 Chinese Ed. p. 275, Chinese Social Science Press 1990.
3. *Political and Security Cooperation* <http://www.aseansec.org>
4. *ASEAN Vision 2020*, 2nd Informal Summit ASEAN, 15 December 1997. <http://www.aseansec.org>.
5. Cao Yunhua, *The Southeast Asian Regional Cooperation* p. 169, Huana Univ. of Science and Engineering Press, Oct. 1995.
6. *Joint Communiqué The First ASEAN Heads of Government Meeting*, Bali, 23-24 February 1976. <http://www.aseansec.org>.

7. Zhao Chen, *ASEAN—Establishing and Developing Relations with Big Powers* (Dongnanya Guojia Lianmeng-Chengli Fazhan tong Daguo de Guanxi) pp. 34–36. China Goods and Materials Press March 1993.
8. *ASEAN Vision 2020*, 2<sup>nd</sup> informal summit ASEAN, 15 December 1997. <http://www.aseansec.org>.
9. Zhao Chen, *ASEAN—Establishing and Developing Relations with Big Powers* (Dongnanya Guojia Lianmeng-Chengli Fazhan tong Daguo de Guanxi) p. 107. China Goods and Materials Press March 1993.
10. APEC's trade and investment liberalization schedule sets the deadline of 2010 for the developed members and 2020 for the developing members.
11. ASEAN Secretariat: *ASEAN Cooperation and Dialogue Relations* 9 February, 1998. <http://www.aseansec.org>.
12. It was "9+3" at that time. Kampuchea was not an ASEAN member until 1999.
13. The Fukuda Doctrine mainly includes the following principles:
  - (1) Japan will keep to peace and never become a military power;
  - (2) Japan and the Southeast Asian nations will establish relations based on mutual trust in the broad fields;
  - (3) Japan will promote relations with the Indochina nations by active cooperation with ASEAN;
  - (4) Japan will contribute to Southeast Asian regional peace and prosperity.
14. Zhao Chen, *ASEAN—Establishing and Developing Relations with Big Powers* (Dongnanya Guojia Lianmeng-Chengli Fazhan tong Daguo de Guanxi) p.235. China Goods and Materials Press March 1993.
15. Foreign Ministry of PRC, *China and ASEAN: Partnership of Good Neighborliness and Mutual Trust*. <http://www.fmprc.gov.cn/eng/5720.html>
16. *International Trade*, p.62 Vol. 2, 2000.
17. *Ibid.* p.62 Vol. 2, 1999.
18. The Soviet Union proposed that five ASEAN countries and three Indochina countries hold a meeting to solve the Cambodian issue.
19. ASEAN Secretariat: *ASEAN has Dialogue with Russia*. <http://www.aseansec.org>
20. ASEAN Secretariat: *ASEAN has Dialogue with EU*. <http://www.Aseansec.org>
21. Thomas Elan: *Association of Southeast Asian Nations*. Xinhua Publishing House 1981, p.547.
22. *Ibid.* p.547.
23. ASEAN Secretariat: *ASEAN has Dialogue with EU*. <http://www.Aseansec.org>
24. *World Knowledge Yearbook* 1982, p. 822 World Knowledge Press, 1982.
25. It has only virtually achieved free transaction among commodity, capital and service resulted from various reasons; the free transaction between personnel has not been completely realized.
26. *European Union-EU*, World Knowledge Year Book 1998-1999. p. 1052. World Knowledge Publishing House Press, 1999.
27. 1996 figures.
28. *European Union-EU*, World Knowledge Year Book 1998-1999. pp. 1053–1054. World Knowledge Publishing House Press, 1999.
29. Zhang Xizheng, *Contemporary Southeast Asia Politics*, p. 288. Guangxi People's Press, 1995.

30. *News Report*, Xinhua New Agency, 2 April 1998.
31. Gareth Evens & Bruce Grant: *Australia's Foreign Relations in the World of the 1990s*, 195-196. Melbourne University Press, 1995.
32. ASEAN Secretariat: *ASEAN has Dialogue with Australia* <http://www.aseansec.org>.
33. Gareth Evens & Bruce Grant: *Australia's Foreign Relations in the World of the 1990s*, p. 177. Melbourne University Press, 1995.
34. Gareth Evens & Bruce Grant: *Australia's Foreign Relations in the World of the 1990s* p.177. Melbourne University Press 1995.
35. *Ibid.* p. 200.
36. *Ibid.* p. 201.
37. *Ibid.* p. 203.
38. Department of Foreign Affairs and Trade Australia: *In the National Interests: Australia's Foreign and Trade Policy White Paper*, August 28, 1997, pp. 61-62. According to the *White Paper*, the four major bilateral relations are Australia-US relations, Australia-Japan relations, Australia-China relations and Australia-Indonesia relations.
39. Gareth Evens & Bruce Grant: *Australia's Foreign Relations in the World of the 1990s*, p. 216. Melbourne University Press, 1995.
40. India proposed that Asian cooperation should be based on the "Colombo Plan", "Asia and Far East Asia Economic Committee" and "Asian Development Bank".
41. *World Knowledge Yearbook 1998-1999*, p. 243. World Knowledge Press, 1999.
42. See Thomas Elan: *Association of Southeast Asia Nations*, p. 554.

## 8

# ASEAN in the New Millennium

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## THE STATUS OF ASEAN IN THE ASIA PACIFIC REGION IN THE 21<sup>ST</sup> CENTURY

Following more than 30 years of formation and development, with all its achievements and limitations in the areas of political, security and economic cooperation, ASEAN has become an extremely important political force in the Asia Pacific region. That is attributed to the fact that, on the one hand, this Association has established its predominant role in the Asia Pacific region and rejected any foreign intervention into their internal regional affairs. For instance: the admission of Myanmar was opposed by certain countries, especially by major Western countries, but ASEAN did not change its intention of admitting this country. On the other hand, ASEAN has tried to keep a balance between the interests of the major countries towards this region, thus playing a role of easing onlicts, establishing a good balance and regulating the interests among the major countries.

