

Chapter 6

Global ASEAN

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Chapter 6

Global ASEAN

Introduction

ASEAN has been comparatively more outward oriented than many comparator regions. For one, it trades more relative to output and relies more on foreign direct investment compared to regions like Latin America or large countries like India. Most AMSs rely more on non-ASEAN partners for trade and investment than on ASEAN partners. As discussed in the previous chapters, a number of AMSs are wedded in regional production networks in East Asia. Moreover, Chapter 4 of this Report emphasises that plugging into, and becoming deeply integrated into, the regional and global production networks is a key element of AMSs' development and competitiveness strategy towards sustained high and equitable growth. Finally, the simulation results of Itakura (2013) show that AMSs benefit more from deeper integration with the bigger East Asia region than with AEC itself. Thus, the two-pronged strategy of the ASEAN to deepen much further economic integration in ASEAN through the ASEAN Economic Community *in tandem* with greater integration with the rest of East Asia is the appropriate one for the region.

Pillar 4 in the current AEC Blueprint for 2015, "Towards Full Integration into the Global Economy" focuses on ASEAN developing a coherent approach to external relations in order to maintain "ASEAN Centrality". The Global ASEAN pillar discussed in this chapter brings this out in the Regional Comprehensive Economic Partnership (RCEP) in terms of the need to maintain ASEAN centrality in process and substance with respect to RCEP. In addition, the Global ASEAN pillar discusses two major elements of ASEAN in the global community of nations; that of ASEAN providing its voice in the international arena which complements and strengthens the voices of its

member states, and the challenge of strengthening ASEAN institutions for regional integration given the imperative of national autonomy for AMSs. To a large extent, the issues discussed here are reflective of the growing maturity of ASEAN as a regional association, a far cry from its beginnings as a weak forum for regional cooperation.

Regional Comprehensive Economic Partnership (RCEP)

Under the chairmanship of Indonesia in 2011, ASEAN proposed the concept of RCEP by adopting the ASEAN Framework for RCEP.¹ In 2012, the 16 national leaders supported the ASEAN proposal and agreed to launch the RCEP in Phnom Penh, Cambodia.² Unlike China's initiative of East Asian Free Trade Area (EAFTA) and Japan's proposal of Comprehensive Economic Partnership in East Asia (CEPEA), the RCEP idea came from ASEAN itself. As such, politically, RCEP is an ASEAN-centered initiative which competes with other major regional integration initiatives in the region: the Trans-Pacific Partnership (TPP) and the China-Japan-Korea FTA (CJK-FTA). TPP is negotiated by APEC members; thus, the APEC Economic Leaders Meeting as well as the APEC Ministers Responsible for Trade Meeting provide venues for political-level negotiations. Regarding the CJK-FTA, while China, Japan and Korean trade ministers meet in the margin of ASEAN Economic Ministers meetings, they also have separate meetings of their own. As of now, four AMSs have joined the TPP negotiation and none is a party to the CJK FTA. Thus, the active and successful negotiation of RCEP, in which all the 10 AMSs participate and wherein all political-level negotiations take place at the margin of ASEAN Summits and AEM-related meetings, is expected to energise the ASEAN-led process.

