Regional Integration in Southeast Asia

Indonesia’s and Malaysia’s approach to ASEAN analysed with regard to AFTA and the Myanmar Crisis

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Preface

There have been many times over the last few months that I have been venting my frustration over the (apparent) lack of progression with this paper out on my friends and loved ones. And truly, at times I have wanted to just quit, burn the paper upon which it has been written, and become a carpenter. Still, as the suffering is now drawing to an end, I suddenly have the feeling that it has all been worth it. This thesis is, after all, my lifework.

Although writing a master’s thesis largely is relatively lonely work, it would have been impossible to undertake without the help and support of some very special people. First and foremost, I would like to offer my thanks to my mother and father, who have always emphasized the importance of me following my heart when it comes to choosing subjects, and who have supported me and never lost faith in my ability to complete this thesis. Secondly, I would like to thank Hege, for supporting me and generally making life worthwhile the last half a year. Thirdly, a special thank you to Professor Helge Hveem, under whose tutelage this thesis has come to be. Your help and supervision has been invaluable – thank you! Fourthly, I would like to thank those who have read through the preliminary versions, offering valuable and constructive advice, comments and critique – especially Cecilie, who has not yet had her name mentioned. In the end, being the author of this thesis, all errors and mistakes are solely my responsibility. A general thank you also goes out to Harald Bøckmann and Asianettverket, for inviting me to seminars and conferences.

Finally, I want to thank all “you guys” with whom coffee (and beer) never has tasted better. You know who you are.

Jens Ottar Stærkebye

Oslo, August 2005
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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
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<td>AFTA</td>
<td>ASEAN Free Trade Area</td>
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<td>AIA</td>
<td>ASEAN Investment Area</td>
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<td>AMM</td>
<td>ASEAN Ministers Meeting</td>
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<td>ARF</td>
<td>ASEAN Regional Forum</td>
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<td>ASC</td>
<td>ASEAN Security Community</td>
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<td>ASCC</td>
<td>ASEAN Socio-Cultural Community</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>ASEM</td>
<td>Asia-Europe Meeting</td>
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<tr>
<td>CBU</td>
<td>Completely Built Up vehicles</td>
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<tr>
<td>CEPT</td>
<td>Common Effective Preferential Tariff (Scheme)</td>
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<tr>
<td>CKD</td>
<td>Completely Knocked Down vehicles</td>
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<tr>
<td>CLMV</td>
<td>Cambodia, Laos, Myanmar, Vietnam</td>
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<tr>
<td>EU</td>
<td>The European Union</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FG</td>
<td>Flying Geese Pattern of Development</td>
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<td>FTA</td>
<td>Free Trade Area</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GEL</td>
<td>General Exceptions List</td>
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<td>H&amp;S</td>
<td>Hub-and-Spokes system</td>
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<td>IAI</td>
<td>Initiative for ASEAN Integration</td>
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<td>IMF</td>
<td>International Money Fund</td>
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<td>JIM</td>
<td>Jakarta Informal Meetings</td>
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<td>NAFTA</td>
<td>North American Free Trade Area</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organisation</td>
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<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>NLD</td>
<td>National League for Democracy</td>
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<td>NTB</td>
<td>Non-Tariff Trade Barrier</td>
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<td>NTM</td>
<td>Non-Tariff Measure</td>
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<td>NWFZ</td>
<td>Nuclear Weapon-Free Zone</td>
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<td>PTA</td>
<td>Preferential Trade Area</td>
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<td>RIA</td>
<td>Roadmap for Integration</td>
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<td>RTA</td>
<td>Regional Trade Arrangement</td>
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<td>RTI</td>
<td>Relative Trade Intensity Index</td>
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<td>SADC</td>
<td>South African Development Community</td>
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<td>SEANWFZ</td>
<td>Southeast Asia Nuclear Weapon-Free Zone</td>
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<td>SL</td>
<td>Sensitive List</td>
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<tr>
<td>SLORC</td>
<td>State Law and Order Restoration Council</td>
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<td>SPDC</td>
<td>State Peace and Development Council</td>
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<tr>
<td>TAC</td>
<td>Treaty of Amity and Cooperation</td>
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<td>TEL</td>
<td>Temporary Exclusion List</td>
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<tr>
<td>TNC</td>
<td>Transnational Corporations</td>
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<td>TNI</td>
<td>Tentari Nasional Indonesia (The Indonesian Armed Forces)</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>WHO</td>
<td>World Health Organisation</td>
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<td>ZOPFAN</td>
<td>Zone of Peace, Freedom and Neutrality</td>
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Chapter 1: Introduction

1.1: The purpose of the study

During the last decade or so, the tendency in the world has been towards a more regionalized system. In the wake of the resurgence and relative successes of the European project, focus has increasingly been directed towards other similar regional integration projects. Regional organizations and Free Trade Areas (FTAs) have been emerging all over, including, among others, Mercosur in South/Latin America, NAFTA in North America, SADC in Southern Africa and, perhaps most significantly, the Association of Southeast Asian Nations (ASEAN) in Southeast Asia. In this paper, I will focus on ASEAN.

ASEAN is an organization which today includes all ten countries geographically considered Southeast Asian. It is in many ways very different from other significant regional organizations, such as the European Union. Where the EU for a good while has enjoyed considerable supranational powers over its members, as well as a fairly bureaucratic system with heavily formalized institutions, ASEAN is a very different story: It is vaguely defined by its own declarations, it has no formal supranational powers, and it hardly has any formal institutions (at least in the way Europeans tend to see it). Yet, in many ways, ASEAN must be considered a success, both by surviving the Cold War and the Asian Crisis, and by keeping member states from going to war on one another for as long as the Association has existed. The economic growth in the region has been amazing, although ASEAN should not be credited directly for that growth. Also, in the years following the Asian Crisis, after which ASEAN was left in shambles, new developments took place. ASEAN leaders seemed to realize that the Association needed to stake out a new direction. One of the major steps taken in such a direction might very well be the formalization of the three pillars of ASEAN. With an economic, a security-political and a socio-cultural pillar on which integration was to be built, ASEAN might just be able to renew its dedication to the regional project. In fact, that ASEAN was not abandoned altogether after its failure to deal appropriately with the Asian Crisis, should be evidence that dedication to the Association is still high. Against this backdrop, it is interesting to observe how the major regional powers approach such a regional project. In my thesis, I will therefore study the relation
Chapter 1: Thesis and methodological considerations

between the regional level – ASEAN – and the national level, here represented by two of the leading members; Indonesia and Malaysia. Therefore, I have chosen to work with the following main research question:

“How do Indonesia and Malaysia approach the regional integration project of which they are part, and how are their policies affected by their participation in ASEAN?”

1.2: Defining the thesis

1.2.1: Some key concepts

Regionalism vs. regionalisation

Although I obviously will return to this at later stages, I will just say some words about the key concepts carried within the main research question. First and foremost, it is necessary to define regional integration. As will become clear in the next chapter, the common notion of a region being an area defined by mere geographic proximity is not nearly sufficient for our purposes. Instead, we assume that a region must imply something more – including both increased interaction between members, and possibly the developing a common regional identity, besides (often) being situated in the same geographical proximity. I will return to this later.

Second it is necessary to define some broad indicators on regional integration. There are two concepts that come in handy in this regard. Regionalism refers to an active political project or programme, while regionalisation refers to a process of increased transactions (mainly economic) between states within the same geographic area (Hveem 1999). The subtle, but important difference is that regional integration based on regionalism is actively pushed forward by the members, while regionalisation is something that may happen because of practical and pragmatic reasons, but may also be a product of regionalism.

Selecting the cases

In order to answer the question above, I have chosen to focus on two of the three mentioned pillars of ASEAN, namely the economic pillar and the security pillar. It is important to note in this regard that I have chosen to use the term “pillar” rather
loosely in my thesis – not by examining these directly, but rather by focusing on two cases, each case representing its pillar. It is furthermore important to note that there are also other cases of cooperation sorting under the respective pillars. For instance, the ASEAN Investment Area (AIA) is a significant initiative built upon the economic pillar. The Association’s negotiations with its neighbours over the possible establishment of new extra-ASEAN FTAs are also considered a vital part of ASEAN Economic Cooperation (AEC). Likewise, the increased importance of the ASEAN Regional Forum is a vital part of ASEAN Security Cooperation (ASC). Thus, it is not in the literal sense of the notion of the ASEAN pillars that I have chosen to conduct this study. Still, I will argue that my cases are representative for the contexts from which they have been selected.

1.2.2: The dimensions of the thesis

In order to answer the above research question, some dimensions along which I can organize my research must be established. I have chosen to do so by posting four questions that I believe must be asked and attempted answered. These four questions are based upon four hypotheses, which I will seek to either falsify or verify throughout the empirical and analytical sections. These four questions and hypotheses, to which I will return in Chapter 6, hopefully will make me able to answer the main research question by the end of this thesis, in order to draw some conclusions to the main research question.

Q1: Which are the approaches to the regional project adopted by Indonesia and Malaysia?

In every development in any organization, there are leaders and there are stragglers, and in this case, my working hypothesis is that “both Malaysia and Indonesia have been acting as leaders in order to shape regional integration” (H1). Which role have they put upon themselves in the two very different cases? Have they been acting as leaders, neutrally, or as stragglers? I will try to compare them to each other, and to other cases outlined other places in this paper, such as in Chapter 3. Hopefully, this will contribute to answering the main research question.
Q2: Is it the formal or the informal mechanisms of ASEAN that influence Indonesia and Malaysia the strongest?

The formal mechanisms of ASEAN should in this regard be defined as the formal institutions of ASEAN, such as the annual ASEAN Summit, the Ministers Meetings and the Secretariat. Certain treaties, such as the Treaty of Amity and Cooperation must be considered formal mechanisms as well, along with specific organs designed to supervise the workings of AFTA and ARF etc. The informal mechanisms of ASEAN are harder to define, and it is not imperative that we do so either. Instead, suffice it to say that such mechanisms might appear in various forms. For instance, when Malaysia and the Philippines came to a peaceful agreement over the Sabah-province during the 1970s it was not within the formal ASEAN institutions, but due to the fact that ASEAN remained an instrumental part of both countries’ foreign policies it could still be argued that it was resolved within an informal ASEAN framework. Indonesia’s part in the solving of the Cambodian crisis is another example of diplomacy conducted within an ASEAN context but outside the formal institutions of the Association. Thus, unilateral or bilateral agreements or actions must also be defined as informal mechanisms, in the sense that they take place outside of the formal ASEAN framework. I have included this question because it seems intrinsically logical to assume that much of the interaction between ASEAN’s members take place through informal channels. This is due to the fact that ASEAN as a regional organization has very few formal institutions that are capable of such transactions. Despite its institutional shortcomings, it has somehow been able to remain an important part of its members’ foreign policies, and my hypothesis is “that the perseverance of ASEAN might be due to the informal framework of cooperation that the Association offers” (H2).

Q3: Is it security or economy that best defines the countries’ position on ASEAN?

Much of the literature on ASEAN has been preoccupied with the economic success of the countries of the region. Certainly, that the rapid growth and relative success of its members has contributed to the preservation of the Association for
almost 40 years is hardly disputable. Still, I will argue that “it is security-political issues that define the countries’ position on and approach towards regional integration” (H3). If this is true, however, it seems somewhat ironic that it is economic integration that has developed the farthest. On the other hand, perhaps it has been easier to promote regionalism in the field least important and harder to do the same in the area of security and sovereignty. Indeed, is it perhaps possible to say that security is a precondition for economic integration? I shall examine this relation closer in my analysis.

_Q4: Is it possible that Indonesia’s and Malaysia’s approach to ASEAN might be moving towards two-level intergovernmentalism?_

If Indonesia’s and Malaysia’s policies towards ASEAN largely used to be decided by authoritarian President Suharto and semi-authoritarian Prime Minister Mahathir respectively, is it possible that the transition to democracy in Indonesia and the change of Prime Minister in Malaysia might lead to a change in these countries’ approaches to ASEAN? My hypothesis is that this might be the case (H4), at least in the medium to long run. With the new wave of democracy that is washing over both Indonesia and Malaysia, this is a question that must be taken into consideration. As democracy is consolidated, the domestic level with political groups, parliamentarians, lobbyists and NGOs will participate in these countries’ decision-making. If this is the case, then Indonesian and Malaysian policies towards ASEAN will no longer be decided by one or a select few politicians or leaders, but rather also by political processes on the domestic level. It is presumably still too early to reject the importance of the respective heads of government, but both the new importance of human security and other factors suggests that this might be about to change.

1.2.3: The timeframe of the study

Given the scope of this thesis, it is important to define the timeframe within which to study the two cases outlined above. Luckily, both cases have a ‘natural’ timeframe: The establishment of AFTA was first discussed in late 1991 and formally put into operation in January 1993. This makes 1991 the natural year to start, despite
the existence of an ASEAN Preferential Trade Area since 1977, upon which the AFTA was based. For the Myanmar situation, the timeframe is much the same. As shall become apparent in later chapters, the term *constructive engagement* in Southeast Asia may be backdated to 1991 (International IDEA 2001: xv), and marks the natural starting point for me to begin the analysis of this case. Although it might be perfectly valid to argue for other starting points, I have chosen the period from 1991 until today as the period in which my analysis will take place. Much emphasis, however, will be put upon the later years – especially in the case of Myanmar.

### 1.3: Design, methodology and sources

#### 1.3.1: Design

*Multiple-case study - The cases and the embedded units of analysis*

“[…] case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real life context” (Yin 2003: 1).

I have chosen to utilize the properties of a case study in this paper. A case study is a methodological approach that typically is intensive by nature. An intensive study, as opposed to an extensive study, creates the opportunity to delve *deep* into one or few subjects or cases, whereas the extensive approach is more concerned about shallow, but *broad* results (Hellevik 1999: 95). Furthermore, the use of case studies is often motivated more by special interest for the subject of study, rather than trying to develop general insights based on the case (Andersen 1997: 94).

In this thesis, I have chosen to work with two cases – the ASEAN Free Trade Area (AFTA) and ASEAN’s approach towards the situation in Myanmar (subsequently called the “Myanmar Crisis”) – in order to shed some light upon the quest for regional integration in Southeast Asia. To further narrow down my study, I have chosen to analyze the approach of two countries – Indonesia and Malaysia – to regional integration through their approach to economic and security integration. According to Yin, the sort of design sketched out above constitutes a so-called type 4
design – an embedded multiple case study\(^1\). In this context, this involves two cases, each with two embedded units of analysis. By analyzing the actions and behaviour of the two embedded units in each case, I hope to draw some valid conclusions about the Association of Southeast Asian Nations.

As stated by Yin, case studies are appropriate especially when questions beginning with “how” and “why” are being asked, such as the one I asked in the beginning of this chapter. Also, ASEAN and regional integration in Southeast Asia qualify for a qualitative case design due to the contemporariness of the integration process, and the total absence of control of events by the investigator. Furthermore, when considering a single-case design vs. a multiple-case design, Yin states that “among these designs, most multiple-case designs are likely to be stronger than single-case designs” (Yin 2003: 19). On a more substantial note, I have chosen these two cases for both practical and theoretical reasons. First and foremost, they represent ASEAN cooperation in the two most prominent areas of integration, namely (political) economy and security. At the Bali Summit in 2003, these areas of integration were fortified as the main pillars of integration, along with a socio-cultural pillar. Second, I

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\(^1\) The other three types are holistic and embedded single-case designs, and holistic multiple-case designs. The difference between holistic and embedded designs lie in their approach to the case: While embedded designs analyses the cases through embedded units, holistic designs regards the entire case as a whole (as the name implies). See Yin for a more detailed review.
realized that it would be difficult to draw any valid conclusions about ASEAN and the way the Association’s members approach integration, based on only one of these two main sectors. This has to do with the clear separation between the sectors in terms of integration in the region – ASEAN has traditionally kept security and economy relatively detached from each other.

The relation between theory and empirical evidence

With regard to the relation between theory and the empirical evidence of the case, Andersen (1997) divides case studies into three categories; a-theoretical case studies, theory interpretative case studies, and theory developing case studies. The a-theoretical is defined as a case study motivated by interest in the case, or as stated by Arend Lijphardt: “They are entirely descriptive and move in a theoretical vacuum” (Lijphardt in Andersen 1997: 62). Theory developing case studies, on the other hand, seeks to develop either completely new theories, or at the very least develop and/or supplement existing theoretical frameworks. The last category, which I use, is the interpretative case study. Andersen defines this type as a kind of case study where the study is motivated by interest for the case, and where the subject of study at the same time is seen as a typical example of one, or several, classes of phenomena about which there already exist a certain knowledge (ibid: 68). This kind of case study is not aimed at developing new theory or generalizing its findings, but is instead very useful in order to structure and organize empirical material by use of existing theories and concepts.

The problem of having two very different cases

It should be no doubt by now that the two selected cases are indeed very different, both substantially and theoretically. This is also why it is extremely important to define some variables or dimensions at an early stage. In that way, one will know what to look for even though the data material in the two cases might be very different. These variables, as identified in an earlier section in this chapter, also form the basis for the analysis conducted in chapter 6. By following such a ‘guide’, comparing the cases should not be too problematic. Some issues might still arise, and
one must be careful to keep these in mind. In particular, one must be mindful of the difference in the context of the two forms of regional integration. Although both economic integration and security integration take place within the same organization, the two fields have been virtually isolated from each other thus far. The easiness with which AFTA has been implemented must thus not be indiscriminately compared to the apparent reluctance to deepen security integration. Indeed, the context in each case must be consulted and the conclusions weighted in order to give valid answers. Despite the possible pitfalls on the way to drawing valid conclusions based on the comparison of these two cases, there are some important substantial elements that link the cases very much together, creating a sort of interdependence between them. I will return to this in chapter 6. Indeed, I will argue later in the paper, that the new notion of economic security in the future will act as a bridge between security and economy.