ASEAN acquired such a role, due to the fact that it adopted an original mode of handling its relationship with other countries, such as through:

- the Meeting with Dialogue Partner countries that takes place once a year and, in the wake of the ASEAN Foreign Ministers' Meeting, to firmly maintain the political relationship with certain special countries.
- the ASEAN Regional Forum (ARF) to secure the initiative in regulating regional affairs.
- actively stepping up the establishment of "Eastern Asian Economic Nucleus Forum" and convening the Asian-European Summit

Table 1.

Countries	Annual Average (1989-1996)	GDP Growth Rate (%)			Per capita GNP 1998 (\$)
		1997	1998	1999	
Cambodia	4.9	2.6	1.3	5.0	280
Indonesia	8.1	4.7	(13.2)	0.2	680
Laos	7.4	6.9	4.0	4.0	330
PDR	9.4	7.5	(7.5)	5.4	3,600
Malaysia	5.3	5.7	5.0	-	-
Myanmar	3.3	5.2	(0.5)	3.2	1,050
Philippines	9.0	(1.8)	(10.4)	4.0	2,200
Thailand	6.9	8.2	5.8	4.8	330
Vietnam					

Source: Annual Report 1999 — Economic Data, p. 280.

Conference, to strengthen the prime role of ASEAN in the Asia Pacific region.

However, in 2000, ASEAN has still not become the 4<sup>th</sup> Asian Pacific (ranking after the United States, China and Japan) power.

Political researchers in observing ASEAN's rise in status, noted that "the development of ASEAN in the past three decades, and the synthetic strength of ASEAN have visibly redoubled."

The yearly average GDP in the past 10-20 years has been rather high, from 7% to 8%. The economic financial crisis was rapidly overcome.

In the political area: Southeast Asian cooperation has been maintained and extended, creating an ASEAN 10 that grew both quantitatively and qualitatively. Foreign relations have been efficiently carried out through dialogue, and Southeast Asia has really become a peaceful, stable, cooperative and friendly area.

In the area of security: ARF plays a considerable role, not just within the Southeast Asian region, but also within the whole Asia-Pacific region.

However, from the in-depth development perspective, the economies of ASEAN countries still remain dependent on the developed industrial countries in areas such as capital, technologies, market and market prices, and also management capacity.

As for military strength, this is not a military alliance, therefore each of the ASEAN countries cannot be compared with the military forces of such countries as the US, China, Japan, or even with the Republic of Korea.



The political strength of ASEAN also has certain limitations. For instance, it cannot as yet exert an impact on North Eastern Asia, or even, on the issue of the Eastern Sea. ASEAN does not yet have any say of considerable weight.

From the above analysis, it can be concluded that ASEAN cannot as yet become a pole in the Asia Pacific, at least not before 2020. But can it achieve this in the 21<sup>st</sup> century?

From the end of the 20<sup>th</sup> century, the knowledge economy and the two processes of globalization and regionalization have been unfolding very rapidly, and all have had positive impacts on the Asia Pacific region.

In the knowledge economy, East Asian countries have adopted a very original way of access, totally different from Western countries. Western countries have all firmly endorsed private sector financial investment in national information operations. (This is clearly shown in the viewpoints taken by the G7 Meeting, in the viewpoint on the development of the infrastructure of national information of the US, as well as the report by Bangemann, Vice Chairman of the European Committee, under the title of *"Europe and the global information society"* dated May 1996 submitted to the European Alliance). On the other hand, the East Asian countries share the viewpoint that a partnership between the public and private sectors plays a key role in the sustainable development of the economy, in which the role of the State is still extremely important and the State sector constitutes the decisive element in backing the development of the private sector.

Western countries view the individual person as a passive consumer, whilst East Asian countries consider the individual as an active participant in the information society. The "East Asian" way of access has given countries in this region rapid advancement into the knowledge economy.

In regard to the two processes of globalization and regionalization, East Asia is also subjected to an impact totally different from that in Africa and Latin America. The East Asian arc is "gaining" rather than "losing", and its gains are larger than its losses.

East Asia is where there has been an integration process at different levels since the 1960s, and which has integrated itself forcefully with the world economy throughout the last three decades of the 20<sup>th</sup> century. As a result, this "arc" has created the "East Asian miracle" phenomenon and has rapidly overcome the economic financial crisis of 1997.

Not just that, East Asia constitutes, in addition, one of the nuclei of the Asian Pacific Economic Cooperation (APEC) Forum, an organization

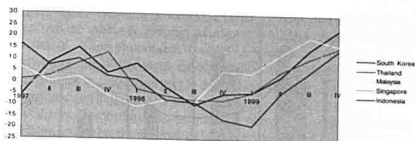


Figure 1. Surge of Asian Exports (US\$).

Table 2. Past, projected, and potential real GDP growth in ASEAN countries, 1999-2010

Country	Estimate	Projection		Growth potential 2002-2010	Percentage point in GDP from better institutions
		2000	2001		
Indonesia	0.2	4.2	5.0	4.0-6.0	1.4
Malaysia	5.4	6.0	6.1	6.0-8.0	2.0
Philippine	3.2	4.3	5.0	4.0-6.0	1.6
Thailand	4.2	4.8	5.0	5.0-7.0	1.8
Vietnam	4.7	4.6	5.0	4.5-6.5	1.4
Cambodia	4.0	5.5	6.0	5.0-7.0	1.2
Lao PDR	4.0	4.5	5.0	3.0-5.0	1.2

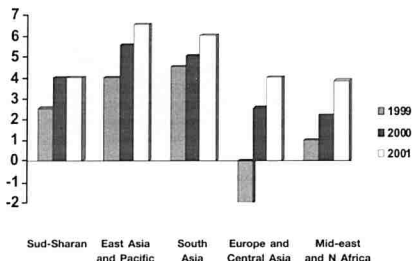
Source: East Asia recovery and beyond, the World Bank Washington, D.C., May 2000, p.146.

set up in November 1989, at the outset operating as an informal dialogue group and is gradually becoming a regional entity with a leading role in promoting trade liberalization, investment and economic cooperation.