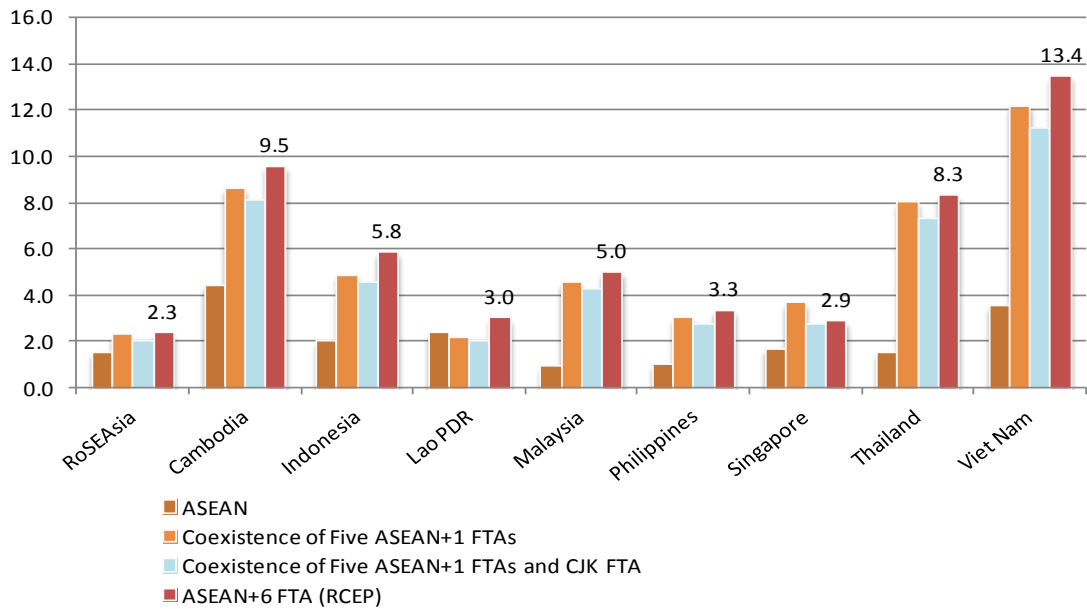
Given that ASEAN's intra-regional trade accounts for only a quarter of its total trade, and because production networks go beyond ASEAN and involve deeply the rest of East Asia, ASEAN economic integration with the rest of the East

¹ ASEAN Framework for Regional Comprehensive Economic Partnership, adopted at the 19th ASEAN Summit, Bali, Indonesia, 17 November 2011.

² Leaders' Joint Declaration on the Launch of Negotiations for the RCEP, Phnom Penh, Cambodia, 20 November 2012.

Asian countries can be expected to likely bring large gains to ASEAN economies. As Itakura (2013) clearly showed, ASEAN would likely gain larger economic welfare from RCEP than from AEC alone and from the five ASEAN+1 FTAs (see **Figure 6.1**). RCEP could also cancel out the potential negative effect (trade and investment diversion) of the China-Japan-Korea FTA on AMSs and ASEAN, as **Figure 6.1** also shows.

Figure 6.1: Impact on AMSs GDP of AEC, ASEAN + 1 FTAs and RCEP



Note: Percentage point, Accumulated from 2011 to 2015. Assumptions are: (a) complete elimination of the tariffs over the specified period of time, (b) reduction of ad valorem equivalents of service trade barriers by 20 percent, and (c) improvements in logistics cutting time spent to export or import goods by 20 percent.

Source: Itakura (2013).

However, RCEP should be designed well to have “significant improvements over the existing ASEAN+1 FTAs” (RCEP Guiding Principles and Objectives³) and generate significant economic benefits on AMSs and the region. Considering that ASEAN has already signed FTAs with all the RCEP members, a mere signature of another FTA will not bring large economic gains to ASEAN countries. The economic benefit comes from “significant improvements” over the current ASEAN + 1 FTAs.

³ Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership, adopted by RCEP Ministers, Siem Reap, Cambodia, 30 August 2012.

There are four major elements of improvements that RCEP can produce (Fukunaga and Isono, 2013):

- First, RCEP should deepen the liberalisation commitments in trade in goods, services and rules of origin.
- Second, RCEP should ease the “noodle-bowl” situation in a variety of rules and commitments in the ASEAN+1 FTAs. The potential areas include not only rules of origin but other areas such as making a bundle of bilateral tariff schedules consistent and simple by adopting the common concession approach.
- Third, liberal regional accumulation rules should be adopted to help ASEAN firms’ participation in the East Asian production networks.
- And last, RCEP should provide deeper economic cooperation for facilitation measures than those in the ASEAN+1 FTAs.

ERIA made the following more concrete proposals in its Mid-term Review study (ERIA, 2012a, pp. 62-63).