1.3.3: Sources

According to Robert K. Yin, there are six main sources of evidence which are of use during a case study. Of these six, this thesis rests upon two main sources, namely documentation and archival records. Sources under “documentation” include communiqués, written reports of events, administrative documents and newspaper clippings (Yin 2003: 86). In my case, such documents are official ASEAN declarations and treaties, joint communiqués and press releases related to ARF Meetings, Summits and Ministers Meetings, as well as newspaper articles. Most of the newspaper articles used in this thesis are from the Asia Times Online edition, which proves an invaluable source of input in this regard. “Archival records” include organizational charts, maps and survey data (ibid: 89). In my thesis, this type covers the CEPT packages and census data such as data on trade and foreign direct investment. Furthermore, I use existing literature such as articles, studies and books extensively in my study. When using documents and archival records as sources, it is important to be aware of their strengths and weaknesses. Among others, Yin mentions the stability and broadness of coverage as main strengths of documents. That a source is stable means that it can be reviewed repeatedly, and it is clearly a strength when it covers long time spans, a number of events, and many settings (ibid: 86). There are weaknesses related to the
use of documents too, perhaps the most important being issues regarding bias – either so-called reporting bias or biased selectivity. The former kind of bias occurs when the author’s bias is reflected in the source, while the second occurs for instance when a collection is incomplete (ibid: 86). When it comes to archival records, the strengths and weaknesses are more or less the same, according to Yin, but unique for this kind of source is its preciseness and quantitative character. This is a major strength, and is also valid in our case, namely the CEPT packages and ASEAN census data. The major weakness with this kind of source/evidence is the possibility that accessibility to the source is restricted, for instance due to privacy reasons (ibid: 86).

1.4. Outline of the thesis

Before I proceed with the thesis, I will in this section briefly outline the layout of this paper. In the next chapter, I examine the theoretical frameworks and concepts that may accompany me throughout the subsequent analysis. It consists of three parts. First I include a brief and general summary of regionalism, i.e. historically and conceptually. Secondly I examine very briefly the economic and political science theories that are commonplace to use when trying to explain regional integration. Finally, I present the theoretical view that I believe have the most explanation power in my case, as well as placing ASEAN into this theoretical context. Chapter 3 presents the region and provides the backdrop for the two cases examined in the two following chapters. The main emphasis in this chapter lies on ASEAN’s historical development, with special focus on the roles of Malaysia and Indonesia respectively. Major developments are for instance the establishment of ASEAN, the Cambodian crisis, the expansion of the Association, and the Asian Financial Crisis.

In the chapters 4 and 5 I present my two cases. Chapter 4 is dedicated to the ASEAN Free Trade Area (AFTA). It aims at identifying Indonesia’s and Malaysia’s dedication to economic integration in ASEAN, and does so through two main sections. First it does so through a thorough examination of the Common Effective Preferential Tariff (CEPT) Scheme, and the practical steps the two countries have undertaken to fulfil their obligations to the CEPT and the AFTA. Secondly, I take a look at intra-regional trade and investment as indicators on regionalisation (and perhaps
Chapter 5 presents the case of the Myanmar crisis (although it may not have been a crisis at the start of the constructive engagement strategy, at least not for ASEAN). The chapter is organized after the following fashion: First I give a brief summary of the major developments in Myanmar since 1988, including Myanmar’s relationship with and membership in ASEAN. I then proceed to argue that the Myanmar crisis most certainly presents a very real security threat to ASEAN if left unsolved. In this argument I introduce four non-traditional security areas, such as defined by, among others, Richard Ullman (1983). The new security concept includes human security, economic security, societal security and environmental security. I place special emphasis on human security and economic security, which will be further elaborated in chapter 6, in which I present my analysis. It is structured as outlined in this chapter, with two separate sections, one for each case. I try to answer each of the four questions posted as mentioned, for both cases respectively. Hopefully, I will then be able to draw some conclusions, which I will present in chapter 7. I also try to compare the two cases, briefly revisiting the potential problems of having two very different cases to compare. Chapter 7 offers some conclusions, and also dares to make a few guesses at what the future might bring with regard to the workings of the Association of Southeast Asian Nations.
Chapter 2: A theoretical framework

2.1: What is a region?

Before venturing into the exciting world of regionalism, it is useful to spend a few moments trying to define the term region. What first springs to mind when one hears the word ‘region’ is often something within a geographical context. People are used to thinking of a region as a geographical entity, including either a group of interconnecting countries or suchlike. This narrow definition of a region is hardly adequate for our purposes, which is illustrated repeatedly throughout the empirical writings of the political science tradition. NATO – a regional alliance originally defined by proximity to the North Atlantic – today includes Mediterranean nations like Italy, Greece and Turkey, neither of which have an Atlantic coastline. It is obvious that we also need to include other factors than mere geographic proximity if we are to define “region” in an adequate way. In the literature, political scientist and constructivist Peter J. Katzenstein (2002), based on the work of Karl Deutsch, defines a region as:

“…a group of countries markedly interdependent over a wide range of different dimensions. This pattern of interdependence is often, but not always, indicated by patterns of economic and political transactions and social communications that differentiate groups of countries. Hence regions do not exist as material objects in the world. (…) Regions are also social and cognitive constructs that are rooted in political practice” (ibid: 105).

For Katzenstein, interdependence between states in the areas of economy and politics, are the central concept that more often than not defines a region. This explains how the eastern European countries and countries like Greece, Italy and Turkey have been allowed membership in NATO. The increasing interdependence between the members surpasses geographical proximity to the North Atlantic as a criterion for membership. The notion of interdependence is important in Asia as well, although Southeast Asia and ASEAN are somewhat easier to identify by geographical conditions than other state constellations. Stuart Harris (2002) defines region with regard to Asia by emphasizing important variables such as economic factors and political factors:

“In defining the Asian region, as with any region, various characteristics are important, notably geography, and economic and political/security interdependencies” (ibid: 120).
Finally, Kanishka Jayasurya claims that a region

“...is a set of cognitive practises shaped by language and political discourse, which through the creation of concepts, metaphors, analogies, determine how the region is defined; these serve to define the actors who are included (and excluded) within the region and thereby enable the emergence of regional identity” (Katzenstein 2002: 105-106).

Jayasuriya’s definition suggests that the concept of a region may not be inherent in states’ behaviour and manner of thinking. Being included as a member of a grouping of states contributes to an emerging regional identity. In the rest of my thesis, I am content with basing my work upon the three definitions above, and the assumption that a region (generally, and ASEAN especially) is defined not only by geographical proximity, but also by differing degrees of interdependence between states in various areas, such as economy, politics and security.

2.2: A history of regionalism

It is common to divide the history of regionalism into two periods, one beginning in the late 1950s and ebbing out by the mid 1970s, and one beginning with the end of the Cold War in the late 1980s that is still going on. The first period was mainly characterized by great power rivalry, in true realist spirit. The relative success of the European Community was considered a template after which other regional projects might be fashioned. When this did not happen, the first period of regionalism more or less died out. The end of the Cold War and the collapse of the Soviet Union saw a change in this trend. Countries could no longer choose between the United States and the Soviet Union, and had to fend for themselves instead. At the same time, the United States’ power faltered somewhat with the lack of a clear military threat, which gave an opening for the creation of a multitude of FTAs all over the world. Also, the explosive expansion of Globalism created new or reinforced patterns of interdependence that facilitated the formation of new regional groupings.
2.2.1: Regionalism and regionalization

One should, at this point, take notice of there being a significant, though often neglected, distinction between regionalism and regionalisation. According to Helge Hveem,

“...regionalism refers to a programme, an ideology, to a situation where there exists a clear idea of a region, a set of goals and values associated with a specific project that an identifiable group of actors wish to realize. Regionalization, on the other hand, is the actual process of increasing exchange, contact and coordination and so on within a certain region” (Hveem 2003: 83).

The difference is important: Whereas regionalism is an active political project or program, that may or may not succeed, regionalization is more of a pragmatic process marked by increasing transactions between states within a region. Indeed, increased intra-regional trade might, for instance, be caused by a trend causing companies to seek to expand its regional base in order to reap the economic advantages of economies of scale (Hveem 1999: 87). However, the dynamics between regionalism and regionalization represents a two-way relationship. There might be regionalism without regionalization, and there might be regionalization without regionalism. However, it is just as probable that regionalism will lead to regionalization, in the form of increased transactions between the states included in the project. In a successful regional project, increased political, economical, and social transactions supposedly follow naturally from regionalism. Equally, pragmatic regionalization might just as likely lead to political regionalism.

2.3: Theoretical approaches

2.3.1: Economic theories

The Flying Geese Paradigm

The theory of the Flying Geese pattern of development (FG) is one of the theories most often applied to Asia. It was first formulated by Japanese economist Kaname Akamatsu in the 1930s (translated to English in the early 1960s), and is based on the flying pattern (an inverted V, or a plough shape) of emigrating geese. The logic is simple: The geese following the leader fly much easier through due to the slipstream created by the one flying in front. Akamatsu, who studied the Japanese textile
industries, argued that the same principles are applicable to Japan, and the economic catching-up process of East and Southeast Asia. Japan, the leading goose, industrialized early, and then proceeded to export products and technologies into other East Asian and Southeast Asian countries. These countries were then more easily able to acquire their own capital goods industries by copying and integrating Japanese technologies, in the wake of the Japanese industrialization (Bernard and Ravenhill 1995: 172-173).

How then does this facilitate regional integration? The link between Japanese regional leadership and regional integration is dependent upon assumptions of the importance and influence of Japanese TNCs and their overseas activities, such as subcontracting, joint ventures, FDI and other similar activities. The establishment of such production networks throughout the region creates increased interdependence between the states within the region, which again often interprets as a sign of regional integration (Kasahara 2004: 2). Indeed, FG theory presumes that these TNCs may act as an important channel for the technology transfer required by the catching up process, and that this gradual transformation of regional industrial activities tends to strengthen regional linkages. However, FG theory also assumes that the leading/first-tier countries will move the production of products no longer profitable at home to second-tier economies where production costs are lower, and then import these products instead of producing them. The failure of the East Asian first-tier states to absorb nothing but a relatively small share of products produced in the second-tier states serves to weaken such inter-regional linkages (ibid: 21). Another shortcoming of the FG theory is its failure to consider the importance of China and overseas Chinese networks in the development and integration of Southeast Asia.

Trade integration

Besides the Flying Geese paradigm, Bela Balassa’s conceptualization of the five levels of economic integration, which is a revised and expanded version of Jacob Viner’s customs union theory, is one of theories most often applied in order to explain ASEAN’s economic integration. In brief, however, Balassa claims that economic regionalism may take a variety of forms, dependent on, among other things, the level
of economic discrimination – i.e. inter-regional trade barriers and non-tariff trade barriers – and the level of economic integration. Thus, Viner’s customs union “…constitutes the foundation of this theory, which involves the creation of, in linear succession, of increasingly more advanced stages of economic integration: preferential trade area, free trade area, customs union, common market and political union” (Schulz, Söderbaum and Öjendal 2001: 10).

An interesting side notion to the theoretical contributions of Balassa and Viner is presented by Ronald Wonnacott through the so-called hub-and-spokes (H&S) system. Wonnacott analysed the different free trade area relations of the United States. He concluded that the American-Mexican FTA and the American-Canadien FTA, which were independent of each other, overlapped and thus resembled a system where the United States is the hub, and Mexico and Canada respectively are the spokes (Kowalczyk and Wonnacott 1992: 3). In his example, Wonnacott realized the potential of the two FTAs melting together into one large FTA – today’s NAFTA. In our case, ASEAN is currently busy creating bilateral free trade areas with India, South Korea, Australia, New Zealand and Japan, and has already concluded such an agreement with China. These potential FTAs are all independent of each other, but will all, if realized, be interconnected through ASEAN. Should such a giant hub-and-spokes system evolve into a true FTA that includes all the mentioned countries, the result would encompass more than half the world’s population.

2.3.2: Political science theories

Realism

Realism (or rather neorealism) is probably the most influential paradigm within the field of International Relations, and thus includes several theories that seek to explain regional integration. Common for all realists is the assumption that the world state system is anarchic, that all states participate in constant rivalry with each other, and that the state is the central and dominant rational actor. It is up to each and every state to position itself in this system. According to Hveem (1996: 151), it is reasonable to talk about two categories of explanations within the realist tradition. First there is the balancing version. It argues that states act in order to balance other states that they perceive as threats or rivals. The motive for states to bundle together in a regional
grouping is thus to achieve strength in order to claim or maintain a position in the world system where showing strength is the only credible way of self-assertion. Then there is what may be called the *imperial version* of integration, namely the theory of hegemonic stability. This form of regional cooperation is organized in order to promote the interests (i.e. economic and strategic interests) of a hegemonic power in the global system. The resulting regional groupings will then be considered as a part of the hegemon’s *sphere of influence*. Related to this argument, many realists believe that the world system in the future will be centred around three security blocs; a US-led North-American alliance, a Germany- and France-led European alliance and a Japan-led East Asian alliance (Hveem 1996). China’s role in such a tri-polar structure is yet to be examined. Realists, as opposed to economists, do not carry any ambitions of an open global system. According to them, any such major alliances, or blocs, will compete with each other for power and position, possibly causing an arms race due to the need to balance and counter-balance.

**Intergovernmentalism**

Another perspective possibly explaining regionalism and regional integration is intergovernmentalism, which is often associated with Andrew Moravcsik. Grossly simplified, the supporters of this theory of integration argue that international cooperation (or in this case regional integration) is based upon interstate bargains between the heads of governments of the leading states involved (Moravcsik 1991: 25). The state is viewed, as argued by both realism and neorealism, as the leading actor, represented by the heads of governments, along with small groups of close advisors and ministers. The principle of upholding of national sovereignty is guarded jealously by these political leaders, which clearly limits the possibilities for any supranational institutions to form and cooperation to deepen (Mattli 1999: 28-29). Much of the critique against the intergovernmentalist theory of regional integration has been directed at the apparent lack of regard for domestic politics. Critics argue that political leaders hardly operate in a vacuum, but rather depend upon domestic political processes before negotiating in the regional forum. This critique seems well founded, and to meet his critics, Moravcsik has formulated what he calls *liberal*
intergovernmentalism. This new theory seeks to explain regional integration not only by what may be called “celebrated intergovernmental bargains”, i.e. major interstate decisions that supposedly marks the convergence of state interests, but also by first including a stage in which the national interests are determined (ibid: 29-30). It thus comes out as a version of Robert Putnam’s two-level game: While international negotiations indeed may take place between the heads of governments of sovereign states according to their best interests, the negotiation position of a state is the result of domestic politics and negotiations (Hveem 1996: 154).

Functionalism

Functionalism is another highly relevant theory seeking to explain interstate integration. It was first proposed by David Mitrany in the 1950s and 60s, and argued that global integration would facilitate the growth of peace. This, Mitrany claimed, would best be achieved through what he called the “pragmatic functional approach” (Mattli 1999: 21). Mitrany’s solution was based upon the assumption that integration was most likely to happen through functional, or sectoral, cooperation between countries in low-politics areas such as transport and communication, water, energy, education and other similar areas. By the establishment and institutionalisation of such supranational bureaus, economic welfare would increase due to the creation of economies of scale. With successful integration within specific sectors, spill-over effects would be created. This effect would draw people’s loyalties away from the sovereign national state, making it redundant, and instead transfer sovereignty from the old territorialized authority to the new supranational (global) authority. The primary actors in this normative theory are supranational institutions, created not by politicians, but by such actions as joint management in areas such as those listed above (ibid: 22).

Neofunctionalism

Neofunctionalism, associated with Ernest Haas, presents a refined version of the functionalist paradigm. Whereas the old functionalism mainly was concerned with actors above the national level, the new functionalism also conceded that actors just
below the nation-state had an important role. The actors above the nation-state are still supranational institutions, created by sectoral integration. The actors below the nation-state include interest-groups, politicians and governments. These actors are important because they may facilitate and initiate the establishment of such supranational institutions (Hveem 1996: 153). Support and endorsement from governments and political authorities are indeed quite essential if effective institutions are to be created. A second point of departure is that the neofunctionalists believe that institutions must be designed deliberately to lead to further integration, whereas the classical functionalists believed that integration could be de-coupled from politics and that it would automatically happen (Schulz, Söderbaum and Öjendal 2001: 8-9). The process of integration, as described by neofunctionalism, may be divided into three related concepts, namely functional spillover, political spillover and upgrading of common interests (Mattli 1999: 25). The high degree of interdependence between the economic sectors in a modern industrial society causes any integration attempt in one sector to affect other sectors, and thus spillover is achieved. According to Mattli, political spillover refers to the process of “adaptive behaviour […] of national interest groups and political parties in response to sectoral integration” (ibid: 26). The third element of neofunctionalism, the upgrading of common interests, describes the process of states swapping concessions when experiencing difficulties in arriving at a common policy. The states recognize the need to uphold a certain level of interdependence between them, so as to preserve the process of integration, and thus upgrade their common interests by swapping concessions in related fields. Such institutionalised swapping of concessions contributes to strengthen the power of the central institutions by regulating egoistical state behaviour and instead induce them to seek compromises (ibid).

2.4: General concepts – three perspectives on regional integration

While all the above mentioned theories very possibly may contribute to understand a regional congregation of states such as ASEAN, it is also very important to keep in mind the driving forces and motivations for the creation and the preservation of the regionalist project. Based upon the theories outlined above, we can
derive three categories, or perspectives, of regionalism that may all contribute to explain ASEAN.

The first perspective is based on the *theories of hegemonic leadership*, and assumes that the interest of a hegemon is the driving force behind and within regional organizations. Based on the theories listed above, it is evident that both the economic Flying Geese theory and the realist versions of hegemonic power and interest theories sort under this perspective. Further, when talking about hegemonic power and interest, one can separate two different versions; namely organizations driven by the interests and powers of an external actor, and organizations based on the leadership of internal actors. In the case of ASEAN, economists tend to rely on Japan as the external inspiration as the leader goose, while political scientists are more divided in their analysis. Some claim that a nation like Indonesia in some aspects may be considered a hegemon within the sub region, while other focus on the endorsement and strong presence of the United States in the region as a driving force of ASEAN.