Aware of the positive impact exerted by Asia-Pacific integration and globalization, ASEAN has put into effect a cooperative policy, both extensively and in-depth, with Japan, the US, China and the EU.

### ASEAN-Japan Economic Relationship

Japan has considered the Asian Pacific region as a key part in its strategic foreign affairs. Therefore Japan will surely give priority to strengthening



**Figure 2. East Asia will grow faster than the other regions.**

Source: East Asia recovery and beyond, the World Bank Washington, D.C., May 2000, p.142.

its relations with ASEAN countries. This not only responds to the Japanese interests but also has a significance for Japanese security, political situation and status. Moreover, the Southeast Asian countries themselves are at present proving to the world that is a dynamic region, determined to overcome all consequences of the economic financial crisis in order to create a sustainable developing ASEAN. The ASEAN 10 will be for Japan a partner full of potentiality (in 2000, the total ASEAN population is 542 million).

The ASEAN-Japan economic relationship has a long-standing tradition, and it particularly developed rather strongly in recent decades. Japan is already a "leader" (*chef de file*) of the East Asian arc, therefore once globalization and regionalization grow stronger, Japan-ASEAN cooperation becomes ever closer and more efficient. In 2001, the growth rate is 2% a year, thus ending the "bubble economy".

To strengthen the cooperation between the two sides, early in August 2000, ASEAN and Japan signed in Bangkok a document on setting up a Japan-ASEAN Global Exchange Fund (JAGEF), to help less developed

ASEAN member countries achieve a fuller participation in the regional group. At the ASEAN Foreign Ministers' Meeting, Japanese Foreign Minister Y. Kono noted that the ASEAN dynamic development in overcoming the differences in political systems and the economic discrepancies is also important to Japan, and said his country would do its best to contribute to this objective.

JAGEF will contribute to projects to narrow the gap in economic development among the original and new members of ASEAN, particularly those that joined ASEAN in the 1990s. JAGEF will also help consolidate the functions of the ASEAN Secretariat based in Jakarta (Indonesia) and will give increased Japanese support to each and every ASEAN member country in the areas of economic aid, technological transfer, trade and foreign exchange.

The ASEAN-Japan relationship creates additional conditions for ASEAN economic linkage and the ever more in-depth integration of ASEAN with the East Asian arc, particularly at the time when the East Asian economy becomes even more lively.

### ***ASEAN-US economic relationship***

In the "*Press Communiqué of the 15<sup>th</sup> ASEAN-US dialogue held in Kuala Lumpur*"<sup>1</sup>, there were signs that the ASEAN-US relationship has had fairly positive changes. For instance: the US private sector made a special note of the importance of the large ASEAN market. The US businesses underlined the fact that putting AFTA into effect would constitute a main driving force for attracting world important technologies and capital into ASEAN. In return, "ASEAN expressed the hope that the US private sector would play a leading role in raising an investment capital for the region...."<sup>2</sup>

The participants to the dialogue have taken note that "the ASEAN regional strategy is in the direction of achieving an all-round recovery and the ASEAN 2020 Vision through intermediary plans of action, to begin with the Hanoi Plan of Action (HPA) which was passed at the 6<sup>th</sup> ASEAN Summit Meeting in December 1998. ASEAN stressed that HPA may be considered as a channel of action to re-encourage and revive the ASEAN-US relationship in a comprehensive way and to call on the US to take an active part in the cooperation with ASEAN in development, particularly the development of human resources, of sciences and technologies of small and medium economic branches (SMEs), and of

environment and agriculture. The US has been supporting HPA as an important strategy and has taken note of the important role of the private sector in contributing to its success".<sup>3</sup>

"With regard to environment, the delegates have agreed to continue the cooperation aimed at preventing the resurgence of the smoke and dust problem arising from large scale forest fire. ASEAN highly appreciated the US assistance for carrying out the plan of action to combat smoke and dust in the region".<sup>4</sup>

"The US side has taken note of the fact that ASEAN will grow rapidly after restoration from the crisis, and held the view that a rapid rhythm of industrialization and modernization will be a challenge to the region. In this respect, the US have pledged to continue to support ASEAN in adopting clean technologies for a sustainable development".<sup>5</sup>

"The delegates have exchanged views on agricultural cooperation and have taken note that this area has helped ASEAN overcome the influence of the financial crisis. In this regard the delegates have appreciated the cooperation between ASEAN and the Ministry of Agriculture of the US in the sectors of food, foodstuff, agriculture and forestry, rural development and reduction of poverty".<sup>6</sup>

It can be said that the ASEAN-US relationship has created for ASEAN the capabilities to achieve an in-depth regional economic integration, a sustainable development and an integration with the development of a knowledge economy as well as with globalization and regionalization at the time ASEAN orients itself towards the 21<sup>st</sup> century.

### ***ASEAN-China Economic Relationship***

According to scholars from the People's Republic of China and from ASEAN, the structure of the new world order in the 21<sup>st</sup> century, and the respective geographic factors and strategic needs, have made both ASEAN and China to consider their bilateral relationship to be of great importance. In their 21<sup>st</sup> century strategies, both sides have common interests that serve as firm base for the development of a bilateral relationship.

The Chinese economic integration with the world economy is inevitable, especially when China becomes a WTO member. This all the more affirms that the China - ASEAN economic relationship inevitably becomes one of the key points in the Chinese strategy. It is obvious that ever since Hong Kong returned to China, the function of linkage performed by

**Table 3. Exploitable Hydropower Capability of the Subregion**

<i>Country</i>	<i>Estimated Exploitable Waterfall Resources</i>	
	<i>Total Resources (TWh/yr)</i>	<i>Developed Resources (TWh/yr)</i>
Cambodia	41	
Lao PDR	102	1.1
Myanmar	366	1.1
Thailand	49	4.6
Vietnam	82	5.8
Yunnan	450	7.9
TOTAL	1090	20.5

Resource: IV Overview of Energy Infrastructure p. 3 in Subregional Infrastructure Projects in Indochina and the Greater Mekong Area: A Compendium of Project Profiles. Asian Development Bank, Tokyo, Japan 1995.