1. Set the target of 95 percent tariff elimination with “common concession” approach in order for ASEAN to gain additional benefits while maintaining more simple, transparent and business-friendly tariff structure;
2. Introduce the “core NTMs” concept and remove them as much as possible;
3. Allow co-equal rules in the ROOs, and set a general rule of “RVC40 or CTH” as much as possible, supplemented by alternative and more liberal rules;
4. Develop consolidated operational certification procedures in ROOs;
5. Introduce concrete and tangible trade facilitation programs (e.g., ASEAN Trade Repository) and address FTA utilisation issues;
6. Enrich the existing economic cooperation programs and develop coordination mechanisms;
7. Commit to liberalise trade in services at a much higher level than AFAS

package 5 to gain additionality on the GATS and existing ASEAN+1 FTAs. Emphasise the services sectors which strengthen regional production networks and regional connectivity;

8. Pursue a package deal negotiation of trade in goods, services and investment so that the different interests of the RCEP members can be properly accommodated;
9. When special and differential treatment is necessary, allow a longer transitional period, instead of other types of treatment; and
10. Consolidate the outstanding ASEAN+1 negotiations to the RCEP once the latter is initiated.

Most of the above proposals are still valid while some were already accepted in the RCEP Guiding Principles and Objectives to a certain degree (e.g., proposals no. 5, 6 and 8).

“ASEAN Centrality”: ASEAN as facilitator of process and as the driver of substance

The RCEP Guiding Principles and Objectives explicitly recognise ASEAN Centrality in the emerging regional economic architecture. On the other hand, there is no clear definition of ASEAN Centrality. Fukunaga *et al.* (2013) point out, by analysing nuances of the word “fulcrum”, that two aspects of ASEAN Centrality should be distinguished: ASEAN as “facilitator of process”; and ASEAN as the “driver of substance.”

The first role that ASEAN can play in the regional architecture is as facilitator of process. Indeed, ASEAN has been providing a variety of opportunities for Leader-level and minister-level meetings. At the Leader-level, those include ASEAN+1 Summits, ASEAN+3 Summit and East Asia Summit, which enable the leaders to discuss key policy issues including both political strategic and economic agendas. At the ministerial level, ASEAN+3 Financial Ministers Meeting has created tangible outcomes of the Chiang Mai Initiative, among others. In trade areas, all the ASEAN+1 FTA negotiations as well as pre-RCEP discussion of EAFTA and CEPEA took place in the AEM-related meetings.

ASEAN is successfully playing this role of facilitator of process in the RCEP as well. As mentioned above, ASEAN proposed the RCEP concept in the ASEAN Summit in 2011, the RCEP Guiding Principles and Objectives were agreed upon at the margin of AEM-related meetings in August 2012, and the RCEP negotiation was successfully launched at the margin of the ASEAN Summit in November 2012. Not surprisingly, the First RCEP Ministerial Meeting also took place in the margin of the AEM meeting in August 2013. Currently, all the three RCEP Working Groups (Trade in Goods, Trade in Services, and Investment) are chaired by AMSs. In addition, ASEAN's RCEP proposal mitigated the rival proposals on East Asia integration between China and Japan without those countries losing face, and transformed the two competing proposals into ASEAN's RCEP strategy.

The second aspect of ASEAN Centrality is as “driver of substance”. “Driver of substance” cannot be achieved with mere process facilitation. ASEAN has a strong competency in driving substance of RCEP negotiations because of its deep and wide experiences in AEC efforts. The AEC measures stipulated in the AEC Blueprint cover much broader issues than ASEAN+1 FTAs. When a similar measure is covered both in AEC and ASEAN+1 FTAs, AEC tends to go deeper and more substantive. Thus, ASEAN is in the right position to lead the discussion in designing the new regional architecture. Indeed, intra-ASEAN integration has positively and constructively influenced the way ASEAN+1 FTAs are formulated as ERIA's FTA Mapping Study found many commonalities in the ASEAN+1 FTAs. In the course of the RCEP negotiation, *ASEAN should play a leading role and make substantial proposals based on its AEC experiences (both success and failure)*, which will ensure ASEAN's position as the “driver of substances” in RCEP (and subsequently larger East Asian economic architecture building).