The second perspective, the *interstatist/-nationalist perspective*, focus on the relations between states and governments and includes, among others, Moravscik’s intergovernmentalism, Mitraný’s functionalism and Haas’ neofunctionalism (also, to a lesser extent; federalism). In this perspective, the driving forces of regionalism and integration are the result of political will and cooperation between states (also governments/state leaders) as rational actors. In the case of neofunctionalism, as argued by Karin Knudsen (1987), this might also be the case of ASEAN. The recent formalization of the three pillars of ASEAN might be understood in a neofunctionalist perspective, the three pillars representing different sectors in which integration can take place to ensure spill-over effects to other sectors. The empiric evidence from ASEAN might also point in this direction, as the organization to a large extent is driven by the political leadership of the respective members. It might also be argued that not even Indonesia qualifies as a true hegemon, and that the organization relies on consensus between the states as no single actor has the power alone to force through decisions. Another factor supports this perspective, namely that ASEAN to a large extent is a project of the political leadership because it raises little popular debate within its respective member nations.
The third and final perspective may be called the *transnationalist perspective* because it adopts liberalism’s assumptions of the power of transnational companies, NGOs and transnational perceptions of a regional identity as possible explanatory factors to regionalism. Theories to be placed beneath this flag include certain refinements of the Flying Geese-theory, in which the role of Japanese production networks and transnational companies’ interests in Southeast Asia are emphasized. Classic economic Product Cycle theories also sort under this header. While NGOs in Southeast Asia most likely are somewhat limited in the case of exerting influence and pressure on the integration process, the power of the great corporations (especially Japanese ones, and the accommodation of these) quite possibly may be a force to be reckoned with and should not be underestimated in the further analysis. Although I have not included this latter factor specifically in my review of some of the theories seeking to explain regional integration, it may none the less become of growing importance. This is mainly due to recent developments in the region, as it seems that a new ‘wave’ of democratization is sweeping especially Malaysia and Indonesia. With transparent and well consolidated democracy, the importance of NGOs and other non-governmental actors increases, and it might just be possible that these new voices on the domestic level might very well influence what happens on the supranational level.

### 2.5: ASEAN in a theoretical context

While many of the theories aiming to explain regional integration have been based on the experience of the European Union, ASEAN is a different experience altogether. My argument is that while none of these theoretical contributions are perfect, it can neither be said that any of them are completely useless. I will in this section argue that it is reasonable to examine ASEAN in an intergovernmentalist framework, instead of for instance in a neofunctionalist or trade integrationalist one. I will substantiate this claim in this section.

To really understand ASEAN, one must examine two central mechanisms. First and foremost, as in any analysis, one must define the most important actors. Who drives the ASEAN regional project forwards? In this case, evidence suggests that the imperative actors are the respective sovereign states. This deviates somewhat from
traditional realist thinking, for instance, as it is not the state as a rational unitary actor as such that appears to be the main actor, but rather the heads of government in the respective state. Indeed, in a large majority of the literature on ASEAN, focus is put on specific cases, or developments, in which either the respective heads of government are central, or one of these leader’s closest associates (foreign ministers, economic/financial ministers etc.). Although this is not by itself sufficient evidence to conclude that other factors are not important in our case, it more than suggests the importance of state leaders in this matter of region-building. Although this will be tested as this thesis moves along, it seems reasonable to stick (at least for the time being) to the respective heads of government as the driving force of ASEAN. This explicit state-led integration, with a clear focus on the state leaders, is a trademark of traditional intergovernmentalism.

Secondly, it is important to recognize ASEAN’s *modus operandi*. Although much has happened quite recently, ASEAN has traditionally had a low degree of institutionalisation. It has a very modest secretariat, and operates mainly through annual summits in which the respective heads of governments meet to discuss ASEAN matters. Consensus is the defining word at these summits, and the Association itself has no goal of creating a binding legal framework to which its members must abide. Indeed, it has no aim whatsoever, to build any supranational institutions, capable of overruling national sovereignty (Rosamond 2001). In this way, it deviates substantially from neofunctionalism. For neofunctionalists, integration is a very gradual and continuous process, in which the actors constantly work towards the dismantling of sovereignty and the establishment of transnational functional regions. Furthermore, neofunctionalists regards politicians as important in one regard – as facilitators and negotiators who work towards the establishment of such supranational institutions. Indeed, something resembling a neofunctionalist approach has been tried in ASEAN. The creation of joint industrial projects might clearly be interpreted as an attempt at functional integration. Sadly enough these attempts failed within a short period of time. Instead, ASEAN’s institutional development appears strikingly similar to what intergovernmentalists call *celebrated intergovernmental bargains*. Put shortly, any major institutional (or functional) development takes place at one of the ASEAN
Chapter 2: A theoretical framework

Jens Ottar Stærkebye

summits, where it has been negotiated until consensus has been reached. This is clearly different from how for example the European Union works, where a supranational parliament (and other institutions with supranational powers) may at any given time pass new regulations and laws.

Let me also present my reason for choosing intergovernmentalism over trade integration theory. The reason is simple: Classic trade integration theory (that of Jacob Viner and Bela Balassa) completely fails to consider the political aspect of integration. It merely states that regional economic integration is a result of a collective dismantling of trade barriers such as tariffs, but makes no attempt at explaining how this happens. Intergovernmentalism, along with most other political science explanations, offers a clear modus operandi for such developments, as explained earlier.

While pre-crisis ASEAN may indeed fit well within a traditional intergovernmentalist framework, there are signs today that the Association is moving towards something that resembles a neo-intergovernmentalist model. Two main developments that are related substantiate this claim. First there is the recent wave of democratization that has swept over Southeast Asia, with Indonesia as the most important exponent. Although Malaysia has been more or less democratic since independence, Prime Minister Mahathir enjoyed an extended personal power base. Thus, it could be said that these two countries’ approach to the regional project was very much state led. With new regimes in place in both countries, however, the sub-national level has appeared to become more visible. This is only natural. Most recently, this new level of influence was reflected by several prominent members of parliament in several ASEAN countries\(^2\). They demanded that Myanmar should not be allowed to assume Chairmanship of ASEAN in 2006 unless the military junta releases opposition leader Aung San Suu Kyi and other political prisoners, and introduces political reforms. If this is a real change, and not mere window-dressing to appease Western trading partners, it certainly introduces national politicians and political processes into the ASEAN framework, to supplement the top-level bargaining. Indeed,

\(^2\) Asia Times March 25, 2005 [Online]: Verghese Mathews: ”The Bells Toll on Myanmar”.

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if this is the case, then it fits well within Moravcsik’s two-level intergovernmentalism where the national interests are determined at an earlier stage.

Secondly, and closely dependent on the democratic process, is the new focusing on soft security and human rights in Southeast Asia. Both Mahathir and Suharto were largely impervious to both Western critics and non-governmental human rights watch organisations, while the new regimes in the respective countries are not. With the situation in Myanmar being as it is, new critical voices have increasingly managed to make themselves heard. Alas, it is still too early to conclude with anything in this regard, but it is very possible that human security is put higher on the agenda, and even in a place where it may challenge traditional notions of security, such as classic state sovereignty. Again, the criticism by ASEAN lawmakers against the lack of political reform in Myanmar may be interpreted in this direction. Whereas non-interference became the shield behind which authoritarian leaders could hide, democracy may now become the can-opener through which human security supporters can make themselves heard. This evidence further strengthens the assumption that ASEAN is moving towards a liberal (neo-) intergovernmentalist model, where national political (and non-political) actors participate in determining the state’s preferences.
Chapter 3: Presenting the region and ASEAN

3.1: Southeast Asia – A region of diversity

There is, quite possibly with the exception of Africa, no region in the world today that is as socially, politically, economically and geographically diverse as Southeast Asia. It includes the world’s 4th largest state, Indonesia, as well as one of the smallest ones, Brunei. Indonesia also has the world’s largest Muslim population. The Philippines are predominantly Catholic Christians, while Thailand is mainly Buddhist. Singapore ranks high in terms of wealth and GDP pr. capita, and is deemed the region’s only true developed industrial state. On the other hand of the scale, countries like Laos and Myanmar remains abysmally poor despite rich natural resources. Despite the large gap between the top and bottom states in terms of wealth, the region as a whole has been among the fastest growing in the world for several decades. In recent years, Indonesia has been termed the world’s 3rd largest democracy, although a lot of work remains in that department, while Myanmar is one of the world’s most brutal military dictatorships. Despite this abundance of sharp contrasts, there has not been a war fought on Southeast Asian territory since Vietnam invaded Cambodia in 1978, although the occupation lasted until 1991. Among ASEAN members, there has not been a war fought for as long as the organization has existed – even after the expansion in the latter half of the 1990s. This is an impressive feat, and it is but one of the aspects that make ASEAN an interesting subject of study.

Table 1: The Southeast Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>GDP (US$)</th>
<th>Political system</th>
<th>Ethnic majority</th>
<th>Ethnic minorities</th>
<th>Major religion</th>
<th>Other religions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>0.4 million</td>
<td>4.8 billion</td>
<td>Constitutional sultanate, authoritarian</td>
<td>Malay</td>
<td>Chinese</td>
<td>Muslim</td>
<td>Christian, Buddhist</td>
</tr>
<tr>
<td>Myanmar</td>
<td>42 million</td>
<td>9.6 billion</td>
<td>Military regime, authoritarian</td>
<td>Myanmar</td>
<td>Shan, Karen</td>
<td>Buddhist</td>
<td>Christian, Muslim</td>
</tr>
<tr>
<td>Cambodia</td>
<td>12 million</td>
<td>4.3 billion</td>
<td>Constitutional monarchy, unstable</td>
<td>Khmer</td>
<td>Vietnamese</td>
<td>Buddhist</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>238 million</td>
<td>208.3 billion</td>
<td>Republic, democratic,</td>
<td>Javanese</td>
<td>Sundanese, Chinese</td>
<td>Muslim</td>
<td>Christian</td>
</tr>
<tr>
<td>Laos</td>
<td>6 million</td>
<td>2 billion</td>
<td>One-party state, authoritarian</td>
<td>Lao</td>
<td>Chinese</td>
<td>Buddhist</td>
<td>Animism</td>
</tr>
<tr>
<td>Malaysia</td>
<td>23 million</td>
<td>103.2 billion</td>
<td>Parliamentary system, semi-democratic</td>
<td>Malay</td>
<td>Chinese, Indian</td>
<td>Muslim</td>
<td>Buddhist, Christian</td>
</tr>
</tbody>
</table>
3.2: ASEAN

3.2.1: The Beginning

The Association of Southeast Asian Nations (ASEAN) was formally established on August 8 1967 with the signing of the Bangkok Declaration by the Foreign Ministers Singapore, Indonesia, Thailand and the Philippines, and the Deputy Prime Minister of Malaysia. The signing of the declaration marked the beginning of a still lasting peaceful era in a region that has sometimes been referred to as a potential “Balkans of Asia.” Intentionally short and somewhat vague, the declaration states seven aims which are interrelated. One such aim, however, captures very well the original purpose of the Association:

“(The aims and purposes of the Association shall be) […] to accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian Nations” (The Bangkok Declaration 1967).

After the next big summit, held at Bali in 1976, the political area was also formally acknowledged as an area of cooperation, through the Declaration of ASEAN Concord. One of the reasons for this new formal focus on the political branch was the recent developments in Indochina, as the communists seemed to be winning and ending the Indochina Wars. The establishing of ASEAN might be interpreted as a collective response to the communist threat (Poon-Kim 1977). The Declaration of ASEAN Concord was in itself important for several reasons. Mostly because it specified the sectors in which integration would be promoted, but also because it lay down some guidelines for regular ASEAN Summits (Knudsen 1987: 82). Besides the Concord, two more treaties from the Bali Summit became important for ASEAN. The
Treaty of Amity and Cooperation, which calls for its signatories to collaborate in order to achieve regional growth, and the Agreement on the Establishment of the ASEAN Secretariat.

Today, two of the main factors motivating the establishment of ASEAN are worth mentioning, apart from it being a reaction to communist expansion in Indochina. First, there was the fact that the countries in Southeast Asia suddenly realized that the share of their intra-regional trade was ridiculously low. In order to increase intra-regional trade, the establishment of a preferential trade area (PTA) was agreed on in 1977, a PTA that would provide the basis of the later ASEAN Free Trade Area (AFTA). Secondly there was the question of national security and sovereignty. According to mainstream regionalism theory, regional integration projects are often (at least partly) motivated by the realization that smaller states can only resist pressure and interference from stronger external actors through cooperation. The countries in the Southeast Asian region are no exemption, and in the Bangkok-declaration the five members state that

“…they are determined to ensure their stability and security from external interference in any form or manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their peoples” (The Bangkok Declaration 1967).

The question of regional and national sovereignty and the ability to withstand external pressure became perhaps the most important reason for the Association’s formation and continued existence. All five members of the Association except for Thailand had until relatively recently been colonies under the rule of different European rulers. Decolonisation had left them all new and tender sovereign states, and they were by no means about to let external pressure and interference threaten this newly won privilege. Tightening neighbourly relations through the creation of ASEAN became one strategy towards continued sovereignty and independence. This was a two-dimensional goal. On the one side, ASEAN was supposed to represent the five members as a single actor towards the rest of the world, in order to assure regional resilience. On the other hand, resilience was also national, and whereas ASEAN was meant to protect its members towards outside interference, the same went for the
respective ASEAN countries towards each other. The result of this was the guiding principle of non-interference, which is even the leading principle today.

**Becoming ASEAN-10**

In 1995 Vietnam was officially incorporated into the Association, strengthening the prospect for peace and stability in the region considerably (Henderson 1999: 24-25). The admission of Vietnam into ASEAN has proved important on several accounts, but most significantly, it paved the way for Cambodia, Myanmar and Laos, which resulted in full membership by the latter two in 1997 and the former in 1999. That ASEAN even considered granting the communist states of Vietnam and Laos membership is rather significant, given the origin of the Association. This really says something about the desire to become a true regional project. On the other hand, it must be said that fear of alienating Vietnam was a strong incentive (especially for Thailand) when inviting Hanoi to join.

### 3.2.3: Institutions and organizational structure

Due to the nature of ASEAN as a forum for trust and confidence building, its institutional structure is relatively weak (compared for instance to the European Union or NATO). The highest decision-making body is the ASEAN Summit where the heads of government of the respective members meet and which has since 1995 been convened every year. Related to the ASEAN Summit are the different Ministerial Meetings (AMM), as shown in figure 1, where the ministers of different sectors meet to discuss cooperation and development in their respective spheres, both with each other and with external partners. The Ministers Meeting is in charge of the ASEAN Standing Committee, which is responsible for coordinating the work of the Association between the annual Ministers Meeting. The ASEAN Secretariat also answers to the Ministerial Meetings, with the mandate to “initiate, advice, coordinate, and implement ASEAN activities,” and is headed by the Secretary-General.
3.2.4: The Bali II Concord and the Three Pillars of ASEAN

In the aftermath of ASEAN’s poor handling of the 1997-1998 Asian Financial Crisis, the need for institutional reforms was imminent. In a report presented at the Eight ASEAN Summit held in Pnomh Penh, Cambodia, in 2002, a study group set down by the ASEAN+3 (ASEAN plus Japan, China and South Korea) stated that

“...while growing interdependence among East Asian countries in the age of globalization has been further strengthening regional cooperation, the 1997 Asian financial crisis has awakened the urgent need for institutionalized cooperation and stronger economic integration” (ASEAN 2002a: 3).

Although this conclusion included both ASEAN and its Northeast Asian neighbours, deeper regional integration within ASEAN precedes tighter East Asian-wide integration. At the Bali Summit the following year, a small step was taken in this direction. The Bali Concord II declared that an ASEAN Community consisting of three pillars, namely the ASEAN Economic Community (AEC), the ASEAN Security Community (ASC) and the ASEAN Socio-Cultural Community (ASCC), shall be established. It is important to notice that these three pillars are only intended to provide a framework within which “to achieve a dynamic, cohesive, resilient and integrated ASEAN Community.” In that sense, one must not be mistaken in believing that ASEAN might move rapidly toward a solution such as the European one. The new pillars are not represented by their own administrations and the responsibility for implementation of the plans of action still resides with the existing mechanisms and institutions of the Association. The ASC, for example, and its implementation, is the responsibility of the ASEAN Ministers Meeting. The AMM is then required to report to the ASEAN Summit every year on the progress of the ASC. Of the three pillars established at the Bali Summit, the AEC is so far the best developed one. It is illustrated by several integration projects, for instance the ASEAN Free Trade Area (AFTA), the implementation of the Initiative for ASEAN Integration (IAI) and the Roadmap for Integration (RIA).

3.3: Indonesia and Malaysia: A comparison

The relationship between the neighbouring countries Malaysia and Indonesia has been one of tension, conflict, cooperation and friendship. On land, the two countries
Chapter 3: Presenting the region

Jens Ottar Stærkebye

share a common border on the island of Borneo, while the narrow Strait of Malacca separates Sumatra from the Malaysian mainland. One of the most important roles of ASEAN in the early years was to provide a stable environment in which Indonesia and Malaysia could sort out their differences without sorting to violence. As mentioned earlier, the background for setting up ASEAN both as an organization to promote growth, development and competitiveness, and as a framework for resolving security related issues, was the Indonesian policy of konfrontasi under the Soekarno-regime. Confrontation was mainly a result of Indonesian annoyance over a Pan-Malayan scheme following the independence of the Federation of Malaya from Britain in 1957 (Mackie 1974: 3). Indonesian displeasure with Malaysian territorial claims nearly ended with a military conflict between the two neighbours. Fortunately, the policy of konfrontasi ebbed out with the fall of Soekarno and the ascension to power by General Suharto in 1966. Internal matters such as provincial uprisings and riots in Jakarta kept the Indonesian military occupied, and made an armed confrontation with Malaysia impossible. Instead, the new regime in Jakarta began a policy of rapprochement, indicating, among other things, a willingness to accept Malaysian control over Northern Borneo (Mackie 1974: 319). The establishment of the Association of Southeast Asian Nations became an important step towards institutionalising this rapprochement, and to secure a stable development in the region.

3.3.1: 1967-1980: The early years of cooperation

Due to several reasons, Indonesia has been the *de facto* (if not *de jure*) leader of ASEAN since the Association’s establishment in 1967. Jeannie Henderson describes the archipelago-state’s importance in these words:

“Jakarta’s influence stemmed from many sources, including the country’s size, its large population, which was greater than that of the other ASEAN countries combined, and the legacy of konfrontasi, which had intimidated its neighbours. Indonesia did not openly claim a leadership role, but rather approached ASEAN according to the Javanese concept of ‘leading from behind’. (…) Indonesia made ASEAN the anchor of its foreign policy” (Henderson 1999: 17).