Hong Kong has promoted the development of the economic and trade relationship between ASEAN and China.

The Chinese and ASEAN economies have many conditions which are mutually complementary; for instance, with regards to the natural products of the temperate and tropical zones; the Chinese advantages with respect to sciences and technologies, human resources, and ASEAN's natural resources and trade, the respective shortcomings or deficiencies can thus be corrected by mutual complementarity. Southern and Southeastern parts of China have been taking an active part in the regional cooperation: such as the linkage of Mekong River Sub-region and the Trans-Asia railway.

The ASEAN-China economic cooperation all the more creates conditions for ASEAN to get integrated with the processes of globalization and regionalization which leads to cooperation within ASEAN that have better conditions for development and for implementation of the Hanoi Plan of Action (HPA).

### **ASEAN-EU Economic Relationship**

The new EU strategy in regards to Asia has shown that EU has finally realized the importance of Asia in the coming century; and that EU has also carried out its new Asian strategy in dealing with ASEAN. EU has considered it its own objective to enhance its economic presence and its status in the Southeast Asian region. The current situation of ASEAN

at the present time is fairly advantageous to EU. From the ASEAN viewpoint, EU is not a military bloc which may cause concern in regards to security to the Southeast Asian region. The main EU strategic interests are first of all centered in Europe and their rear area such as Africa, Southern Pacific.

A greater EU economic presence in ASEAN also creates a desirable future for ASEAN. The new EU Asian strategy does not intend to eliminate the U.S.A. at all, but rather to bring to ASEAN a comparison in regards to techniques and technologies as well as the desire to diversify the "types" supplied to ASEAN, and EU may respond well to the needs of each single ASEAN country.

Development of economic and political relationships in equality, together with a diversified infiltration and at several levels by EU into ASEAN, will also bring pressure to bear on the US forcing it reconsider and raise its relationship with ASEAN to make it more straightforward and equal. In the relationship of trade cooperation and investment, and even in the context of an economic financial crisis, it appears that there was nothing to be concerned about EU because many EU countries have never stated that the EU-ASEAN cooperative relationship is rested on a long-standing basis and not a temporary one.

The long-standing and equal ASEAN-EU cooperation is an indispensable factor as ASEAN casts its eyes towards the 21<sup>st</sup> century.

In short, in their relationship with the major countries, ASEAN has grasped their potential strengths. Each of these countries has got a separate strength—this strength is a force that supports most strongly ASEAN's potential to achieve a "miraculous" growth in the first decade of the 21<sup>st</sup> century.

So, ASEAN cooperation with the major countries is an objective element. However, it is only possible to exploit this factor efficiently if cooperation within ASEAN becomes ever closer, broader and more efficient in the process of making ASEAN "a community of Nations with a sustainable development, equality and cooperation."

From its founding up until 1997, in a period of 30 years, ASEAN economic cooperation has not attained the achievements that member countries had aspired to. This is precisely the limitations and the vital challenge ASEAN has to overcome as it enters the new millennium.

Aware that economic cooperation is the basis for ASEAN comprehensive cooperation, the leaders of this organization have jointly worked out the "ASEAN 2020 Vision"<sup>7</sup>, with the objective of "An ASEAN as a concert

*of Southeast Asian Nations, outward-looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies".*

In regard to economic cooperation, the "Vision" noted that: "We reiterate our resolve through our strengthening the ASEAN economic cooperation by dint of strategies of economic development appropriate with the people in each of our countries, in which due attention is paid to a sustainable and sensible growth and by strengthening the stamina of each nation as well as the whole region".

In the "Hanoi Declaration of 1998"<sup>8</sup>, the stress was laid on the Hanoi Summit theme, namely "Unity and Cooperation for an ASEAN of Peace, Stability and Equitable Development".

The Declaration wrote: "We shall move ASEAN onto a higher plane of regional cooperation in order to strengthen ASEAN's effectiveness in dealing with the challenges of growing interdependence within ASEAN and of its integration into the global economy. In doing so, we commit ourselves to intensifying our dialogue on current and emerging issues, further consolidating our unity in diversity, our cohesiveness and harmony".

"We shall overcome those economic and social difficulties by working together in ever closer cooperation and ever stronger solidarity".

On the basis of these two texts, the "Hanoi Plan of Action" has the task of strengthening the ASEAN economic association more extensively and more in-depth, and with some most important contents, as follows:

*Strengthen macroeconomic and financial cooperation*

- Maintain regional macroeconomic and financial stability.
- Strengthen financial systems.
- Promote the liberation of financial services sectors.
- Intensify cooperation in money, tax and insurance matters.
- Develop ASEAN capital markets.
- Accelerate the implementation of the ASEAN Free Trade Area (AFTA).
- Maximize the number of tariff lines whose CEPT tariff rates shall be reduced to 0 percent by 2003 (2006 for Vietnam and 2008 for Laos and Myanmar).
- All tax lines to attain 0% tax rate by 2010 and applicable to all the six old member countries.
- All tax lines to attain 0% tax rate by 2015 in regard to Vietnam, Cambodia, Laos and Myanmar (if there still exist real difficulties, then the last deadline shall be 2018).



- Implement the framework agreement on ASEAN Investment Area (AIA).
- Implement immediately in regards to nations, and to let various industries open their doors to investment.
- Elimination of limitations in investment shall proceed step by step from now up to 2010, or even earlier in regards to investors, and by 2020 in regards to all investors in accordance with the provisions of the Framework Agreement on ASEAN investment zone.

#### *Liberalize trade in services*

- Expand the scope of negotiations in services beyond the seven priority sectors, identified at the fifth ASEAN Summit, to cover all service sectors and all modes of supply (air transport, business services, building services, financial services, marine transport, telecommunication services, tourist services)
- Try by all means to step up the process of gradual elimination of limitations in trade and services.
- Accelerate the comfortable transfer movement of professionals and other types of services in the region.