The following are examples of areas of interest in the RCEP and where substantive contributions from ASEAN can play a significant role:

1. ***Trade facilitation.*** The RCEP Guiding Principles and Objectives provide that RCEP will include “provisions to facilitate trade and investment and to enhance transparency in trade and investment relations” (Principle 3). ASEAN has adopted a number of tangible trade facilitation initiatives. Some are already highly successful while others are still

moving forward. For example, ASEAN has introduced liberal rules of origin (ROO) in ATIGA which were also adopted in some ASEAN+1 FTAs. The ASEAN Single Window (ASW) initiative is running the test run project among seven national single windows (NSWs). ASEAN has successfully established its own harmonised tariff nomenclature (AHTN) based on, but going deeper than, the global harmonised system of tariff nomenclature (HS Code). ASEAN is currently creating an ASEAN Trade Repository by linking National Trade Repositories. ASEAN+1 FTAs also cover trade facilitation aspects but the programs are not comprehensive in some FTAs. ASEAN's experiences can provide many ideas as well as technical designs of regional trade facilitation initiatives.

2. ***Services liberalisation.*** AFAS has achieved higher liberalisation in services sectors than any other ASEAN+1 FTAs as shown in **Table 6.1**. ASEAN's services liberalisation initially (in its 1st and 2nd Packages) took typical trade negotiation method: request and offer. A modified approach was taken in the 3rd to 6th Packages. However, with the endorsement of the AEC Blueprint, AFAS is taking a "formula approach". Each AMS should meet the set target (for each package as well as in 2015 as the final goal) but does not need to play the request and offer game any longer. In other words, AFAS practically facilitates concerted efforts of domestic regulatory reform at the regional level while taking conventional "trade liberalisation" forms. This method is reasonable considering that services reform brings large benefits to the reforming country rather than to the foreign country inasmuch as the productivity of services sectors contributes to manufacturing sectors' competitiveness and to the overall economic efficiency of the country (Dee, 2012). ASEAN may not be comfortable in giving the same level of preferential treatment to non-ASEAN countries, yet it can still propose adopting the AFAS-style liberalisation modalities, including the formula approach.

Table 6.1: WTO Plus in AFAS and ASEAN+1 FTAs (in terms of the Hoekman index)

	AFAS(8)		AANZFTA		ACFTA(2)		AKFTA	
	Total	WTO+	Total	WTO+	Total	WTO+	Total	WTO+
Brunei	0.30	0.27	0.18	0.15	0.04	0.02	0.09	0.06
Cambodia	0.45	0.06	0.53	0.14	0.40	0.01	0.40	0.01
Indonesia	0.58	0.51	0.30	0.23	0.11	0.03	0.19	0.12
Lao PDR	0.39	0.39	0.26	0.26	0.05	0.05	0.08	0.08
Malaysia	0.45	0.30	0.33	0.17	0.21	0.05	0.21	0.06
Myanmar	0.42	0.39	0.25	0.22	0.08	0.05	0.06	0.02
Philippines	0.32	0.22	0.26	0.16	0.20	0.10	0.15	0.05
Singapore	0.42	0.31	0.46	0.34	0.40	0.29	0.35	0.23
Thailand	0.60	0.34	0.36	0.11	0.27	0.02	NA	NA
Viet Nam	0.44	0.15	0.48	0.19	0.38	0.08	0.34	0.05
ASEAN (average)	0.44	0.29	0.34	0.20	0.21	0.07	0.21	0.08
Australia			0.52	0.17				
New Zealand			0.53	0.28				
China					0.34	0.09		
Korea							0.31	0.08

Notes: Based on specific commitments and some horizontal commitments (where explicit reference is made in specific commitments). AFAS (8) means its eighth package, while the score also considers respective countries' financial liberalisation commitments in the AFAS fifth financial package. ACFTA (2) means its second package. The scores are modified when FTA commitments do not fully reflect the respective countries' GATS commitments (GATS-modified score). 'WTO+' for Lao PDR assumes that Lao PDR's GATS commitments are 0 in terms of Hoekman index. ASEAN average for AKFTA does not count Thailand because its commitment is not publicly available.