One of the reasons why Indonesia and President Suharto made ASEAN the anchor of its foreign policy was the idea that regional autonomy and security was paramount to Jakarta’s ambitions to achieve a role as one of the world’s middle
powers. Also, its ambitions at the time were to achieve and consolidate a leadership-role among the other countries of Southeast Asia. In Suharto’s view, regional security could only be achieved through regional resilience based on national resilience (Poon-Kim 1977).

Malaysia, on its side, had no such advantage. With a moderately sized population and economy, the country qualified as a medium range power within the Association. Still, Malaysia managed to make its voice heard in several important cases during the first decades of ASEAN cooperation, and has also proved its dedication to the Association. Before consolidating its position within the Association, however, it first had to resolve two important issues with its neighbours. The two conflicts threatening to escalate to military confrontations were the defining moments for Malaysian ASEAN membership. From the pre-ASEAN konfrontasi waged by Indonesia upon Malaysia, it learned that it would be no match for an aggressive and united Indonesia. From the Sabah-conflict with the Philippines in the late 60s, it learned that ASEAN, although not a formal actor in the conflict, worked to provide an environment for peaceful settlements of bilateral quarrels. The Sabah-conflict also clearly demonstrated both Malaysia’s and the Philippines’ dedication to the newly born Association.

Among the earliest and most important developments in ASEAN, the debate over the establishment of an ASEAN Zone of Peace, Freedom, and Neutrality (ZOPFAN) clearly shows Indonesian and Malaysian dedication to the idea of regional resilience. Indonesia’s support of the ZOPFAN was paramount to its formal declaration in 1971, although Malaysia is credited with its implementation. Suharto wanted to achieve neutrality through great power exclusion, while Malaysia preferred to achieve neutralization through great power guarantees (Narine 1998). A second illustration of the two countries’ attempts at pushing ASEAN in the right direction was the negotiations over the establishment of the ASEAN Secretariat at the Bali Summit in 1976. During the negotiations, Indonesia represented one end of the scale, wanting the Secretariat to be given a policy-oriented role and the Secretary-General to be endowed with strong power and leadership. Malaysia, on the other end of the scale, wanted the Secretariat to be a small and efficient administrative body, with the task of coordinating the Association’s work between the Ministerial Meetings (Poon-Kim
1977). Thirdly, at the third ASEAN Summit in 1987, Indonesia proposed to make ASEAN a Nuclear Weapon Free Zone (NWFZ). The proposal was backed by Malaysia, but was met with resistance elsewhere, mainly so as to not alienate the nuclear powers that had strategic interests in the region. The *Southeast Asia Nuclear Weapon-Free Zone* (SEANWFZ) came into force in 1997, and is an important component of the ZOPFAN agreement.

### 3.3.2: The Cambodian conflict

Another success for ASEAN in which Indonesia (and to a lesser degree Malaysia) took a leading role was during the Cambodian crisis immediately following the Vietnamese invasion of Cambodia in 1978. Immediately after the invasion, the ASEAN states adopted a joint position opposing the Vietnamese invasion, fearful of further Vietnamese aggression. Malaysia and Indonesia, however, regarded China as the greater and more imminent threat to ASEAN territory, and was thus more inclined to moderation in the negotiations with Vietnam. To these two states, Vietnam was seen as a potential bulwark against Chinese influence. Both states supported the official ASEAN view, but would not accept a Thai plan to throw the Vietnamese out of Cambodia by force. As the conflict reached a stalemate by the mid 80s, Indonesia attempted to bring the conflicting parts together. Despite ASEAN condemnation of the Vietnamese occupation, Indonesian Foreign Minister Mokhtar travelled to Ho Chi Minh City. Jakarta also held bilateral talks with the regime in Hanoi, trying to settle the conflict peacefully (Acharya 2001). In many ways, Indonesia acted on its own in this regard, but in order not to alienate Thailand and Singapore, as well as to reinforce its informal leadership in the Association, Indonesia hosted a series of informal meetings in Jakarta (JIMs) in the late 1980s. Attending these meetings were representatives from all major actors in the conflict – the different Cambodian factions, ASEAN, Vietnam and Laos. Despite its high level of activity during the conflict which dragged on for twelve years, pressure from ASEAN alone could not push Vietnam to withdraw from Cambodia. Instead, Great Power politics would decide on the outcome of the crisis, and at the United Nations’ Paris Peace Conference of 1991, a resolution was reached in the Security Council, ensuring Vietnam’s
withdrawal from Cambodia within short time, after more than twelve years of occupation (Narine 1998).

3.3.3: Recent developments

Today, Indonesia’s position in ASEAN is weakened, although the country is still the largest country in the Association, according to both the size of its economy and size of its population. Sudden political and economic developments have contributed to this deterioration of Indonesia’s leadership role, both triggered by the Asian Financial Crisis of 1997-98. What started in Thailand as a currency crisis, and stayed that way in most of ASEAN, triggered a series of economic and political events in Indonesia that culminated with the downfall of General Suharto in 1998. In Malaysia, the currency crisis hit hard as well, but unlike in its archipelagic neighbour, the crisis did not cause any major political disruptions.

Political implications of the Crisis in Malaysia and Indonesia

While the crisis remained economic in most of the other Southeast Asian countries, which quickly picked up the pace and resumed growth, the crisis escalated into a political crisis Indonesia. Due to both soaring prices on food and fuel, and to the acceptance of an IMF “rescue package”, riots erupted in Jakarta. In May 1998, Suharto, Indonesia’s President over the last 32 years, was forced to step down. The political chaos that followed the retirement of Suharto and the interim leadership of B.J. Habibie, threw the country even further into misery. Democracy was a whole new experience for both the people and the leaders. Additionally, the TNI (the Indonesian Armed Forces) wanted its say, unemployment and poverty rose, and corruption was running rampant. With temporarily weak government control, peripheral provinces such as Aceh, West Papua and East Timor started to test their new environment. In Aceh and West Papua, old armed conflicts blossomed once again. Chaos and civil war ravaged East Timor, which after a long struggle finally could celebrate independence in May 2002. With increasing internal unrest and unstable political climate, Jakarta could not prioritize backing up its political voice in ASEAN to maintain its low-key leadership role.
Contrary to Indonesia during the crisis, Malaysia never accepted any IMF rescue packages. In retrospect, that was probably a very wise move, considering what the demands for tighter fiscal policy did for the Indonesian economy. Instead, the Malaysian government stood free to undertake what they decided was the most effective measures to turn their economy back around. With effective damage control measures in place, riots like the ones ravaging Jakarta and ultimately leading to Suharto’s resignation never erupted in Malaysia. The political regime stood its ground and stability could quickly be re-established. Thus, while the currency crisis triggered a political earthquake in Jakarta and the rest of Indonesia, the regime of Dr. Mahathir Mohammad was never threatened. Also, contrary to what happened in Indonesia, Kuala Lumpur never had to deal with provincial rebellions like Jakarta had to in East Timor, and still has to deal with, in Aceh and West Papua. In that way, the new Prime Minister Anwar of Malaysia is able to channel resources to work within and towards ASEAN in a way Indonesia temporarily has had to relinquish.
Chapter 4: AFTA: An empirical overview

4.1: The creation of AFTA and the implementation of the CEPT scheme

In 1977, ASEAN agreed on the establishment of a Preferential Trade Area. It never became an immediate success, as most of the 20,000 commodities being included under the PTA, were traded lightly between the ASEAN-countries. The Philippines, for instance, happily slashed tariffs on the import and export of snowploughs within the PTA. Indeed, between 1973 and 1985, total intra-ASEAN trade only increased by 4 percentage points (Anwar 1994: 73). Despite its shortcomings, however, the PTA became the foundations upon which one of the most significant developments of the later years was built.

The creation of the ASEAN Free Trade Area, or AFTA, was formally declared in January 1993 by the 6 members of ASEAN. The original intention was to have 98 percent of intra-ASEAN trade tariff-free by 2008, which was subsequently pushed forward to 2005 and then finally to 2002. The mechanism for implementing this tariff-free ASEAN Market was the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme. Later, it was agreed that tariff-free in fact meant that the tariff lines for all of the commodities, or items, in the Inclusion List would have been lowered to somewhere in the range of 0-5 percent (ASEAN 1998: 2). It is important to note, though, that only the original 6 signatories to the CEPT Scheme were required to meet the goal by 2002 – the four new members were allowed more time to adapt to the demands of the CEPT due to their lower levels of development. That meant that Vietnam, as the most developed of the new four members of ASEAN, is required to fulfil its obligations to AFTA by 2006, Burma and Laos by 2008 and Cambodia by 2010.

4.1.1: CEPT

The CEPT Package also provides, besides the Inclusion List, a list over temporarily excluded, sensitive, and generally excepted tariff lines (items). The Inclusion List, as stated above, contains the complete number of items set for tariff reduction if above 5%, scheduled to be completed by 2002, and complete tariff
elimination by 2010 (ASEAN-6 only). Although this list contains a large majority of all intra-ASEAN tradable commodities (all agricultural and manufactured products), exceptions do occur. The provision for such exceptions is included in the Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (1992), article 9:

“Nothing in this Agreement shall prevent any Member State from taking action and adopting measures, which it considers necessary for the protection of its national security, the protection of public morals, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic and archaeological value.”

On the General Exceptions List (GEL) are items, which according to ASEAN are permanently excluded from the AFTA-CEPT scheme for being a threat to the areas listed in article 9 quoted above. Items on the Temporary Exclusion List (TEL) are allowed some flexibility with regard to implementation into the Inclusion List, due to some countries “facing real problems on their last tranche of manufactured products in their Temporary Exclusion Lists” (ASEAN 2002b: 4). The last category of exceptions is the Sensitive/Highly Sensitive List (SL). This list includes a small number of agricultural items (mostly rice) deemed sensitive for national production. The items on this list are scheduled for transfer to the Inclusion List by 2010. In 2001, ASEAN-6 had a total of 43,675 tariff lines on the Inclusion List, out of a total of 44,447\(^3\) (98,3\%). Furthermore, 245 items were temporarily excluded, 377 were generally excepted, and 150 items were deemed sensitive.

4.4: Dedication to AFTA in the years 2001-2004

In this section I attempt to measure Indonesia’s and Malaysia’s dedication to AFTA by examining the data provided by ASEAN. These come in the form of spreadsheets containing complete lists over which items are included, excluded and sensitive. In order to operationalize “dedication,” I have chosen simply to look at the rate of new items added to the inclusion list, the actual number of items in the CEPT compared with others. I will also go qualitatively through the items that are excluded or deemed sensitive.

\(^3\) Source: ASEAN Secretariat: http://www.aseansec.org/16349.htm
4.4.1: Statistical evidence

I will begin this section by reviewing the statistical evidence found in the official data provided by ASEAN, namely the consolidated CEPT packages 1998-2004 for Indonesia and Malaysia respectively.

Table 2: Consolidated CEPT Package 1998-2004.

<table>
<thead>
<tr>
<th>Year</th>
<th>Inclusion List</th>
<th>General Exceptions</th>
<th>Sensitive List</th>
<th>Temporary Exclusion</th>
<th>Total tariff lines</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Indonesia</td>
<td>Malaysia</td>
<td>Indonesia</td>
<td>Malaysia</td>
<td>Indonesia</td>
</tr>
<tr>
<td>1998</td>
<td>6622</td>
<td>8621</td>
<td>45</td>
<td>4</td>
<td>541</td>
</tr>
<tr>
<td>2001</td>
<td>7192</td>
<td>10039</td>
<td>68</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>2002</td>
<td>7206</td>
<td>10041</td>
<td>68</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>2003</td>
<td>7429</td>
<td>10116</td>
<td>92</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>2004</td>
<td>11028</td>
<td>11661</td>
<td>100</td>
<td>25</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: ASEAN Secretariat

Perhaps the most important thing these statistics can tell us is that Indonesia appears to increase its dedication to the AFTA agreement by gradually introducing more tariff lines into the Inclusion List. Malaysia does not have the same progression, but on the other hand, it did have close to 2800 more tariff lines included in 2001 than Indonesia had. It is also interesting to note that Malaysia has managed to keep 218 items on the Temporary Exclusion list. Indonesia, on its side, has more than doubled the number of items on the GEL since 1998.

In 2004, ministers from the two respective countries reported that for Malaysia the percentage of tariff lines in the 0-5% range fell from 99,6% to 94,2% in 2004, due to the expansion of tariff lines included in the CEPT. The percentage of items where tariff lines have been eliminated also fell, from 60,3% to 50,5%. For Indonesia, 100% of the items on the Inclusion List were in the 0-5% range in 2003, and the same was scheduled for 2004. Total elimination of all tariff lines is scheduled for 2010 for both countries.

Although the statistical data above provides us with important information, it is none the less insufficient for our purposes. Thus, we have to find out which are the items not scheduled for tariff removal. To do that, the published Consolidated CEPT Packages for the years 2001-2004 for Indonesia and 2001-2003 for Malaysia come in handy. These can be found on ASEAN’s homepages, and prove invaluably for our

purposes thus far. In 2001, the primary items on the General Exception List of the two countries were the same, namely alcoholic beverages and weapons. This fits well with the article 9 in the CEPT agreement. Both countries are Muslim states (if not based on Sharia law), and thus the import of alcoholic beverages and the components necessary for distillation of such beverages is strongly controlled. Further, it should come as no surprise that the Malaysian and Indonesian governments respectively would want to keep weapons and firearms on the General Exceptions List, in order to protect the national security as stated in article 9. The list of weapons and firearms on the GEL ranges from knives and hand weapons, via small pistols and revolvers to military class assault weapons. The following year, the items on the GEL were the same in the case of Indonesia, while it was reduced by ten items in the case of Malaysia, as can be seen in table (2). Also, on the Indonesian GEL, certain narcotic substances were included, most notably opium alkaloids and cocaine, and their respective derivatives.

In 2003, Indonesia added 34 items to their General Exceptions List. Some of these represented an expansion of general categories already included, such as weapons and firearms, while some items were new. These were (and still are) all related to waste management. Examples of such items are municipal wastes and sewage sludge. The eight new items added in 2004 were also additions to the major groups already included (alcohol, weapons and residual products – waste). During the same years, Malaysia kept the number of items in the GEL constant.

Malaysia has been allowed 218 items on their Temporary Exclusion List until now. All of these are related to the automotive sector, mostly in the form of completely knocked down vehicles (CKD), but also in the form of completely built up vehicles (CBU). The reason for this trade controlling measure becomes obvious if one does just a little research on the Malaysian automotive industry. One will then find out that 90% of the vehicles sold in Malaysia is produced wholly or partly by the two national car manufacturers; PROTON and PERODUA (UNESCAP 2002: 71). According to ASEAN, Malaysia agreed to the transfer of all these 218 items into the Inclusion List by January 1st 2005, reducing their intra-ASEAN tariffs to a temporary 20 percent.
Finally, there are a small number of tariff lines on the sensitive/highly sensitive list, which all eventually will be transferred to the inclusion list. In 2004, however, Indonesia had 25 items deemed sensitive, while Malaysia had 8. These 8 were all different kinds of rice, which, least partly, is a result of the policy of self-reliance in the way of certain agricultural foodstuffs. To protect the national rice production is thus seen as vital for the nation’s self-containment when it comes to the supply of rice. The same reasoning is valid for Indonesia, whose 25 products in the SL all are either rice-related (19 items) or sugar-related (6 items).

The eight Malaysian items on the sensitive list as of 2004 represents a major reduction since 2002, when there were 83 items on this list. Of these 83 products, many were different fruits such as pineapples, bananas and melons, along with some tobacco-related products, some few live animals, as well as the sugar-products and types of rice still in the Sensitive List. While Malaysia has reduced its number of sensitive products, Indonesia has increased its number somewhat. All four items in 2002 were different rice types, while sugar was added in 2002.

4.4.3: Non-tariff trade barriers

The United Nations Conference on Trade And Development (UNCTAD) has identified 7 other categories of trade control measures besides regular tariffs, that may be or have been adopted by states in order to protect national enterprises from outside competition. ASEAN has adopted these categories for the sake of working towards the elimination of non-tariff measures (NTMs). Of these NTMs, customs surcharges, defined by UNCTAD as “an ad hoc trade policy instrument to raise fiscal revenue or to protect domestic industry,” affects the single largest number of tariff lines. NTMs classified as technical measures, often requiring products to fulfil certain technical specifications are second most important in our case. Import quotas represent another category that may seriously hamper free trade between the members of such a trade arrangement.

As of today, Indonesia has NTMs in place for 435 products. Approximately half of those are different kinds of prepared and unprepared foodstuffs, salts and spices, and other agricultural products. Included are also most kinds of alcohol, as well as
some 40 odd tariff lines within the textile industry. The reasoning for having such NTMs in place for a majority of the items is given either as to “protect consumer health” or to “assure consumer’s safety.” Malaysia has far fewer identified NTMs, but still has between 110 and 120 in place. Close to one third of these are within the agricultural or food sector, including ten separate tariff lines for unroasted coffee alone. Also included are 19 articles related to the automotive sector, regulated by non-automatic licensing and described to work by ways of a discretionary import license.

It cannot be said that these findings are particularly surprising. The textile industry is among Indonesia’s largest industries, and employs a large number of people. The country’s abundant availability of cheap labour power has made it one of the world’s largest producers of textiles. That agricultural commodities, both refined and non-refined are well represented should not surprise anyone. Despite a rapid rise in the GDP share of the industrial and service sector (together almost 75% of the total GDP), 45,5% of the labour stock are still earning their wages in the agricultural sector. To keep people happy in an otherwise difficult economic transition time by keeping certain agricultural NTMs in place must have appeared as a wise policy to the people in power in Jakarta. Equally, as mentioned earlier, the national car projects in Malaysia, the PROTON and the PERODUA, jointly account for 90% of the vehicles sold annually. While AFTA already has been declared realized with regard to tariff reductions, the progress towards the elimination of NTBs has been slow. Thus, the AFTA Council Ministerial Meeting urged its member countries “to accord priority attention to the removal of non-tariff barriers.”

4.4.4: Other indicators

Trade

It is often useful to look at the size of the intra-regional trade flows to measure the strength and efficiency of a regional trade arrangement (RTA). After all, as stated by Gaulier et al., “since distance is an obstacle to trade, it does not come as a surprise that countries use to trade more intensively with their neighbours” (2004: 14).

Table 3: Intra-bloc trade as share of total trade (exports/imports). Million U.S. dollars and percentages.