#### *Develop the regional infrastructure*

- A very novel feature in communication and transport cooperation, namely: the development of the Singapore-Kunming (China) Railway and the projects for building the ASEAN road network. In September 1999 the "ASEAN 1999-2004 Communication and Transport Programme of Action" came into being. This Programme of Action consists of 55 projects on developing ASEAN waterway and road communication and transport.

The project for the Singapore-Kunming (China) Railway has been concretized in the 2<sup>nd</sup> "Ministers' Meeting on the Cooperation and Development of the Mekong River Basin" held in Hanoi on 4 July 2000.

The total length of this Trans-Asia railway is about 4,300-5,500 km, which starts from Singapore, then through Malaysia, Thailand, Laos, Myanmar, and Vietnam to China. The total cost of this railway is about US\$2 billion.

To ensure a pace of progress for the "Hanoi Programme of Action" and the "ASEAN 2020 Vision", the ASEAN countries have agreed on a progress timetable for this railway line, as follows:

- *Phase 1 (2000)*: to complete the physiognomy and identify the orientation of the route.
- *Phase 2 (2001)*: to propose a programme of implementation for the deficient sections.
- *Phase 3 (2011)*: to upgrade and re-adapt the existing sections of railway line in accordance with the feasibility study, and with the technical criteria of the Singapore-Kunming railway line.
- *Phase 4 (after 2020)*: to identify all of the deficient sections, and to upgrade all of the remaining sections to conform to the criteria of the Singapore-Kunming railway line.

*To build areas of growth, apart from the "growth triangles" emerging in a process of association at the sub-regional level.*

Recently, there emerged an extended Mekong sub-region cooperation (GMS) involving the territories of Vietnam, Laos, Cambodia, Thailand, Myanmar and the Chinese province of Yunnan, stretching over an area of 2.3 million square kilometers with a population of 240 million inhabitants. There can be found a vast amount of extremely valuable agricultural and forest resources and extremely great potential hydroelectric power.

Particularly, at the 6<sup>th</sup> ASEAN Summit Meeting held in Hanoi in December 1998, Vietnam put forth an initiative suggesting the East-West Economic Corridor which was officially passed on the same occasion. This Corridor belongs to the Mekong river sub-region which is a large inter-region which includes provinces in Central Vietnam, Central and Lower Laos, Northeastern Cambodia and Northeastern Thailand. At present this area is still relatively underdeveloped, and the average income there is still way behind that of ASEAN taken as an entire group. But here can be found varied development potentials for instance, to develop hydroelectricity in the Sesan and Mekong river basins in Cambodia, and the Nam Theun river basin in Laos.

The cooperation in agricultural development is linked with the water supply system for production and daily life consumption, and will benefit all countries in the region, especially the efficient use of the Mekong River in conformity with international law and mutual interests.

Tourism is also one of the potentials that can be exploited in the framework of sub-regional cooperation and the East-West Corridor. To push forward sub-regional development as a center for tourism is an objective for all countries.

Once the "Hanoi Plan of Action" is efficiently implemented, then ASEAN will really be an in-depth body and the objective of "Making ASEAN a community of Nations within sustainable development, equality and cooperation" will become a reality.

Then, ASEAN's status in the Asia-Pacific region in particular, and in the world in general, will be totally different from what it was in the last years of the 20<sup>th</sup> century.

Many forecasters of current affairs, in discussing the multipolar world in the first 15-20 years of the 21<sup>st</sup> century, have all noted that the world remains in the state of having one super-power and several major powers, in which the US is still the sole super-power in the world, while the major powers that come after will be China, Japan, Russia, and the EU.

In addition, such big countries as India, Brazil and some regional organizations such as ASEAN and the Latin American Association Society will not cease to grow and strengthen, and may become important factors in a multipolar world set-up.

It can be anticipated that when India becomes a big power, ASEAN may become a bridge linking Northeast Asia and South Asia, thus creating an arc with an extensive development that includes the East Asia (Western Pacific) and South Asia (Northern India Ocean).

ASEAN will become one of the three centers of power in this arc. When that happens, can ASEAN become one pole of Asia and the Pacific?

By the time the first 20 years of the 21<sup>st</sup> century have elapsed, with respect to economic development, ASEAN will not have ceased to grow and strengthen. In the process of such development, ASEAN would have closely cooperated with the major countries, and created a situation of international equal economic cooperation. In other words, ASEAN would have shed off its dependency on the developed industrial countries, and brought into shape a mutually dependent relationship in the full meaning of the term.

After carrying out the "Hanoi Plan of Action", economic integration within ASEAN will become more and more in-depth, and thus would create conditions for ASEAN to become a dynamic economic "zone" of the East Asian arc. Especially at a time when the maritime economy becomes a key element in the economic development, ASEAN will become a linking bridge between the two "Oceans" (Indian and Pacific) and an integration on the western coast of the Pacific in the area of critical economies of the 21<sup>st</sup> century rather than being just the linking bridge in the international maritime route.

With its economic "pivot" status, ASEAN will create a linkage of major economic centers: Northeast Asian center, South Asian center, South Pacific center and North Pacific center. Thanks to this, ASEAN can further create an equality in the economic cooperation between ASEAN and the big powers as well as major world economic centers. It is thanks to this also that it can create a balanced state of forces with the big powers, and hold an equal initiative in regional and world issues.

More than that, with the three ARF groupings of Asia (Northeastern Asia, Southeastern Asia and Southern Asia), there can be created an Asia living in peace, friendship and cooperation, with the "*model of a peaceful and friendly behavior*" of this continent—a continent that has suffered immense war damage and burdensome colonialist sequels.

With that Asian model of behavior, ASEAN can firmly safeguard its peace and stability and can all the better gather momentum for the internal cooperation and integration with globalization and regionalization while holding a greater initiative.

Moreover, on entering the 21<sup>st</sup> century, Southeast Asia, with its extremely important geographical position and ASEAN becoming an independent political force, becomes a region with a high strategic status.