'Total' means the score based on the simple average of the Hoekman index, derived from 155 subsectors. 'WTO Plus' is the difference between commitments under FTAs and those under the GATS, meaning 'addition liberalisation' vis-à-vis the WTO.

Source: The Economic Research Institute for ASEAN and East Asia (ERIA) database as of 3 September 2013.

3. Non-tariff barriers. ASEAN senior officials have increasingly voiced concerns about non-tariff barriers in the region. Indeed, ATIGA articles 41 and 42 call for the elimination of non-tariff barriers (NTBs). However, there is no clear definition of NTBs and ASEAN efforts to eliminate them on a voluntary basis yielded very few offers (indeed only from two AMSs). However, the incidence of "core non-tariff measures", which are the most likely candidates as non-tariff barriers, is relatively high in a few AMSs (ERIA, 2012a, pp. III-19-23). Similarly, the transparency measure provided in Art. 11 of ATIGA requires notification to the

Secretariat before a new measure is introduced. Such obligation, however, is not fully fulfilled. In other words, ASEAN faces challenges in eliminating NTBs (including setting clear definition) and in streamlining NTMs.

Nonetheless, some measures have become more promising. One is the ASEAN NTM Database compiled by the ASEAN Secretariat which provides transparency. In addition, the recent practice of “Matrix of Actual Cases” (also uploaded on the ASEAN Secretariat’s website) provides government-to-government consultation mechanism which has resulted in concrete, although limited number of, resolution of disputes. Notably, some NTM complaints in the Matrix are found to be based on wrong interpretation of laws by the complainant countries rather than implementation of problematic measures by the respondent countries. This strongly indicates the value of transparency of trade related regulations. All these ASEAN experiences will give a lot of insights on how the RCEP may address NTBs (or NTMs more broadly).

Credible AEC 2015

All of the abovementioned influences of ASEAN on ASEAN+1 FTAs and RCEP come from serious efforts towards the achievement of AEC 2015. If AMSs cannot meet the targets within ASEAN, it would be extremely difficult for them to do so in the RCEP. If AEC 2015 is successful, ASEAN’s experiences will naturally persuade its FTA partners to consider adopting such measures in the RCEP. Thus, a credible AEC 2015 will be the most important starting point for ASEAN centrality. Proactive proposals from ASEAN also require speedy consensus-building among AMSs. When internal ASEAN discussion takes too long a time, FTA partners will get frustrated and thus ASEAN may miss a precious opportunity to lead the discussion.

Implementation and Other Issues in RCEP

RCEP negotiation is aimed to be concluded in 2015 (RCEP Guiding Principles). Thus, most of the RCEP issues should be negotiated and concluded by December 2015 rather than post-2015, which is the timeframe of our paper. Nonetheless, it is worthwhile to consider in the negotiations implementation

and other issues that are important for RCEP post-2015 for the following reasons:

- First, as an FTA, RCEP will take some time before all the commitments are fully implemented. Implementation mechanism should be well crafted before 2015 so that post-2015 compliance is maximised.
- Second, RCEP is expected to expand its geographical coverage with its open accession clause, once the initial agreement is signed. The key mechanism to enable it is the open accession clause. How can RCEP members ensure that the open accession mechanism functions well?
- Third, RCEP is one of the two major initiatives, together with TPP, to achieve a Free Trade Area of the Asia-Pacific (FTAAP), as agreed by leaders of APEC 21 economies.⁴ RCEP's relationship and interaction with TPP will have critical impacts on the ASEAN's future in the post-2015 period.

All the issues will relate to ASEAN centrality as well.

Implementation mechanism in RCEP. Once the RCEP negotiation is concluded in 2015, the issue will shift to implementation of the Agreement. There are several measures which induce smooth and full implementation of commitments: dispute settlement mechanism (DSM); economic and technical cooperation; joint committee; secretariat; and some review mechanism by the secretariat.