<table>
<thead>
<tr>
<th></th>
<th>Total exports</th>
<th>Total imports</th>
<th>Intra-bloc exports as share of total exports</th>
<th>Intra-bloc imports as share of total imports</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1996</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASEAN 6</td>
<td>323 361</td>
<td>350 606</td>
<td>25.0 %</td>
<td>18.3 %</td>
</tr>
<tr>
<td>Indonesia</td>
<td>53 845</td>
<td>46 619</td>
<td>15.4 %</td>
<td>11.9 %</td>
</tr>
<tr>
<td>Malaysia</td>
<td>74 247</td>
<td>75 303</td>
<td>30.6 %</td>
<td>19.5 %</td>
</tr>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASEAN 6</td>
<td>407 579</td>
<td>342 233</td>
<td>22.7 %</td>
<td>20.9 %</td>
</tr>
<tr>
<td>Indonesia</td>
<td>62 124</td>
<td>33 515</td>
<td>17.5 %</td>
<td>20.2 %</td>
</tr>
<tr>
<td>Malaysia</td>
<td>98 155</td>
<td>79 648</td>
<td>24.9 %</td>
<td>20.0 %</td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASEAN 6</td>
<td>423 812</td>
<td>354 570</td>
<td>22.8 %</td>
<td>20.4 %</td>
</tr>
<tr>
<td>Indonesia</td>
<td>61 058</td>
<td>32 551</td>
<td>17.6 %</td>
<td>24.7 %</td>
</tr>
<tr>
<td>Malaysia</td>
<td>99 378</td>
<td>80 091</td>
<td>26.8 %</td>
<td>17.9 %</td>
</tr>
</tbody>
</table>

Source: ASEAN Statistical Yearbook 2004

As we can see from table 3, the institutional development rate of AFTA has gone up through tariff reduction and generally preferential treatment. Intra-bloc trade, on the other hand, has stayed in the lower ranges. As can be read out of the table, intra-bloc exports only contributed with a 25% share of the total exports from the ASEAN 6. This share even decreased somewhat over the following years. This decrease can partly, but not solely, be contributed to the Asian Financial Crisis. Intra-bloc imports make up an even smaller share of the group’s total imports, although it has increased slightly from 18.3% in 1996 to 20.4% in 2003. A look at the numbers for Indonesia and Malaysia respectively reveals that Indonesia’s intra-bloc exports make up an even smaller share of its total exports; 15.4% in 1996 and 17.6% in 2003 imply that the region’s largest economy is less oriented towards its neighbours than are the ASEAN 6 group as a whole. Malaysia, on its side, exports a somewhat larger share of its merchandise to the ASEAN 6 market, with 30.6% in 1996 and 26.8% in 2003. Also, for Malaysia, being an excellent exponent for the export-led growth strategy, exports are an extremely important income source. Total exports equalled more than 73% of its GDP in 1996, surpassed total GDP in 2000 and 2001, and equalled 96.3% in 2003 (ASEAN 2004b). Import-wise, Indonesia today imports a larger share of its total from its fellow ASEAN 6 members (24.7% in 2003), which is a significant increase from the 11.9% share in 1996. The development in Malaysian imports are somewhat less
Chapter 4: AFTA and economic integration

Jens Ottar Stærkebye

encouraging from a pro-ASEAN point of view, with intra-bloc imports contributing with a 19.5% share of total imports in 1996 and 17.9% in 2003.

Finally, if we compare ASEAN’s share of intra-bloc trade to other significant free trade areas, we find that the North American Free Trade Area (NAFTA) had a share of more than 40% in 2003\textsuperscript{6}, while the Euro zone in the European Union had a share close to 62%.

*Foreign Direct Investment*

The second indicator on economic and financial regionalisation is the share of intra-bloc FDI flows to the total FDI flows. UNCTAD defines FDI as

“…an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)” (UNCTAD 2004a: 345).

Much the same as with trade flows, a high share of intra-bloc FDI flows indicate a high degree of regional orientation. Generally, increasing FDI flows into a country or region indicates a more attractive investment climate. One of the main ideas behind an RTA or Regional Investment Arrangement (such as the ASEAN Investment Area, AIA), is to make the markets included in the agreement more attractive and competitive than other extra-bloc markets. Furthermore, in most developing countries, FDI inflows are among the most important income sources. The 10 countries of the ASEAN region, along with the countries of Northeast Asia (excluding Japan) are among the world’s largest recipients of FDI, which constitutes a large share of their GDP.

Table 4: Share of total FDI inflows to ASEAN by selected countries of origin. Million U.S. dollars at current prices, and percentages. Negative signs mean disinvestment.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WORLD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASEAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outflow into ASEAN</td>
<td>4 272</td>
<td>1 195</td>
<td>3 557</td>
<td>2 069</td>
</tr>
<tr>
<td>Share of total inflow to ASEAN</td>
<td>14.3%</td>
<td>5.1%</td>
<td>26.4%</td>
<td>10.7%</td>
</tr>
<tr>
<td><strong>Indonesia</strong></td>
<td></td>
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<td></td>
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</tbody>
</table>

Table 4 above shows the total inflow of FDI into ASEAN, along with the value and share of intra-ASEAN FDI inflows and the inflows of FDI into ASEAN originating from Indonesia and Malaysia respectively. As we can see, the total FDI inflow into ASEAN from the rest of the world has decreased rather drastically between 1996 and 2003. Much of the decline in the FDI inflows can be contributed to the Asian Financial Crisis, and the deterioration in the investment climate in the region in the aftermath of the crisis. Fluctuations in the shares of intra- and extra-ASEAN FDI are heavy, however, but such fluctuations are not uncommon as FDI flows are by nature volatile. Today, Europe is the largest investor by FDI inflow terms in ASEAN, followed by the United States and Japan (ASEAN 2004b: 146).

If we look at ASEAN’s share of FDI inflows into Indonesia and Malaysia, we see that ASEAN has played a lesser role in the investment climate in Indonesia than in Malaysia during the last 10 years. In 1995, ASEAN contributed 14% of the total FDI flows into Indonesia, compared to 30.2% of the flows into Malaysia. The crisis years caused some very real damage to the investment climate in Indonesia (and to a lesser degree in Malaysia), and in the post-Crisis years, investment turned to disinvestment. In 2000, 5.1% of the total disinvestment in Indonesia originated from the Association. 2002 appears to have been a very special year, as the world seemingly had no faith whatsoever in Indonesia, while the other ASEAN countries invested rather heavily in the post-Suharto economy. While net FDI inflow that year was no more than 144 million U.S. dollars, the amount of FDI originating from ASEAN even outsized the amount of disinvestment from the rest of the world. This trend continued, if somewhat subdued, in 2003, while ASEAN disinvestment continued in Malaysia.
Table 5: ASEAN Foreign Direct Investment in Indonesia and Malaysia. Million U.S. dollars and percentage.

<table>
<thead>
<tr>
<th>Year</th>
<th>Indonesia</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ASEAN FDI</td>
<td>Percentage of total FDI</td>
</tr>
<tr>
<td>1995</td>
<td>608,9</td>
<td>14,0 %</td>
</tr>
<tr>
<td>2000</td>
<td>-232,6</td>
<td>5,1 %</td>
</tr>
<tr>
<td>2002</td>
<td>1,336,6</td>
<td>923,7 %</td>
</tr>
<tr>
<td>2003</td>
<td>384,0</td>
<td>-64,5 %</td>
</tr>
</tbody>
</table>


**FDI stock**

While FDI flows tell us something about the amount of FDI flowing into and out of a country or region for any given year, FDI stock tells us something about the accumulation of foreign direct investment over time. UNCTAD defines FDI stock as “the value of the share of the capital and reserves, including retained profits, attributable in an affiliate enterprise to the parent enterprise, plus the net indebtedness of the affiliate to the parent enterprise” (UNCTAD 2004b: 34). As opposed to FDI flows, however, FDI stock is much harder to estimate, especially in the developing world. Table 6 shows the size of the FDI inward and outward stock of Indonesia and Malaysia respectively, as well as FDI stock as share of the total GDP. It also tells us something about the two countries’ reliance upon FDI as a source of income.

Table 6: FDI stocks in Indonesia and Malaysia. Million U.S. dollars and percentages.

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI inward stock</th>
<th>FDI inward stock as share of GDP</th>
<th>FDI outward stock</th>
<th>FDI outward stock as share of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>50 601</td>
<td>25,0 %</td>
<td>1 295</td>
<td>0,6 %</td>
</tr>
<tr>
<td>Malaysia</td>
<td>28 731</td>
<td>32,3 %</td>
<td>11 042</td>
<td>12,4 %</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>60 638</td>
<td>40,4 %</td>
<td>2 339</td>
<td>1,6 %</td>
</tr>
<tr>
<td>Malaysia</td>
<td>52 747</td>
<td>58,5 %</td>
<td>21 276</td>
<td>23,6 %</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>57 209</td>
<td>27,5 %</td>
<td>2 710</td>
<td>1,3 %</td>
</tr>
<tr>
<td>Malaysia</td>
<td>58 979</td>
<td>57,2 %</td>
<td>29 686</td>
<td>28,8 %</td>
</tr>
</tbody>
</table>

Sources: UNCTAD World Investment Report
Chapter 5: The Myanmar Crisis

Since ASEAN admitted Myanmar into its ranks in 1997, the situation in the country has become more and more of a liability to the Association. ASEAN’s policy towards the ruling military junta has been through the approach of constructive engagement. In this chapter, I will focus on the security aspects of the situation in Myanmar. In the first section I will review the “new” security concept, or the notion of expanded or broadened security. As I have stated above, there are several dimensions of the situation in Myanmar that defies the traditional (military) concept of security. After the end of the Cold War, though, the field of international relations and strategic studies has seen the necessity of broadening its horizon to also include new types of security. I try to place ASEAN’s challenges in Myanmar within such an expanded, or broadened, framework.

5.1: The “New” Security Concept

The concept of security has changed dramatically after the end of the Cold War. State security is more often than not threatened from within and not from external sources. With the lack of real external threats to national security, focus has been directed at other threats, through the so-called securitisation of non-security issues. Such securitisation of non-security issues usually comes when issues are upgraded from the area of “low politics” to the area of “high politics”. Furthermore, such a deepening of the security concept might also mean that the sovereign state no longer is seen as the sole referent object, “that is, units receiving threats – adding individuals, ecological systems, community, etc. to the traditional state-centric agenda” (Huysmans 1998). Alas, the concept of new security might mean both that certain issues formerly regarded as outside the framework of state security now has become part of the states strategy for survival, as well a widening of the concept itself, including other units than the state in the study of security.

There are mainly four groups of new security issues that constitute the mentioned widening of the security concept, at least in the way that I will use it in this chapter, namely political security, economic security, societal security and environmental
security (Møller 2000). These four categories are at least partly based on work done by Richard Ullman, who in 1983 wrote that

“over the past decade or so a vast array of public interest organizations have begun to put forward alternate conceptions of national security (…) limiting population growth, enhancing environmental quality, eradicating world hunger, protecting human rights and the like” (Ullman 1983: 152).

Thus, also the shift in international security policy from hard security, that is state security by military means, to what may be called soft security, i.e. human security and human rights, deserves some attention. This deepening of the security concept has specific relevance in the case of Myanmar, as we shall soon see. Suffice it to say at this point, that the relationship between state security and human security is inherently opposing, and that the ASEAN way of non-interference may be incompatible with the United Nations’ emphasis on human security.

5.2: The Myanmar situation

5.2.1: Military dictatorship

The military junta currently ruling Myanmar has been in power for almost 17 years, after seizing power in September 1988 following the revolution overthrowing General Ne Win. The junta known as the State Law and Order Restoration Council (SLORC), and later the State Peace and Development Council (SPDC) entered the corridors of power. Mass arrests on thousands of demonstrators followed. Influential figures, amongst them Aung San Suu Kyi, daughter of the independence hero Aung San, were detained by the new regime (Buzzi 2001: 12-14). Following the military takeover, the junta changed the name of the country from Burma to Myanmar.

In order to achieve legitimacy to their actions, the junta declared new parliamentary elections to be held in 1990. When Aung San Suu Kyi’s party, the National League for Democracy (NLD) won the elections by a landslide victory, SLORC declared the results illegal and suspended the constitutions indefinitely (Clark 1999: 773). Although there has been several figurehead Prime Ministers since 1988, the true power is general Than Shwe, who assumed chairmanship over SLORC in 1992. Than Shwe disbanded SLORC in 1997, only to rename it the State Peace and
Chapter 5: The Case of Myanmar

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Development Council (SPDC) and resume leadership over the country. The change was merely cosmetic, and General Than Shwe remains in power of the country.

During the years of SPDC rule, members of NLD has continually been harassed, assaulted and arrested. Nobel Laureate Aung San Suu Kyi has remained in varying levels of custody and house-arrest since 1989. Following talks between the SPDC and NLD, all travel restrictions – even outside Yangon – on Suu Kyi was lifted in 2002. On May 30, 2003, however, the SPDC again caused international outrage as Nobel Laureate Suu Kyi and a convoy of her supporters were attacked by “government-affiliated thugs.” Consequently, Suu Kyi was detained and once again placed in house-arrest, while the SPDC continued trying to break down its main political opponent.

5.2.2: Myanmar and the external environment

Of its three non-ASEAN neighbours, Myanmar has the closest ties to China. Trade increased dramatically between the two countries through the 1990s, and political and military relations were strengthened (Buzzi 2001: 50). Arms purchases from China helped the Burmese armed forces modernize during the 90s, which also increases the junta’s control over the population. These purchases have often been extremely favourable for Myanmar, in exchange for political and strategic influence for China (Selth 2001: 17). India’s relationship with Myanmar has improved since the late 90s, which might be interpreted as a counterstrategy against Chinese domination. Several issues still remain; especially along the border where Indian and Burmese based rebel-groups have been known to cooperate (Buzzi 2001: 51). Strategically, Myanmar lies in the middle of overlapping fields of interest between China and India, related to the increased need for new energy sources such as oil and liquefied natural gas. As Asia Times states; “as both countries reach out to ensure their oil and gas supplies for the future, they will compete and they will cooperate. Myanmar is one country in the region where this convergence of interests may be demonstrated.”

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8 Source: Asia Times April 12, 2005 [Online]: “The energy ties that bind India, China” by Ramtanu Maitra
The European Union and the United States have adopted very similar strategies towards Myanmar. Economic sanctions have been introduced, such as the suspension of all “non-humanitarian aid or development programmes” (EU 2004). The EU does not ban trade with Myanmar, while the US does through “an arms embargo, bans on new investment and imports, an asset freeze, and a prohibition on the exportation of financial services to Burma and the provision of financial assistance to the GOB”. Furthermore, visa restrictions have been put in place, so that high ranking officials (military or governmental) cannot visit any European Union member state as long as the sanctions are in place (ibid.). While this restriction might not seem too big a deal, its importance becomes clear when one takes into consideration the bi-annual Asia-Europe Meetings (ASEM), which is alternately hosted by Asia and Europe. The United States has a similar policy in place. All these sanctions have been introduced in order to assure the release of all political prisoners, such as Daw Aung San Suu Kyi, U Tin Oo and Hkun Htun Oo, the re-opening of NLD offices, and a genuine effort towards the development of a constitutional democracy in Myanmar.

Finally, Japan has adopted something of a middle position between ASEAN and the EU/US line towards Myanmar. Camilla Buzzi writes that Japan’s policy “may be interpreted as an effort to balance the Western position and as the result of Japan’s preference for solutions that link aid and political reform” (Buzzi 2001: 52).

5.3: ASEAN Policy towards Myanmar after 1988

While the Western world reacted to the military takeover in Burma in 1988 with sanctions and condemnation, ASEAN regarded the incumbency coup in light of its non-interference policy. Thus, ASEAN viewed the Western condemnation of the SLORC’s disregard of human rights as external meddling in a country's internal affairs – the same reason why the Association had remained silent on the matter of Pol Pot in Cambodia in the 70s. Instead of sanctions and condemnation, the Association responded with the concept of ‘constructive engagement’.

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9 Source: The U.S. Department of State online: [http://www.state.gov/p/eap/rls/rpt/43970.htm](http://www.state.gov/p/eap/rls/rpt/43970.htm)
5.3.1: Constructive Engagement

In the ASEAN context, *constructive engagement* can be backdated to 1991, and credited to Thai foreign minister Arsa Sarasin (International IDEA 2001: xv). Burmese lawyer Minn Naing Oo proposes to define the policy of Constructive Engagement as a “…policy which advocates the maintenance of an economic and diplomatic relationship with an authoritarian state as opposed to imposing sanctions and embargos on it. It has been described as “promoting economic and political ties, while at the same time pressing for democracy, open markets and human rights”” (Oo 2000: 43).

An Indonesian official stated in 1992 that

“[we] are telling them [the Myanmar regime] very quietly, in a Southeast Asian way, without any fanfare, without any public statements: ‘Look, you are in trouble, let us help you. But you have to change, you cannot continue like this’” (Acharya 2001: 109-110).

Economic development is in turn supposed to lead to political and legal reform, while sanctions only creates a “siege mentality” in the political leadership, which cultivates the hardliners instead of the moderates that might be more willing to introduce political reforms (ibid: 52). There were several reasons for ASEAN to adopt the constructive engagement approach towards Myanmar. Firstly, there was the policy of non-interference, which clearly did not allow for the condemnation of human rights violations and other issues regarded as Myanmar’s internal affairs. Sanctions, along the European and American lines, were considered a violation of this principle. Secondly, the rejection of sanctions and the adoption of constructive engagement might be interpreted as a protest against Western meddling in Asian affairs. Western interference in Myanmar was incompatible with both non-interference and the regional autonomy of Southeast Asia (Acharya 2001: 110). Thirdly, there were both economic and strategic elements for ASEAN to consider. To stay relatively close and friendly with Myanmar became important in order to reduce the SPDC’s dependence on China as both economic and military benefactor. Furthermore, the Association hoped that Myanmar would develop into a market capable of consuming increasing ASEAN exports, and provide easy access to vast natural resources. Finally one must not forget that several of the ASEAN members had rather suspicious records of human rights and democracy themselves,
and it would not look to good for leaders like Suharto to demand democratic and legal reform from the SPDC (then the SLORC), when his own record was just as bad.