"ASEAN has become an object over which the big powers such as the US, Japan, China and Russia are scrambling. The enhanced position of ASEAN has made this region become the "5<sup>th</sup> pole" force, ranking after the US, Japan, China and Russia".<sup>9</sup>

In short, economic strength, a political cooperative tradition, a security strength which does not just come from ASEAN but from the whole of Asia, as well as the strategic value of Southeast Asia in the 21<sup>st</sup> century, all have added up to create a synthetic strength for ASEAN, to make it though only an Association, one pole in the Asia-Pacific.

## **The Association of Southeast Asian Nations in the 21<sup>st</sup> Century**

Entering the 21<sup>st</sup> century, what is the organization ASEAN going to be like? Is it going to be a regional community like the EU, or is it going to exist with some other physiognomy? There are different forecasts.

At the time of designing an ASEAN with ten countries, the leaders of this Association did not stop at raising the quantity of its member countries to ten, but they wanted ASEAN to become a community. Regarding the

motive behind the expanded ASEAN, the Foreign Minister of the Philippines Domingo Siazon stressed that "even at the moment we arranged to have ASEAN expanded, we had to keep in mind that our objective is not just to have an expansion in number of member country. The thing that is even more important is that we want the relationship with the ASEAN countries to develop more closely and more in-depth, more strengthened in order that some day ASEAN will really become a community".<sup>10</sup>

Are the ASEAN leaders going to be able to achieve this objective? Is the expanded ASEAN going to create an opportunity for this Association to become a real community, a community that expresses the value of tolerance, patience, straightforwardness and that builds unity. That is what all in ASEAN have voluntarily shared among themselves—risks, responsibility and achievement.<sup>11</sup>

Many analysts dealing with the situation in this region have held that: there is a great diversity among ASEAN member countries with respect to culture, religion, political system, economic development standard, in addition to the disparity in national interests and security awareness ... therefore it is difficult to proceed to a regional community as what the Foreign Minister wishes it to be, and even more impossible to proceed towards an ASEAN Alliance similar to the present European Alliance.

But what will happen if the Southeastern Asia development will require ASEAN to proceed towards a higher rung in regional integration?

Then when is ASEAN going to come up to such a higher rung—an ASEAN community—and a community of what form? There is a reason why the historical, economic conditions and the evolutionary process in EU are totally different from those in ASEAN. EU is an Alliance of developed industrial nations and right at the time of the founding of the European Economic Community (EEC) on 25 March 1957, a principle was laid down that all member nations must accept and comply with the authority of a common supranational organ of power, aimed at proceeding towards a "European United States" with very "rigid" institutions. From the Coal-Steel Community (1951) to the Maastricht Agreement (1990), this community recorded glorious achievements, especially in the economic area as they benefited the US Marshall Plan for economic development. EU has become one of the three pillars of the world economy (EU, the US and Japan).

The "steps" in the process of EU development are really different from those taken by ASEAN. The aims and principles of cooperation adopted by ASEAN and laid down in the Bali Agreement have affirmed this.

So, for ASEAN to become a community in the EU "style" is something that absolutely cannot take place.

If ASEAN does not proceed towards a community in the EU style, is it going to retain its present "physiognomy"? Or with its rather "loose" character as well as with its limitations in economic and security cooperation, and if it has no sufficient conditions for promoting regional association, then does it matter whether this organization exists or not? Some people believe that ASEAN will have to soon end being a "talking shop"—and its loose structure.

Right after the end of the Cold War, there were a lot of opinions on whether ASEAN would survive or not. They think that ASEAN is a product of the Cold War, which also means that as a result the relative role of ASEAN in the strategy of the big powers has been considerably reduced. The West no longer needs to support ASEAN with the aim of rallying various forces on an ideological basis. On the contrary, the contradiction between the US and some ASEAN member countries such as Indonesia, Malaysia and Singapore in relation to the issues of human rights and trade are coming ever more into the open and becoming more acute.

With the end of the Cold War, the historical suspicion and competition among the Asian big powers, once drowned out during the period of Cold War, have now come up again, as can be seen in the cases of the dispute between China and Japan, and between Russia and Japan, etc. Not to mention some bilateral disputes between some ASEAN countries in relation to the issue of border, of territorial waters etc., which have not been settled. These contradictions, if not skilfully settled, may create potential risks to regional security and stability. This becomes all the more serious in the context that there does not exist any mechanism that has been institutionalized for handling the security issues.

After the Cold War, almost all nations in the world and the region have devoted their main attentions to economic development. The fact that some countries in Asia-Pacific such as China and Vietnam, or in South Asia such as India, have been carrying out economic reforms and kept an open door policy, taking many measures to attract foreign investment, there exists the risk of reducing the amount of financial direct investment (FDI) from developed industrialized countries and the NIEs introduced to ASEAN countries. ASEAN economic strength may for this reason get reduced.

But facts have shown that, after 1991 ASEAN began to have a period of high growth, and from 1995 onwards, an expansion and in 1999 to become ASEAN 10.

It is with its six principles of cooperation, especially that of "consensus" and of "non-intervention in each other's internal affairs" that ASEAN has become an organization characterized by an "exemplary friendship", rarely to be found in any other region.