5.4.2: The road to Myanmar's membership in ASEAN

The admission of Vietnam into ASEAN was important for Myanmar on several accounts. Firstly, the rapprochement and eventual reconciliation of former enemies became an important signal to the other three non-ASEAN members in the region. That Vietnam was willing change to its way of thinking, so that it more closely converged with the other ASEAN-members was a significant signal to the Association, and clearly strengthened Indonesia’s case for regional autonomy. It also certainly smoothed the road towards membership for the other three. By ASEAN, and especially Indonesia, this meant that the goal of ASEAN-10 and regional autonomy moved one step closer (Acharya 2001: 107). Secondly, that the socialist republic of Vietnam was allowed to join the capitalist club of ASEAN clearly set precedent for the other three non-ASEAN members. It proved that as long as they adhered to the common principles of ASEAN, i.e. non-interference, the ASEAN way, and the accommodation of a market-liberal economy, they would be allowed membership. For Myanmar, this was especially important, in a period where the Western World became increasingly more occupied with issues regarding human rights and democracy.

5.4.3: Indonesian and Malaysian policies towards Myanmar

Myanmar’s membership in ASEAN was by no means automatic, despite the relative easiness with which Laos and Vietnam were integrated. Between 1992 and 1997, the Association of Southeast Asian Nations was struck by discord in the question of Myanmar’s possible membership. For Indonesia, it once again became a question of strengthening regional resilience, and it was argued that the accession of Myanmar into the ranks of ASEAN would strengthen regional autonomy and lend credibility to the approach of constructive engagement (Acharya 2001: 112). Malaysia, on the other hand had reservation, but was about to turn around over the question of Myanmar attending ASEAN meetings.
It is at this point important to remember the visions for ASEAN proposed by Malaysia and Indonesia. As mentioned in chapter 3, Indonesia aspired to become one of the world’s leading middle powers. To achieve this, it firmly believed in national resilience founded upon regional autonomy. Thus, it became imperative for Indonesia to have ASEAN include all Southeast Asian nations, in order to stand stronger against external penetration. The question of Chinese influence was also an important one in Jakarta, as Suharto believed that the encompassing of the four CLMV-countries would act as a buffer-zone towards Chinese influence (Buszynski 1997-98: 563). Because of this, Indonesia has traditionally been a strong supporter of the military regime in Rangoon/Yangon. Suharto also shared some of Myanmar’s experiences with international condemnation, due to repeated human rights abuses in East Timor and other provinces (ibid: 54). In that regard, Indonesia could hardly criticise the junta in Myanmar, and thus, the doctrine of non-interference became a blessing.

5.5.4: Malaysia's many faces

Malaysia under Prime Minister Mahathir, was always one of ASEAN’s more outspoken voices with regard to regional community building. Mahathir had repeatedly tried to merge ASEAN with the Northeast Asian countries, to create a Pan-East Asian Community, to further withstand the influence of the West. The inclusion of Vietnam, Laos and Cambodia was an important step towards bringing at least the Southeast Asian states together. Although Myanmar was admitted into ASEAN under Mahathir’s chairmanship in 1997, Malaysian policy towards Myanmar has changed several times. At the Foreign Ministers Meeting in Manila in 1992, when Indonesia and the Philippines backed Myanmar’s attending ASEAN as a guest, Malaysia opposed the extending of such an invitation because “the ASEAN Foreign Ministers Meeting was not an appropriate venue for engaging the Myanmar junta in a dialogue” (Acharya 2001: 112). Although the unsuitability of the Foreign Ministers Meeting as a forum for discussing Myanmar’s role in ASEAN was the official reason for refusing Burmese attendance, it was assumed that the Malaysian position unofficially was a demonstration against SPDC’s persecution of a minority group of Rohingya Muslims. Under SPDC’s brutal rule in 1991-92, between 150 and 250 thousand Rohingyas fled
to Bangladesh. Malaysia, as a Muslim country, silently opposed Myanmar’s attendance at the ASEAN Foreign Ministers Meeting in Manila 1992 due to this maltreatment of fellow Muslims (Acharya 2001: 111-112). When Malaysia later turned around in its view on Burmese participation as a guest during ASEAN meetings, it was because of a bilateral agreement between Myanmar and Bangladesh, to repatriate the same Rohingya Muslims in 1992-93. Whether or not this deal was partly motivated by appeasing Malaysia (and to a lesser degree Indonesia), is not certain, but it greatly improved relations between mainly Buddhist Myanmar and Muslim Malaysia, and enticed Mahathir to take a new stand on Myanmar’s membership (Zaw 2001: 43).

Indeed, Prime Minister Mahathir stated in 1996, after a meeting with General Than Shwe, that Myanmar’s accession into ASEAN “would accelerate economic and political change and that “constructive engagement” had improved conditions there” (Buszynski 1997-98: 565). Thus, coincidentally or not, it was during Malaysia and Mahathir’s chairmanship of ASEAN in 1996-1997 that Myanmar was acceded to full membership with the Association. Although Malaysia enjoyed far stronger international credibility in terms of regime legitimacy, it was hardly in any position to criticise the Burmese regime. One party has dominated Malaysian politics since its independence, and Mahathir had used his power to consolidate his position as the country’s most powerful man. Political repression was not uncommon, and thus, it was perhaps only natural that Mahathir, as had Suharto, supported Myanmar’s admission in the ASEAN. Today, seven years after Myanmar’s membership, the situation might again be beginning to change.

5.4.5: Myanmar today: The thorn in ASEAN’s flesh

In the years that have passed between Myanmar’s membership in 1997 and until today, it has become increasingly clear that the approach of constructive engagement to a large degree has failed. Instead of instigating political reform and the release of political prisoners, the strategy has to a certain degree consolidated the regime and given it a measure of legitimacy. This is claimed by, among others, Minn Naing Oo, who writes that “the regime, as shown by its attitude towards the ILO sanctions, may
have grown even bolder in its repression, strengthened perhaps by the knowledge that it can always turn to its ASEAN neighbours for support and assistance” (Oo 2000: 44).

Yet, while constructive engagement hardly can be deemed a success so far, neither can the hard-line approach. U.S. and European shares of Myanmar’s total trade are basically too small to make a difference as long as China, and to a lesser degree Japan and ASEAN, continue to trade with the military junta. Thus, sanctions are easy to keep for Europe and the US, but hardly an effective tool, given the small share of Myanmar’s total trade they constitute.

Yet, there should still be hope. Recent developments within the ASEAN community might possibly indicate a shift in the ASEAN Way. Ironically, Prime Minister Mahathir of Malaysia, who had been one of the strongest advocates for Myanmar’s membership in ASEAN, was also the first ASEAN leader to demand changes in the junta’s policy. The reason for this, at least the triggering factor, was the refusal of his wishes to meet with Aung Sang Suu Kyi during a state visit in 2003, after the new detention of the opposition leader (Knudsen 2003: 10). In unusually harsh language, Mahathir actually threatened Myanmar with expulsion from the Association. In June the foreign ministers collectively criticized Myanmar in a joint communiqué issued at the 36th ASEAN Ministers Meeting held in Phnom Penh. In the communiqué the foreign ministers “urged Myanmar to resume its efforts of national reconciliation and dialogue among all parties concerned leading to a peaceful transition to democracy” and “welcomed the assurances given by Myanmar that the measures taken following the incident were temporary and looked forward to the early lifting of restrictions placed on Daw Aung San Suu Kyi and the NLD members.” Despite the careful wording in the communiqué, this is unusually strong demands from the collective ASEAN community.

Then, in February and March 2005, another wave of disappointment with and critique against Myanmar’s military junta flowed through ASEAN. Parliamentarians in Singapore, Malaysia, the Philippines, Thailand and Indonesia openly stated that they believed that Myanmar should not be allowed the chairmanship of ASEAN, a position to which Yangon is entitled due to the ASEAN legal framework. Frustration with the

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10 Asia Times on April 1, 2005 [Online]: “ASEAN set to meddle with Myanmar” by Marwaan Macan-Markar
continued lack of a timeline for the so-called Roadmap to Democracy has been one of the more important reasons for this sudden outburst, which very well might mark the beginning of the end for the principle of non-sovereignty. George Yeo, Foreign Minister of Singapore, and Nazri Abdul Aziz, a minister in Malaysia, have been of the most prominent ASEAN critics during these last few months. Malaysia has been especially vocal in this matter, as it will fall upon them to pass the torch on to Myanmar if the rules are not changed.

5.5: Myanmar in the new security framework

Despite the potential for increased ASEAN pressure on the junta, Myanmar still poses several serious security threats to the Association. In the introduction to this chapter, I outlined the five different aspects of the expanded concept of security. The five aspects are economic security, political security, societal security, environmental security and human security. In this section, I will review how Myanmar in some areas might pose a very real security threat to ASEAN if left unchallenged in the longer run, and in other areas already poses a security threat to itself and the region. However, before doing this, it is necessary to make a few remarks about Myanmar’s importance to ASEAN with regard to the traditional security concept.

Myanmar lies, as mentioned, sandwiched between India and China. It is increasingly depending on China for its development and provision of security. It also has a strategically important position with regard to the supply of energy to its giant north-eastern neighbour. With its eastern ports approaching maximum capacity levels, China will need to find alternative routes for transporting oil and natural liquefied gas to supply its Western provinces. Myanmar’s long coastline towards the Andaman sea might offer the perfect opportunity for the establishment of a deep water port for receiving the energy necessary. A pipeline through Myanmar to China might be seen as advantageous for both parts. However, India’s cooperation is necessary for securing the waters through which the oil tankers have to pass in order to reach Myanmar’s ports. This presents some interesting problems, but these are outside the scope of this paper. Suffice it to say so far that China’s strategic interest in Myanmar far surpasses that of Japan, Europe and the United States. However, one must not underestimate the
incentive for US involvement that Chinese intervention offers. As the US already has a certain human security interest in the region, a confrontation might be possible. It is very unlikely that Myanmar will have the explosive potential of, say, the South China Sea or Taiwan, but there is a certain sense of insecurity resting on the country, even in the traditional sense. Still, the situation in Myanmar presents us with several other security challenges. Two are especially obvious; namely human security and economic security.

5.5.1: Human security

Human security can be defined as being “oriented towards securing the life and basic need of individuals within and across boundaries” (Stepputat 2004: 3-4). The connection to Myanmar and ASEAN is obvious. We have already mentioned the refugee situation in Myanmar and its neighbour states. Approximately 120,000 Burmese refugees living in camps in Thailand close to the border, with another 30,000 living in similar camps in Bangladesh. The majority of the refugees that have settled in camps in Thailand and Bangladesh belongs to different ethnic minorities who have been forced to flee their own provinces because of civil wars between the Tatmadaw\textsuperscript{11} and ethnic groups. Massive numbers of refugees might pose different kinds of threats to the security of the neighbouring nations. Direct security threats are mainly connected to the spill-over effects of violent conflict and refugee warriors. Such spill-over effects may be caused by armed refugee groups carrying with them and continuing a violent conflict with their country of origin (Milner 2000: 12-13). As mentioned earlier, rebel groups based partly in India and partly in Myanmar have conducted guerrilla attacks on the SPDC regime. In Thailand, the Tatmadaw conducted a series of cross-border raids on Karen refugee camps, starting in 1995, posing a serious threat to both the refugee population and the local population (Lang 2001: 5). As an outcome, the spill-over of armed conflicts in border areas, cross-border raids and guerrilla activities may even drag the host state into the conflict (Dowty and Loescher 1996: 49). This is an extreme outcome, though, and there is currently nothing that suggests that this will happen in neither Thailand nor Bangladesh.

\textsuperscript{11} Myanmar’s armed forces
5.5.2: Economic security

Then there is the concept of economic security, which may easily have implications for the entire ASEAN area. Economic security may mean two different things. The narrow definition is to understand economic security as a means to and the foundation of military power. The second and wider definition of economic security may mean two things; firstly it may be to understand economic security as “functional substitute for the use of military power.” Secondly, it may be understood as “invulnerability to economic hazards which need not be created intentionally by an adversarial state” (Møller 2000: 9-10). This wider definition of economic security rests on one important assumption: A state’s security (and sovereignty) depends on it being capable (economically) of protecting and preserving the existing societal structures. In the case of Myanmar and ASEAN, it is the wider definition that appears to be the most relevant one. That ASEAN thus far has defended Myanmar’s right to participation in the ASEM meetings has increasingly become a threat to the cooperation between the ASEAN and EU. ASEAN has for instance repeatedly demanded that Myanmar must be treated by the EU as a part of the ASEAN delegation. The standoff over the situation in Myanmar has put the patience of both sides to the test, almost causing the EU to reject negotiating a new economic treaty with its Asian counterparts (Acharya 2001: 115). Due to the argument above, the possibility of being economically cut off (or at least being put to a great disadvantage) may constitute a great security threat to ASEAN, because the economic loss caused by such repercussions might reduce these countries’ ability to uphold the structures upon which human and state security and sovereignty is depending.

5.5.3: The HIV/AIDS epidemic

Furthermore, there are some areas which might easily be understood as security threats, but which do not necessarily fall under any of the categories examined above. Firstly, there is the mentioned HIV/AIDS epidemic ravaging large segments of the Burmese population. The World Health Organization (WHO) estimates that some 330,000 persons in Myanmar are living with HIV or AIDS. In Thailand, 570,000
people are estimated to be living with HIV/AIDS. Again, it appears that the threat to
Thailand is the most serious, as the immediate neighbour of Myanmar, and the largest
recipient of Burmese refugees. Health related issues such as epidemics of diseases like
HIV and AIDS can be defined into the human security concept, that is, security for the
individual, for instance through the concept offered by the UNDP in its Human
Development Report 1994:

“Human security can be said to have two main aspects. It means, first, safety from
chronic threats as hunger, disease and repression. And second, it means protection from
sudden and hurtful disruptions in the patterns of daily life […] Such threats can exist at
all levels of national income and development” (p. 23).

Although the HIV/AIDS epidemic today is much more widespread and
precarious in Africa, there is no reason to believe that it does not pose the same
potential security threats in the ASEAN area if not dealt with properly.

5.5.4: Transnational crime and regional security

Finally, there is the concept of transnational crime such as drug smuggling and
human trafficking. Myanmar is today one of the two or three largest producers of
opiate-based drugs such as opium and heroin (UNODC 2004: 14). The country is also
considered one of the world’s main producers of methamphetamine (speed), along
with China and the Philippines (ibid: 20). According to the United States Department
of State, Myanmar is also suffering from a huge human trafficking problem, both by
internal trafficking of women and girls for forced prostitution, and the trafficking of
men, women and children from Myanmar to other countries for forced prostitution and
labour (or both). According to the United States Department of State “Trafficking in
Persons Report”, the military junta is one of the major actors in internal trafficking,
and looks the other way when it comes to external trafficking (US Department of State
2004: 88). Alan Dupont, Director of the Asia-Pacific Security Program at the
Australian National University in Canberra, proposes four different reasons why
transnational crime may issue a state or region with serious security challenges (1999).
Firstly it has the capacity to “undermine and subvert the authority and legitimacy of
the government” (ibid: 436). Secondly, developing countries are especially vulnerable
to having an economy with a heavy degree of crime money “because individuals and
elites become habituated to working outside the regulatory environment and the rule of law.” Thirdly, transnational crime poses an international security threat, because the “large-scale criminal enterprise can subvert the norms and institutions that underpin global order and the society of states.” And lastly, revolutionary and insurgent groups can sometimes finance their operations by turning to transnational crime (ibid: 436).

How is this applicable to Myanmar? Despite economic sanctions imposed on the regime by Europe and the United States, the military junta, which is suspected of being largely involved in drugs and human trafficking, the regime reaps huge revenues from this illegal business. As the major drug production centre in the region, Burmese drugs contribute to finance illegal business all over the region. In Indonesia, for instance, it is estimated that more than 3/4 of the military funding originates from non-public sources. Although not all of this is drug money, or stems from other illegal sources, it still participates in weakening the civil society’s control over the military. Trafficking of drugs and persons also contribute greatly to the spreading of HIV and AIDS throughout the region, which further makes transnational crime a security threat to both the individual states and the region as a whole.

Another aspect of transnational crime in the Myanmar context is the issue of weapon smuggling. The Myanmar-China-Bangladesh triangle is known to host several insurgent groups of different nationalities, who could easily make good money smuggling weapons through poorly controlled areas into ASEAN. Thus, Myanmar might very well become the easiest point of entry for large parties of illegal weaponry that might be used both by terrorists and by insurgency groups in the other ASEAN states. With active insurgency groups in Malaysia, Thailand, Indonesia, Cambodia and the Philippines, the direct threat to the region by weapon smuggling should be obvious.
Chapter 6: Analysis

6.1: The point of departure

At this point, before I start on the actual analysis for this paper, it is reasonable to take the opportunity to revisit the point of departure examined in chapter 1 and theoretical positions taken in chapter 2. In Chapter 1, I presented my main research question:

“How do Indonesia and Malaysia approach the regional integration project of which they are part, and how are their policies affected by their participation in ASEAN?”

In order to answer this, I proposed four further sub-questions, which I will systematically examine in this chapter. These were: 1: Which are the approaches to the regional project adopted by Indonesia and Malaysia?; 2: Is it the formal or the informal mechanisms of ASEAN that influence Indonesia and Malaysia the strongest?; 3: Is it security or economy that best define the countries’ position on ASEAN?; and 4: Is it possible that Indonesia’s and Malaysia’s approach to ASEAN might be moving towards two-level intergovernmentalism? In this chapter, I take a systematic approach to my two cases. I examine both cases, answering each of the four questions for both cases respectively.

The existing literature on ASEAN and on regional integration in general has so far presented me with the tools I believe I need to make this analysis work. To summarize this, I believe that the greatest application power lies in Andrew Moravcsik’s intergovernmentalism. The great degree of state-led integration, the importance of celebrated intergovernmental bargains (Mattli 1999: 29-30) and the low degree of popular participation all support this argument, at least in theory. By adopting this theoretical standpoint, I have made some assumptions which I then will apply to my empirical evidence (Chapter 4 and 5). Before venturing on, I will just linger on a theoretical notion for a line or three. As stated in both Chapter 2 and Chapter 5, and which also shall be repeated later in this chapter, the concept of human security is worth taking a look at. The reason why is that human security, i.e. security for the individual, more or less contradicts the more traditional concepts of security, in which state sovereignty and military defence stand central. When human security
seems to be gradually introduced into the ASEAN agenda, it may mean two things. First, it could mean that groups just underneath the government-level are managing to get themselves heard in the political debate, and that this level of politics also participates in defining the state’s preferences, such as the theory of liberal intergovernmentalism argues. Second, it might also very well mean that the leaders of the ASEAN-6 countries have decided that they have more to gain (economically) by adopting a pro-human security policy such as held by Europe and USA. If the former is the case, it certainly brings hope to those believing in a democratic ASEAN. If the latter is true, then it proves that the ASEAN heads of governments are not completely untouchable behind their shield of non-interference. Still, if this is the case, then it might mean that there is no drive towards two-level intergovernmentalism, and that ASEAN still is completely controlled by a select few elite actors. It remains to be seen, and hopefully, the following analysis will throw some light upon these questions.

6.1.1: Comparing the cases

In order to compare the two very different cases of integration related to economy (AFTA) and security (the Myanmar crisis), it is necessary to identify some common points of reference. In my case, these points are defined by the four sub-questions listed above. The four variables are consistent with these four questions, and are also reviewed in Chapter 1. The first variable is “leadership”, which translates into which role Indonesia and Malaysia has put upon themselves in the two different processes. Have they been acting as leaders or stragglers, and do the two cases differ in this regard? The second variable is “mechanisms”, which simply reflect how the interaction between the respective members of ASEAN, and between country and ASEAN as an organisation is played out. Is it through formal or informal channels this interaction takes place? The third variable is “integration sector,” in which I ask which sector is the main driver in the integration process. Is it security or economy? It may seem strange to ask in each of my two cases, but in the end this is a question that should be answered. The last variable I’m looking for is “liberal intergovernmentalism.” This is in order to establish whether or not ASEAN is moving towards such a model of two-level decision making. In the following sections, I will
systematically go through the two empirical cases that I have examined earlier in this paper, in order to identify the four variables listed above. In the conclusion to this chapter, I will compare the two cases, in order to try to answer my original question. Furthermore, as a last point in this section, I have decided to systematize my data further, by dividing each case into three periods. Although this might be a little problematic due to the relatively short time span of the two cases, I believe that it is still possible to defend such an approach. In the case of AFTA, I have identified a pre-AFTA period, which was the time between 1991, when talks of AFTA actually started, and 1993, when it was put into operation. Then there was the period between 1993 and 1997, the period in which the members adjusted to the new regime. Finally, there is the late period, from 1998 until today. In the case of the Myanmar crisis, I have defined the Pre-ASEAN period, in which the ASEAN members discussed Burmese membership, as the period between 1991 and 1997. Then there as the period of adjustment between 1997 and 2003, from Myanmar’s accession to membership and until the new detention of Aung Sang Suu Kyi. The shortest period in this case is from 2003 until today.

### 6.2: AFTA

#### 6.2.1: Which approaches to the regional project are adopted by Indonesia and Malaysia?

All decision-making in ASEAN takes place (formally) at the ministerial level and above. Regular cooperation schemes are often negotiated in the respective Ministers Meetings, while larger decisions are left to the Foreign Ministers Meeting, the Economic Ministers Meetings or the ASEAN Summit, where the respective Heads of Governments meet annually. The (formal) process appears rather simple. They meet, they talk, and they reach an agreement. This was also the case with the Agreement on the Establishment of the ASEAN Free Trade Area. AFTA was first proposed at the Economic Ministers Meeting in October 1991 and a framework agreement was agreed on and signed at the following fourth ASEAN Summit in Singapore in January 1992. AFTA was formally put into operation January 1993 (Bowles 1997: 220). According to Joseph L. H. Tan (1996), it was Thailand who initiated the proposal for the
establishment of the AFTA. Neither Malaysia nor Indonesia is mentioned in particular at any place in the literature as main drivers towards the establishment of the AFTA in this first phase, that is, the Pre-AFTA period. Instead, it may seem as if Indonesia in particular, as the most protected economy in ASEAN had great concerns over the liberalization that implementing the AFTA would lead to. This was mostly due to the fear that their (heavily protected) firms would not be able to compete with more efficient firms in the other ASEAN states (Menon 1996: 4). Malaysia, which along with Thailand was the most developed economy of ASEAN, after Singapore, was, according to Jayant Menon, supposed to play a leading role in the implementation of AFTA (ibid: 3). Instead, calls for stronger protection were issued, and the AFTA project slowed down almost from day one.

In the latest phase of AFTA, things changed. After the Asian Financial Crisis in 1997-1998, the ASEAN countries seemed to realize that it would be necessary to increase intra-regional trading and tighten regional bonds if ASEAN was to survive in the new millennium. The need for increasing regional interactions and creating a favourable investment climate in order to ease the recovery after the crisis was repeated time after time during the AFTA Council Ministerial Meetings. However, the AFTA implementation date had already been re-scheduled prior to the crisis, and to step up the work towards realizing the AFTA in 2003 was a very convenient policy instrument at the time. At the AFTA Council meeting in 1999, it was also agreed that the final realization date of the CEPT scheme would be set to 2002. If we look at the situation today, things are somewhat different from what we ought to expect from the countries’ respective positions on AFTA at the very beginning. As stated in chapter 4, Malaysia had more than 94% of their tariff lines in the 0-5% range in 2004, which was a decrease from 2003 due to an expansion of tariff lines included in the CEPT between the two years. At the same time, only 50.5% of the items included reached 0% tariffs. Indonesia, on the other hand, was in 2003 the first country to reach the goal of 100% of the items within the given tariff-range. To conclude this section, it seems that there has been a change in both Indonesia and Malaysia with regard to which role they play in the economic integration scheme. While they both seemed somewhat reluctant to dedicate themselves completely to AFTA in the beginning, they now seem to be taking
more charge of the process – at least if the tariff reduction rates are anything to judge by. Indonesia was the first country to reach complete 0-5% tariff coverage on the items included in the CEPT scheme, and it is also one of the foremost ASEAN countries with regard to completely eliminating tariffs.

**Regionalism vs. regionalization revisited**

As mentioned elsewhere in this thesis, there is a significant, if often overlooked, difference between regionalism and regionalization. To repeat, regionalism is an active political program or ideology, often based on the notion of a regional identity and shared values. Regionalization, on the other hand, is the actual process, intended or not, of increased transactions between the countries within a region. In our case it can be said that while ASEAN may constitute the political programme of “regionness”-building (Hettne & Söderbaum 2002), AFTA represents the pragmatism of regionalization as a means to regionalism. However, most literature argue that for economic regionalization, for instance through an FTA, to contribute to increased regionalism, intra-regional economic (or financial) transactions should be increasing. In ASEAN, this has not yet been the case. Indeed, despite being celebrated as the most successful regional integration scheme in the developing world, ASEAN has been unable to increase the share of intra-regional trade among its members. Total intra-bloc trade percentages remain in the low twenties, which is far below other trade blocs that may be comparable. The three countries of NAFTA, for instance, has been able to raise the share of intra-regional exports and imports to approximately 41%, while the European Union has by far the largest share of intra-bloc trade, with its 60%.

The perception of Asia as the region with the lowest degree of economic regionalization is supported by Guillaume Gaulier, Sébastien Jean & Deniz Ünal-Kesenci of the French CEPII institute. By examining bilateral export-import-patterns, they have been able to identify a tri-polar world structure, consisting of America, Asia-Oceania and Eurafrica. Of these three “blocs”, Asia (excluding Japan, China and South Korea) has the weakest trade polarization. The same goes for FDI stock, where, using the same method, intra-ASEAN FDI stock (both inwards and outwards) is virtually non-existent. Furthermore, by using the so-called *relative trade intensity index*, they
conclude in their working paper “Regionalism and the Regionalisation of International Trade” that Asia is the Triad-region (America, Asia-Oceania and Eurafrica) that is the least polarized (2004: 5). The Relative Trade Intensity index is a method that is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their respective importance in world trade. The method simply measures trade intensity as the share of one country's exports going to a partner divided by the share of world exports going to the partner. According to this index, which is purely relative and completely independent of the openness and size of the measured economies (ibid: 23), the degree of bilateral trading between ASEAN partners is relatively low, compared with bilateral EU trade relations (ibid: 26). Although the RTI index is a more advanced method than un-weighted aggregation of measuring the polarization of trade the intensity of intra-bloc trade, the trend seems the same. Asia and the ASEAN countries in particular, have lower shares of intra-bloc trade and investment than other comparable congregations of states such as Mercosur, NAFTA and the European Union have. This certainly indicates a low degree of economic regionalization, but this does not necessarily indicate a low degree of regionalism.

6.2.2: Is it the formal or the informal mechanisms of ASEAN that influence Indonesia and Malaysia the strongest?

As in any international or regional organization, much of the interaction between the member states takes place outside the formal organs. However, in an organization like ASEAN, with relatively few and weak institutions, no supra-national powers, and sporadic, if regular, summits, it is reasonable to suspect an even higher degree of informal interaction. Indeed, as stated by Amitav Acharya, the ASEAN Way emphasizes “informality and organisational minimalism” (2001: 5). Acharya, however, was referring to the possibility of ASEAN evolving into a security community, which we shall return to a bit later. In the economic sphere, such evidence is harder to come by. Still, a few factors are worth mentioning. First, given the relatively vague and open formulation of the Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area of 1992, much decisional
power is left to the respective countries. This, in turn, suggests that ASEAN multilateralism works more like a series of bilateral decisions, in an “agree first, negotiate later” fashion. To underline this further, it is stated on ASEAN’s official homepages that although the ASEAN Economic Ministers agreed to accelerate the realization of AFTA in 1995, the implementation of this agreement, and the actual acceleration of the implementation process, took place on a “voluntary or unilateral basis”\textsuperscript{12}.

Thus, there is reason to believe that the informal aspect of AFTA, as much as the formal, defines Indonesia’s and Malaysia’s interaction with ASEAN in this regard. Still, the informal and the formal channels of interaction need not be opposing ones. In this case it is likely that the informal mechanisms at the very least supplement the open and tentative agreements that have been negotiated at the Ministers Meetings and at ASEAN Summits. Another factor worth mentioning is the tendency to leave the settlement of differences, or even conflict settlement, to the member countries themselves. ASEAN prefers such negotiations to be held outside the formal ASEAN framework, as far as it is possible. Indeed, in the AFTA Protocol on Dispute Settlement Mechanism, it is stated that “any differences shall, as far as possible, be settled amicably between the Member States”\textsuperscript{13}.

Given the lack of evidence, it is difficult to say anything concluding about the influence that ASEAN has over Indonesia and Malaysia through its formal institutions and the interaction and transaction mechanisms it offers. As with many other ASEAN agreements, though, the protocols and agreements of AFTA are vague, and leave much to its members’ discretion. Thus, it seems plausible that interaction outside the formal ASEAN framework, between the respective members, such as Indonesia and Malaysia, is very important in this regard. As stated above, however, the decisional power rests on the respective governments, and much of the implementation of AFTA relies on unilateral moves. An example might be the Malaysian decision to include completely built up (CBU) and completely knocked down (CKD) vehicles in the CEPT package one year ahead of schedule.

\textsuperscript{12} Source: \url{http://www.aseansec.org/10097.htm}

\textsuperscript{13} Source: \url{http://www.aseansec.org/16654.htm}
6.2.3: Is it security or economy that best defines the countries’ position on ASEAN?

It might seem a banal question to ask in this context, but there are still some considerations to make. First and foremost, it is important to establish whether economic integration is a goal in itself, whether it is a tool to secure a significant share of the world economy or to achieve other purely economic motives, or whether it is aimed at securing the funds for strengthening the security of the group. In this case, most evidence indicates that AFTA was established with economic gains as the sole motivation. This was to be achieved through the “integration of ASEAN into a single production base, and creating a regional market of 500 million people” (ASEAN 2002: 1). Although virtually all ASEAN countries have been modernizing their military over the last few years, the share of military of the total GDP has not increased significantly since 1997 and until today. Indonesia has increased its military expenditure by only 0.2 percentage points, while Malaysia has increased its share by 0.5 percentage points\(^\text{14}\). The lack of increasing military expenditure might indicate that being a member of AFTA is mainly motivated by economic incentives, although this is not certain. Another factor contributing to this conclusion is the very distinct separation between economic integration and security/political integration in Southeast Asia. Indeed, there have been few substantial links between the economic branch and the security branch of ASEAN. Although the linkage between economy and security might become clearer at later stages of integration, it seems safe to conclude (for now) that AFTA is a goal in itself, and not just a means to increased (traditional) security.

6.3: The Myanmar Crisis

6.3.1: Which approaches to the regional project are adopted by Indonesia and Malaysia?

As opposed to its approach towards the establishment and development of AFTA, Malaysia has assumed (insofar as any country has done so) the mantle of leadership in affairs dealing with Myanmar. The direction of this leadership, however, has had a

tendency to change. Furthermore, it is more than likely that Malaysia’s strong views on Myanmar and Burmese membership in ASEAN has been a result of the personal idiosyncrasies of the charismatic Prime Minister Mahathir, and not necessarily has reflected the Malaysian state’s views. Still, whether or not this is true is not particularly important in this case, since Mahathir enjoyed a large amount of personal power over state affairs, and to a large extent shaped both domestic and foreign affairs to his own wishes during his long period of premiership. Indonesia’s policies towards Myanmar were also dominated by President Suharto, who to a certain extent could relate to the military regime in Myanmar, and therefore supported it.

When we compare ASEAN’s handling of the Myanmar Crisis with the previous case of AFTA, the first thing that strikes us is the extreme lack of multilateralism and the absence of a common goal. Although the Myanmar Crisis has been mentioned at both ARF meetings, Ministerial Meetings and the ASEAN Summits, there have been no negotiations or discussions about how to solve the crisis. Instead, much of ASEAN’s dealings with Myanmar have been on a unilateral or bilateral basis outside the ASEAN framework. Such meetings have often been formal state visits, but outside the formal ASEAN setting. Much of this reluctance to get involved obviously has to do with the principle of non-interference in other states’ internal affairs.

**6.3.2: Is it the formal or the informal mechanisms of ASEAN that influence Indonesia and Malaysia the strongest?**

In this case, the informal mechanisms must necessarily be the dominant influence on our two countries. The reason seems simple: The few formal security arrangements and agreements within the ASEAN framework, such as the Treaty of Amity and Cooperation, ZOPFAN, ARF, and the Foreign Ministers Meetings, are vague and mostly call on the signatories to settle disputes peaceably amongst themselves and not interfere in each others internal affairs. Instead of providing concrete measures aimed at enhancing security and the resolution of disputes and conflicts, ASEAN aims to facilitate unilateral or bilateral resolutions through confidence and trust building. Thus, it seeks to promote bilateral and/or unilateral solutions among its members.
There is plenty of evidence that both Indonesia and Malaysia work through non-formal channels, for instance through quiet diplomacy, both in the case of Myanmar and in other security related cases. During the Cambodia-crisis, for instance, Indonesian high level officials communicated extensively with their counterparts in Hanoi. Malaysia, on its side, came to a bilateral resolution over the Sabah conflict with the Philippines in the early years of ASEAN’s existence. Furthermore, several lesser scale bilateral disputes involving either Indonesia or Malaysia have been resolved, or at least put on hold – partly due to the importance of ASEAN in the foreign policies of the respective countries. In relation to Myanmar, much has been left to bilateralism and talks outside the formal ASEAN framework. Still, the granting of full Burmese membership must be considered a clear, yet ultimately futile, attempt by ASEAN to influence the military junta through formal channels. They believed that membership in the Association would mellow the junta, and make them susceptible to gentle prodding from the other Southeast Asian leaders. Needless to say, that has not happened. Furthermore, although Myanmar’s membership necessarily had to pass through the official channels, the agreement on Myanmar’s participation was very much a result of unilateral proposals from countries like Malaysia, during whose chairmanship Myanmar became a full member of the Association. Also Indonesia, who pursued its own regional agenda along with the ASEAN vision of ‘One Southeast Asia’, supported Burmese membership. Despite the dominance of communicating through channels outside the ASEAN framework, there are a select few cases in which the formality of ASEAN has been used to approach the military junta in Yangon. The most notable case, and most likely the only one worth mentioning, happened when the ASEAN foreign ministers in an unprecedented move went and criticised Myanmar in a joint communiqué following the re-detainment of Aung San Suu Kyi in 2003. That such critique actually was promoted through a formal ASEAN channel, such as at the Foreign Ministers Meeting, reveals quite well how potentially dangerous an unsolved Myanmar crisis might be for ASEAN’s reputation in the rest of the world. That it was Malaysian Premier Mahathir who took the initiative to this critique, and actually threatened Myanmar with expulsion (see Chapter 5) is also important, since Mahathir was once one of the strongest supporters of Burmese membership.
6.3.3: Is it security or economy that best defines the countries’ position on ASEAN?

There are two words that more or less wrap up the existence of ASEAN as a regional organization. The first is sovereignty, the second is economy, and in the case of Myanmar they are both mixed together. Although I argued that the Myanmar crisis indeed must be considered a security hazard if one takes on the new security concept in Chapter 5, it is none the less a fact that economy, and economic security, plays a large part in ASEAN’s interest in Myanmar. I will elaborate this a bit further here.

First and foremost, if one disregards the bold vision of “One Southeast Asia,” there were two mainly economic reasons for inviting Myanmar to become a member of the Association. The first reason was the distinct possibility of Myanmar’s huge population to develop into a market capable of absorbing increased manufacture outputs from the more advanced economies of Singapore, Malaysia, Thailand and Indonesia. The second reason was to gain easy and cheap access to Myanmar’s vast natural resources. As a by-product, or as a rationalisation for the *constructive engagement* approach, it was hoped that increased economic gains from trading with its neighbours would in turn cause development, increased welfare and ultimately increase the Burmese population’s capabilities to demand political reforms. Secondly, an important fact is that *constructive engagement* has failed, and even the ASEAN countries have begun admitting to it. Instead of gently nudging the junta in the right direction, ASEAN’s mantra of non-interference has been utilized by the junta as a shield towards external interference. The increased revenue from trading with the other ASEAN countries has largely been used to modernize the Tatmadaw – the Burmese armed forces – and increase the junta’s hold over the population. Thus, with the lack of economic development and proper re-distribution of wealth, Myanmar has not developed into the market ASEAN had hoped for. Additionally, although the unbearable situation in Myanmar has long been recognized by the Western world, it has not been until recently that the other ASEAN members have been forced to do so. Again, this recognition is primarily motivated by economic factors, as the European Union has threatened to withdraw, or at least refuse to re-negotiate, important trade
agreements between the two trading blocs, unless ASEAN manages to do something about the Burmese human rights situation. Under the threat of being put at an economic disadvantage, combined with the new democratic situation in Indonesia and Malaysia, voices have been raised in order to demand that Myanmar should not be allowed to assume chairmanship over ASEAN in 2006. Although Indonesia has remained relatively quiet on this front, Malaysian parliamentarians have made themselves heard so much the better. But again, this opposition in Malaysia to Burmese “leadership” might stem from economic reasons: If Myanmar is to be allowed to assume the mantle of the ASEAN Chair; it would be Malaysia’s duty to pass it on. This symbolic action potentially could be very damaging to Malaysia’s image in the rest of the world.