More than that, the development trend in Asia-Pacific is not as forecasted—that the contradiction between the big powers are going to be more acute—but in fact the trend of ease of tension, cooperation and competition for development is predominant. Ease of tension on the Korean peninsula with the first meeting of the two leaders of North and South Korea in the inter-Korean Summit Meeting on 13 June 2000 in Pyongyang has been a proof of the ease of tension in Asia and the Pacific; and it is precisely in the trend of globalization and regionalization that the Eastern Asian arc will develop ever more in-depth, totally different from many forecasts. At the time when the ASEAN 10 came into being, many current affairs forecasters also suggested many doubts about the ASEAN many-sided cooperation and raised abundant bets on the survival of ASEAN. They believed that:

As early as the time when ASEAN was just an ASEAN five, all of its member countries were fraught with trouble (in relation to ethnic group and religion issues, lack of equity, heterogeneous development between different areas, environmental pollution ...). At present, as it has become ASEAN 10, the process of integration is not going to be a smooth and favorable one. At the time when the sixth member country joined ASEAN (1984), the internal cohesion was much more easily obtainable since all these six countries had somewhat similar political systems and economic development strategies, and were all such countries that had, at an early stage, achieved economic liberalization and had integrated their economies with the world economy. With the admission of Vietnam into ASEAN, and with the difference existing between various political and economic systems, a number of new issues have been added to ASEAN's affairs. Still another issue, though adopting a line of renovation, Vietnam still needs to carry out many major economic and political reforms in order to possibly get a more in-depth integration with the region.

In regards to Laos, Myanmar and Cambodia, the issue of integration is even more difficult and complex. These countries are facing great economic difficulties, and particularly Cambodia and Myanmar are having to strengthen their political stability.

It is a big problem to carry out AFTA at two levels. And is this going to be feasible? Or does the time-table need to be stretched out? And to

what date? In case AFTA fails to be carried out, what will be the fate of ASEAN?

In September 1997 some scholars analyzed the peculiar features of Southeast Asian countries and held that: "By implication, or in fact explicitly, Southeast Asia will not be able to contribute anything to the world community for she will cause more conflict than cooperation. Conflict are abound both at a regional level such as the Cambodian conflict, negotiation to arrive at mutual agreement on AFTA, problem with SLORC in Myanmar, labor migration, drug trafficking and at a bilateral level such as problems that a pair of countries in the region having with each other ranging from border demarcation, territorial claim, labor, border trade, etc. Differences inherently typify disfunctionality of the region because the basic rationale posits on self, not common, interest of each state in the region".<sup>12</sup>

With the above remarks the scholars would suggest changes in the principles of ASEAN operations. That is the principle of intervention.

They held that the desire to expand ASEAN and expand the cooperation would create a unique Southeast Asia or one "ASEAN family", and "if" the ASEAN family wants to become a real family. The members in the family share with each other their own problems and exert on each other certain impacts and even certain mistakes which may be made. If some problems occur in some country and that country issues a call and receives attention or concern from the remaining countries, that will be an ideal state of affairs. In fact such a case has involved an intervention.

The above view is similar to that held by the Foreign Minister of Thailand in relation to the settlement of the unstable situation in Cambodia on the occasion of the aborted coup in July 1997: "We recognize that in today's interdependent world, domestic circumstances may well affect the stability of the entire region. ASEAN cannot stand idly by while one of its prospective member countries is torn apart by domestic turmoil, or while the seeds of domestic instability are sown which would in time disrupt the security of the region ... And if Thailand needs to have a more realistic way of acting, that will be something inevitable because the contradictions in Cambodia would affect Thailand as it has ever affected in the past. The view about an intervention turned around the point that local contradiction would affect the whole region. This implies an affirmation that there will be no contradiction if there is no contradiction".<sup>13</sup>

The author of the monograph also cited the views of the ASEAN Foreign Ministers' Meeting held in Singapore in the second week of



August 1997, which expressed agreement that ASEAN would supervise the situation in Cambodia, and according to the author, "this may be considered as a constructive intervention".

But the actual Cambodian situation has occurred in conformity with the principle that "the Cambodian affairs are to be decided by the Cambodians" without the interference of any other country. After the election by the end of 1998, the situation in Cambodia gradually stabilized, leading to the admission of Cambodia into ASEAN as the tenth member early in 1999. This shows that the theory of "a constructive intervention" has not been substantiated by facts.

Not just that, the so-called "constructive interference" or "constructive participation" does not conform to the principle of "non-intervention into each other's internal affairs", and was thus opposed by all members of the Association as they believed that the promotion of a "construction participation" would not be a good principle, for the reason that, even underlining the positive, sound aspect of the coordination of action, it is obvious that there is an interference character in it, and that may create misunderstandings inside as well as outside ASEAN. Furthermore, ASEAN is an economic, political and security organization, not a military alliance, having no real strength for interference; and at the same time these countries are all developing countries, with limited their real strength, and no supporting force for an intervention action even on a small scale.

So, the six ASEAN cooperation principles mentioned in the 1976 Bali Agreement have been unshakeable. It is too early to figure out an ASEAN with new functions that allow an interference into the internal affairs of the countries in the region, especially as organizations in other regions, and, the United Nations (subsequent to Kosovo), are becoming uncomfortable with this new notion of "intervention". Some recent ASEAN initiatives and activities in relation to the situation in Cambodia, Philippines and Indonesia, have mainly had the nature of a reconciliation, creating conditions for the parties of the "conflict" to reach a solution and to accept the real state of affairs. This is different from an "intervention".

From the realities in the ASEAN situation over the past 30 years, it is possible to forecast its path in the next 20 years. ASEAN still remains an organization with the nature of an Association as it currently is, even economic cooperation may score greater achievements than in the last decades of the 20<sup>th</sup> century. Political cooperation will always remain to be its banner, while security cooperation is a supportive role aimed at rallying political and security strengths of all countries in the region.

As Singapore's Prime Minister Goh Chok Tong answered a correspondent of the Bangkok Post newspaper:

What was the political basis for the admission into ASEAN of Cambodia, Laos and Myanmar?

The answer given by the Prime Minister: "The political aspect will be handled by the nations themselves since our basic principle is not to interfere into each other's politics. Therefore, those nations themselves have to integrate with other ASEAN nations and to decide the way they oversee their own countries.

The basic principle of non-interference needs to be complied with in regard to each other's sovereignty. We do not try to change each other's politics. We accept with whatever you have got now. If you integrate with us, there are some behavioral rules and ways. We adopt these behavioral rules internally in ASEAN".<sup>14</sup>

So the principle of non-intervention into each other's internal affairs is precisely the principle for ASEAN 10 to become an organization able to rally all ASEAN countries which have different political and social systems, and surely these differences cannot be overcome and need not be overcome. In other words, those countries that have chosen development paths of different political affiliations (capitalism or socialism) are proceeding on the bases of concrete historical conditions and the aspirations of the people in each individual country. If the national right to self-determination is not honored, then ASEAN's strength of unity and political cooperation will be reduced, and the potential contradictions of national jealousy may erupt.