6.4: Is it possible that Indonesia’s and Malaysia’s approach to ASEAN might be moving towards two-level intergovernmentalism?

As stated several places elsewhere in this paper, times are changing and democracy is in the making in both Malaysia and Indonesia. Although Malaysia formally has been a democracy since gaining its independence in 1957, it has been under the rule of the same party since then. Although the regime is not necessarily undemocratic, it was known to use authoritarian methods such as extensive cronyism and rigged elections – especially under the long premiership of Mahathir bin Mohamad. During his 22 year long Premiership, he was able to gather almost authoritarian power for his own office. Indeed, Malaysian policy under the reign of Prime Minister Mahathir was more or less formed after his will. Despite being formally bound by the majority in the National Assembly, Mahathir controlled it since it was his own party that constituted this majority. Thus, the preliminary conclusion that intergovernmentalism fits Malaysia’s – and Mahathir’s – approach to ASEAN seems to hold, at least on that account.

In Indonesia, democracy was hardly even formal. Although President Suharto held regular elections, these were no more than political window dressing, with a 100% of the votes being for the President. Being commonly recognized as a personal authoritarian state, Indonesian domestic and foreign policy was dominated by the ideas
of the President and a small circle of close ministers and advisors. Also, being closely linked to the armed forces, Suharto could no afford to alienate the generals who had formerly been his colleagues. Generally, however, Indonesia’s involvement in ASEAN was, as with Malaysia and Mahathir, President Suharto’s project. Indeed, there were some relatively prominent commonalities between the two leaders. Of course, the most obvious was the great concentration of power their respective offices had acquired. The most significant commonality in this regard, however, was the two state leaders’ vision of “One Southeast Asia.” Mahathir’s motivation was what he called “modernization without Westernization,” which could only be achieved by integrating the ten economies and cultures of Southeast Asia, and in the longer run also the entire East Asia. To him, ASEAN became the solution, the first step towards a greater East Asian Caucus. Indeed, it seems safe to say that Malaysia’s participation in ASEAN to a large extent became Prime Minister Mahathir’s personal vision. President Suharto’s view on ASEAN was somewhat more pragmatic. As stated in Chapter 3, Shee Poon-Kim claims that part of Suharto’s motivation for making ASEAN a major part of Indonesia’s foreign policy was that it would serve his own vision of Indonesia as one of the world’s leading middle range powers through regional resilience and autonomy.

Today, much has changed. Both President Suharto and Prime Minister Mahathir have been removed from office, or quit, both in relatively civil and organized ways. Suharto was pressured to retire during the Asian Crisis, while Mahathir was forced by his own party to retire in 2003. In both countries, political affairs have become significantly more democratic. This is most notable in the former authoritarian state of Indonesia. Introducing political reforms and entering the transition towards true democracies, the countries’ approach to ASEAN and regional integration is bound to change. There are several factors to consider here. First, one must be mindful of the few cases even indicating there being a change towards two-level intergovernmentalism. The most significant signal thus far is the afore-mentioned protest by several prominent members of parliament – especially in Malaysia – to Myanmar assuming the Chairmanship of ASEAN. Nazri Abdul Aziz, Minister of Parliamentary Affairs in Malaysia, was quoted in the Asia Times on March 25, 2005, saying “Myanmar's turn to be the chairman of ASEAN [ought] to be suspended and
given to other countries until democratic reforms are carried out”. Indeed, Mr. Aziz represents a group of voices who was rarely heard during the Premiership of Mahathir. According to the thesis of neo-liberal intergovernmentalism, politicians such as Mr. Aziz will contribute strongly in the process of determining the state’s preferences and interests. Although it is too early to say, it is plausible that the ‘new’ democracy in Malaysia following the retirement of Mahathir will facilitate such a turn of events.

6.4.1: Myanmar and the New Security

If the respective states’ participation in ASEAN in the future will depend more upon popular approval, and if interest groups on the domestic level become more involved in the process of determining the state’s preferences, then there will be some interesting and important implications. Of these, one is especially important to this thesis, given the approach taken to the Myanmar Crisis. The implication in question is the potential for increased focusing on the human security concept, and the wider implications this will have for the wider, new security concept. Such increased focus on the human rights situation in Myanmar will also have implications of a similar character in the rest of the region, where many governments have relatively shady records. If this is to happen, though, some changes must be forthcoming, both from the rulers and from those being ruled. As such, there is namely a widely established consensus over the Association’s elite fundamentals. Both in Indonesia and in Malaysia, ASEAN has mainly been supported by the industrial and business elites, as well as the military. The common Indonesian or Malaysian have been relatively unconcerned with an organization that is perceived to be distant and more of a playground for their ‘leaders’, and the Association itself has been relatively unconcerned with the affairs of the common man. However, if ASEAN is to become two-level intergovernmentalistic, there must come forth some changes of attitude. If ASEAN continues to be perceived as a forum for the powers to use, and popular interest in the Association remains low, then it is likely that nothing will change. However, if a gap between the interests of the elites and the interests of the people actually exists in the area of security and the Myanmar Crisis, a change could, and should be forthcoming.
The logic is indisputable: If, through the parliamentary chain, the President’s or Prime Minister’s power truly rests upon a popular mandate, the given government will have to compromise in order to secure renewed support. Thus, whereas the ASEAN governments have been reluctant to deal with the military junta in Yangon thus far, and been able to refrain from taking action, they might in the future have to do something due to popular pressure. It is reasonable to assume that the domestic political parties and members of parliaments might be more concerned with notions of human rights and security, and less concerned with sovereignty and hard security than the heads of governments are. Still, there are always objections to such a view on things. It might, for example, be argued that the preoccupation with human security and the securitization of non-security issues is a typical Western notion, and that the people of the Southeast Asian states do not share this set of values. I can neither prove this argument right nor wrong within the scope of this thesis, but I find it hard to believe, based on my research, that the people of Indonesia – previously deprived of any political rights – or the people of Malaysia share the single minded focus on non-interference and traditional security threats of their (former) leaders.

6.4.2: Another possibility

Although I am positive in my assessment of the possibility that ASEAN might develop into an organization based on the preferences determined by both the respective heads of governments as well as by other political groups on the domestic level, there is always the possibility that I am too optimistic, or even plainly wrong. By re-examining the evidence laid forth in Chapter 4 and 5, as well as in this chapter, there might be indications that this could be the case. First and foremost, there is the possibility that the new pressure which the other ASEAN countries have put upon Myanmar is not at all the result of level 2 politics – domestic politics and negotiations – but of the governments of the leading ASEAN members finally giving in to the pressure from the European Union and the United States. There might be several reasons for such a turn of events, most notably the fact that the European Union have threatened ASEAN with economic sanctions should they fail to engage the regime in Yangon and push for political reforms. As stated in Chapter 5, the European Union has
during the later years become ASEAN’s largest and most important trade partner, and should the EU fail to sign new and preferable treaties with its Asian counterpart it would be disastrous for ASEAN. The likelihood of this being the cases increases even further when one considers the impact of the Asian Crisis. The crisis reminded the former tiger cub economies of Southeast Asia that they were extremely vulnerable to fluctuations in the world market. Also, by threatening to refuse to re-negotiate existing trade agreements, the EU gave the Association a clear reminder of how imperative European trade and investment is to the recovery and continued growth of the respective ASEAN economies.
Chapter 7: Conclusions

Since the Asian Financial Crisis in 1997-1998, the Association of Southeast Asian Nations has been going through a series of changes. Left with a broken back and loss of power in the wake of the Crisis, ASEAN has since managed to re-establish itself as a regional power. With AFTA being officially realized within the ASEAN-6, the Southeast Asian market is becoming an economic bloc to be reckoned with. Likewise, the ASEAN Regional Forum is becoming an increasingly important forum in security related matters in the Asia-Pacific – ASEAN is currently being approached by other actors within the extended East Asian region, and other major global actors. Furthermore, the situation is made much more interesting due to the imminent “clash of civilizations” - all the world’s major powers seemingly converge on the economically and strategically important Asia-Pacific region. In an age of regionalisation and regionalism, trade blocs and new security, ASEAN is becoming an important facilitator when the great powers meet, and it is within such a context that I have chosen to work on this thesis. The purpose of this study has been to identify “How do Indonesia and Malaysia approach the regional integration project of which they are part, and how are their policies affected by their participation in ASEAN?”

This research question has been analysed against a theoretical backdrop of intergovernmentalism. Still, this paper has not been overly concerned with either the motive of falsifying or verifying whether intergovernmentalism (or any other theoretical branches) is a suitable theoretical approach. Instead, the aim of my thesis has been to map the approach of two countries to the regional integration project of which they are part, based on empirical observations. In this final chapter, I will draw some conclusions and sum up my general findings, hopefully tying up some loose ends. I also address briefly some future prospects over ASEAN integration.

7.1: General findings

Through my analysis, I have come to various conclusions with regard to my four questions/hypotheses, which can be summarized as in the table below. In this section, I will make some remarks to some of the more interesting findings. I will address these briefly.
First I asked which approach the two countries had adopted towards regional integration. My hypothesis in this regard was that both countries had assumed various kinds of leadership roles, insofar as their influence and capabilities had allowed them to. The empirical evidence does not support this hypothesis fully, although I believe that the hypothesis is strengthened. This is mainly due to the findings in the security case; Indonesia through silent support (until the fall of Suharto, that is), and Malaysia through the pragmatic antics of Premier Mahathir. When it comes to economic integration, neither country can be said to be declared explicit leaders, although Malaysia originally was intended to assume such a role. Instead, Indonesia was the first country to reach fulfilment of the CEPT agreement and thus assumed leadership by example.

My second variable was the degree of formality in the two cases. My working hypothesis was that informal mechanisms to a large extent had contributed to the long (some would even say overdue) life of the Association. Given the limited power of the ASEAN institutions and the extreme reliance on uni- and bilateral decisions lends
credibility to this hypothesis, as examined in the previous chapters. However, the concrete findings, especially with regard to the Myanmar Crisis, suggest that informal channels and silent diplomacy is in fact facilitated by the “formal” framework that the Association itself provides.

Question three asks whether economic motives or security motives are the ones driving regional integration. Preliminary studies suggested that security is the defining characteristic, and that the sensitivity of sovereignty and security may in fact be one of the reasons why economic integration has come thus much farther than security. I fully embrace the fact that ASEAN was indeed created in order to protect the security and sovereignty of its members. Still, I also believe that my findings suggest that economic concerns and economic security (in the wider sense) might be on the verge of overthrowing the importance of the principle of non-interference in the internal affairs of other sovereign states. If the evidence from Myanmar is anything to judge from thus far, it seems as if economic relations with the European Union very well might override the Association’s traditional reluctance to criticize other regimes. On the other hand, however, there is a possibility that economic issues overriding security issues might just be the result of changing contexts. Whereas the Cold War-world, in which ASEAN was established, was extremely focused on traditional security, the context of an interdependent and globalised world increasingly directs focus on new areas of security, such as economic security. Thus, it might not necessarily be ASEAN that has moved its priorities, rather than having had new priorities superimposed upon it in the new and globalised reality. Thus, one might wonder whether change of context is an explanation that is both sufficient and necessary, or necessary but not sufficient.

Finally, I asked whether ASEAN decision making eventually might come to resemble the neoliberal intergovernmentalism of Andrew Moravcsik. My hypothesis was, and still is, that this most likely will come to pass. Still, it is impossible to say much in one direction or another in this regard. There are especially three factors why this must be so. Firstly, there is the fact that democracy, transparency and openness is virtually newly born in Indonesia, while it was re-established in Malaysia very recently. While both Suharto and Mahathir were practically totally insulated from
pressure from below in their decision making, this is not the case in a mature democracy. Secondly, both countries have a lot of other problems to deal with, apart from ASEAN. It is easy to imagine the common man and woman in Indonesia and in Malaysia being more concerned with raising their personal economic welfare than with demanding popularly mandated representation in the Association of Southeast Asian Nations. Thirdly, as mentioned in chapter 6, it is also possible that what might be interpreted signs of two-level intergovernmentalism is just incidental. The reason why the respective ASEAN governments appear to listen to these demands could be that they coincide with economic pressure from the European Union and the United States. Although left without strong evidence, I believe that ASEAN will become more popularly anchored in the medium (5-10 years) and long run, but it still remains to be seen.

7.2: The main research question

So far, we have seen that both Indonesia and Malaysia might be labelled “leaders” in the case of Myanmar, but perhaps not in the case of implementing AFTA. I have also concluded that while economy leads the way, security has traditionally been the more important issue, and thus respectively defines and hinders ASEAN integration. Moreover, I have argued that economy and economic security in the future might replace security and non-interference as the defining characteristic of ASEAN – especially after the Association realized its dependency upon Europe and the United States after the Asian crisis in 1997. I have also argued that it is the informal channels and mechanisms that ASEAN facilitates, that explain best how ASEAN diplomacy works, and how Indonesia and Malaysia approach their relations to their neighbours in Southeast Asia. Finally, I have cautiously anticipated an eventual turn to ASEAN as a two-level concept – one level where the heads of governments meet and negotiate and a second level where the national preferences are decided and which lends legitimacy to the respective heads of state.

There is, however, a second part of the main research question to answer, namely “How are the two countries’ policies affected by their participation in ASEAN?” I believe that the findings presented above have already given some clues to the answer.
First and foremost, given the “informal” character of the relations between the ASEAN members, it is reasonable to assume that ASEAN has little direct influence over the affairs and policies of the two countries in question. The indirect influence, however, is formidable, especially with regard to the ASC and to the Myanmar Crisis. Given the level of tension that has existed between Malaysia and Indonesia at various stages over the years, much of the credit for the keeping of the peace and the peaceful settlement of such disputes must be given to ASEAN. It is also possible that the economic reality of sanctions from the EU and the US should ASEAN fail to properly deal with Myanmar, might cause ASEAN to take a new stand on Myanmar, thus breaking with the principle of non-interference. Were this to happen, we could perhaps see an Association that is less afraid of “interfering” in the domestic affairs of its members in the future. Of course, this depends on the wishes of the leading countries.

In the economic sphere, ASEAN has more direct influence over its members. AFTA and the CEPT Scheme make certain requirements, which the countries have to fulfil within a given amount of time. The fact that Malaysia has agreed to relinquish its protection of the national car industry is a good indication of the direct influence of ASEAN in the economic sphere. Despite the apparent success of AFTA in removing intra-ASEAN tariffs and trade barriers, there are at least two important factors that undermine the significance of these measures. These are of course related to the low degree of intra-regional trade and the low degree of intra-regional FDI flows and stocks. The low, if stable, degree of intra-regional trade and FDI (around 20-25% intra-regional trade, while more fluctuating volatile for FDI flows) could indicate that the removal of intra-regional tariffs and NTBs might be expendable if it means increasing ASEAN’s strength in trade negotiations with extra-regional actors. The report made by Gaulier, Jean and Ünal-Kesenci of the French CEPII institute supports this. Their report indicates that Asia is the region in the world with the lowest degree of intra-regional trade, according to the regional trade index method. When intra-regional trade is so low compared to extra-regional trade, it is not surprising that the ASEAN members might see it fit to open for free trade with their fellow ASEAN partners. And indeed, if this increases the share of intra-regional trade, so much the better.
7.3: Concluding remarks: The Road Ahead

Since the early 1990s, ASEAN has initiated several measures aimed at regional integration both within the field of security and the field of economy. Economy has played a significant role, especially with its advances in tariff reductions and in the removal of borders in trade and investment terms. On the other hand, non-interference and fierce protection of national sovereignty and security have been among the factors blocking ASEAN security integration from developing from a security community to a security alliance. Similarly, non-interference has also been the reason why ASEAN has been bestowed with no supranational powers *a la* the European Union, which again effectively stops any attempts at making ASEAN into a deeper integration project. This lack of deep integration clearly limits the prospects for ASEAN to develop into a separate entity – something more than the sum of its parts. ASEAN is therefore still unable to issue any demands of Myanmar (or any other member) by itself. Thus, ASEAN only constitutes more or less a forum or framework in which its respective heads of governments can put their heads together.

In the future, the need for ASEAN to act with a single voice will be greater than ever. Globalisation has already made the world a lot smaller. In Southeast Asia the European Union and the United States fight for economic dominance, Japan desperately tries to win back and defend its economic hegemony, while a rapidly rising China is viewed with a mixture of scepticism and eagerness. In the middle of this, being smaller in terms of economy, technology and population (except for Japan in the last respect), ASEAN must find a way to coexist. It needs to be able act with one voice, or else face the risk of becoming redundant. Critics predicted the death of ASEAN after the crisis in 97-98, but as stated by Mark Twain some time during the 19th century: “The rumours of my death have been greatly exaggerated.”

If ASEAN is to deepen and broaden in the future, it will have to expand both its institutional structure and the powers invested in them. This will require great efforts and sacrifices by each and every member, but in the end the effort hopefully will pay off. Also, it would require a softening of non-interference, or at least a way around it. It is my belief that it would greatly facilitate this process if especially Indonesia could
shake off its internal problems and resume its de facto leadership over ASEAN. Were Malaysia to add its voice to its archipelagic neighbour, the vision of “One Southeast Asia” would come much closer. Malaysia and Indonesia have traditionally been the strongest Pan-Asian supporters, and they could also have enough influence to make the other members listen very carefully. Still, as of now a deepening of the AFTA might be plausible. A solution of the Myanmar Crisis seems impossible still, unless non-interference is, at least temporarily, set aside.
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