It is the ASEAN 6 cooperation principles that have created a new political situation in the region, namely the overcoming of national jealousy left behind by history (especially the colonialists' policy of "divide and rule" that has turned national jealousy into national enmity) and the Southeast Asian countries have successfully overcome the centrifugal trend and created conditions for the centripetal trend to develop. Thanks to this, Southeast Asia has become a region of peace, cooperation, friendship and development. It is rightly an ASEAN "unity in diversity", and this ASEAN original feature was not only appropriate with the past, but also in the present and future.

With the knowledge economy, together with the processes of globalization and regionalization, the national identity of each nation is all the more deeply engraved, and in that way, the world will not become monotonous and culturally impoverished.

So if ASEAN consists of nations with different religions (Laos, Cambodia, Thailand, and Myanmar follow Buddhism; Indonesia and Malaysia follow Islam; Philippines follows Catholicism; Vietnam and Singapore follow Confucianism) it is just a diversity in the spiritual life of the whole region. Moreover, in each separate nation, apart from the main religion, there exist several other religions. It is precisely the religious diversity in each nation that all the more creates understanding, sympathy and respect for spiritual diversity among the whole Association. It is a premise for overcoming all national religious jealousy. It is for this reason that there did not occur in ASEAN any religious war like those occurring in Southern Asia or Middle East.

As for ethnic groups, Southeast Asia is the place of abode of inhabitants pertaining to language systems of: Mon-Khmer, Tay-Thai, Malayo-Polynesian and Tibeto-Burman. Vietnam has also got inhabitants pertaining to these four language systems, while Laos has inhabitants pertaining to Mon-Khmer, Tay-Thai, and Tibeto-Burman.

So, the character of "unity in diversity" in regard to ethnic groups in some nations has become a deep insight into the "unity in diversity" of the whole region.

In the process of national building and safeguarding of all Southeast Asian countries, there emerged a law, namely, that "national unification and independence are closely linked together". In a divided country, national independence is jeopardized, and conversely, when national independence no longer exists, the country is divided into many separate fragments, a situation caused by the enemy's policy of domination.

Therefore, "unity in diversity" is the origin of the safeguard of national unification, and unification itself is the basis for national independence.

At the national level, maintaining cohesion is already a requirement. At the regional level, unification in diversity is all the more a requirement and a motto in the service of political cooperation.

Southeast Asia previously (under colonial rule) was divided into small fragments: some were colonies under the French, some others under the Dutch, and some others under the French.

The Cold War has led to the division into three groups of countries along the three different paths of economic development, or a division into two groups of countries set in confrontation with each other as what has happened when the Cambodia issue cropped up.

But ever since the end of the Cold War, Southeast Asia was no longer "a fragmented beach" but has rather become an ASEAN 10.

The coming into existence of ASEAN 10 has precisely reflected an aspiration to regional unity, but a unity in diversity governed by the six principles laid down in the Bali Agreement.

The security cooperation also relies on those principles: "the arrangement for ASEAN and friends of ASEAN to discuss security issues has brought about a model of a more friendly behavior. If we have got the dialogue culture, the cooperation culture, the differences may then be brought under multilateral discussion whenever there exist multilateral issues, and through such dialogue the leaders will gain mutual understanding. It is easier for the leaders of two countries to discuss bilateral issues on a bilateral basis".<sup>15</sup>

So, the "friendly behavioral model" is the most appropriate model in the ASEAN security cooperation at present and in future.

At present, there is a difference among the member countries as to its organization and concept. Some countries want to institutionalize the ASEAN Forum (ARF) and made such proposals as: to set up ARF Secretariat, and set up some supportive mechanisms. However the greater number of the member countries held the view that ARF is just a Forum for dialogue and cooperation in relation to regional security issues, giving support to the settlement of regional issues and not a mechanism for solving those problems. It is not necessary nor realistic, in the case of Asia-Pacific, to institutionalize.

It can be said that the security cooperation at present and in future in the "friendly behavior model" affirms further that the "ASEAN physiognomy" is, as up to now, an Association.

If ASEAN wants to be an acceptable peace maker as well as a "navigator" of ARF, then ARF has to show the following three characteristics:

- To practise self-help: This is very important to the ASEAN countries to keep their homes in good order by dint of their own initiatives and effort. On the one hand, it helps to avoid getting the developed countries involved unnecessarily and inappropriately, and on the other hand, it suggests valuable lessons of experiences to the developed countries.
- To be self-confident: For the first time in the history of this region, ASEAN plays the role of master in its own home, in the right acceptance of this term. It does not need to rely on any foreign military forces to solve problems, even in the case of a territorial dispute or ethnic hostility to the extent it occurs in Southeast Asia.

- To practise self-restraint: ASEAN's capabilities should not be overestimated nor underestimated. It is necessary to realize judiciously one's own real capabilities and not to be overly self-confident to such an extent to believe that one can change the situation in the region as one pleases. If one forgets one's limitations and takes action beyond one's own means, one would fall dangerously behind.

So, it is precisely the ASEAN's character of an "Association" in security cooperation that further affirms the "physiognomy" of ASEAN in the first 20 years of the 21<sup>st</sup> century—that of an Association.

With the new development in Northeast Asia (the ease of tension on the Korean peninsula) and in South Asia (greater trend towards dialogue), it is possible to forecast that there will form three major security groupings: Northeast Asia, Southeast Asia and South Asia in Asia.

If there are really three such groupings, they will inevitably form a security arc, the most populated arc in the world which is also a peaceful arc, an arc of development, full of promise of the human future. Such a prospect further affirms that it is solely with an Association character that ARF can be maintained and in full conformity with its character of a forum.

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