(1) *Dispute Settlement Mechanism*

RCEP Guiding Principles list dispute settlement as one of the eight chapters to be covered in the Agreement. Thus far, the negotiation has not spent much time on the DSM.⁵

⁴Pathways to FTAAP, adopted by APEC Economic Leaders Meeting, 14 November 2011.

⁵As of December 2013, the negotiation has prioritised trade in goods, trade in services, and investment.

Well-functioning DSM will give credibility to the Agreement itself. Although several other mechanisms can be included in the RCEP to induce compliance of commitments, DSM is the last resort to allow members to enforce the Agreement. It should be noted that not only developed countries but also developing countries (including AMSs) use the WTO DSM. Indeed, DSM can be a useful measure for a smaller economy than a large economy: (a) a larger economy cannot unilaterally take sanctions to force a small economy; and (b) a large economy should abide by its own commitments just like a small economy. ASEAN has used the WTO DSM in a total of 163 cases (see **Table 6.2**): 30 cases as complainant; 17 cases as respondent; and 116 cases as third party. And ASEAN brings the case more often (30 disputes) than they are sued before the WTO (17 disputes). Surprisingly, this number (30 complainant cases) is larger than any ASEAN FTA Partners.⁶

Table 6.2: Use of the WTO dispute settlement mechanism

	Complainant	Respondent	Third Party	Total
Australia	7	15	80	102
China	12	31	103	146
India	21	22	92	135
Japan	19	15	138	172
Korea	16	14	80	110
New Zealand	8	0	36	44
ASEAN	30	17	116	163
Brunei	0	0	0	0
Cambodia	0	0	0	0
Indonesia	8	7	9	24
Lao PDR	0	0	0	0
Malaysia	1	1	5	7
Myanmar	0	0	0	0
Philippines	5	6	11	22
Singapore	1	0	11	12
Thailand	13	3	64	80
Viet Nam	2	0	16	18

Source: WTO Website (http://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm ; as of 26 Dec 2013)

All the ASEAN+1 FTAs as well as ASEAN have DSMs. The current DSMs in ASEAN+1 FTAs resemble each other which adopt *ad-hoc* arbitration system, but are different from ASEAN's Enhanced Dispute

⁶Of course, the use of each AMS is smaller than ASEAN FTA Partners.

Settlement Mechanism (EDSM).⁷ EDSM practically copies the strong and effective judicial system of the WTO. Most notably, ASEAN's EDSM has the Appellate Body, Secretariat (ASEAN Secretariat), and the ASEAN DSM Fund, none of which exists in the ASEAN+1 FTAs.

Fortunately or unfortunately, DSM has not been used either within ASEAN or in ASEAN+1 FTAs. Thus, it is too early to discuss whether EDSM is superior to the ASEAN+1 DSMs. On the other hand, it means that not only the ASEAN+1 DSMs but also ASEAN EDSM should be taken into account in crafting the RCEP DSM.

Least Developed Countries (LDCs) need to give special attention to the RCEP DSM. As is clear from **Table 6.2**, Lao PDR and Myanmar have never been involved in actual cases under the WTO DSM.⁸ As is stipulated in the WTO Dispute Settlement Understanding and in the AANZFTA dispute settlement provision, LDCs should be given a special and differential treatment. Moreover, three AMSs often utilise a technical assistance program provided by the Advisory Center for WTO Law (ACWL) in Geneva, when appearing in the WTO judicial system: Thailand, the Philippines, and Indonesia.⁹ A similar mechanism can be considered in the RCEP context as well.

(2) Possibility of trade policy review in RCEP

DSM is not the sole mechanism to induce compliance and timely implementation of trade pacts. ASEAN+1 FTAs typically have joint committees with sub-committee structures where practical and detailed implementation issues are discussed. Also, those committees function as negotiation body when new agreements are negotiated, or existing agreements are to be revised. Economic cooperation programs also have broad issue coverage. The emphasis of economic and technical cooperation in the Guiding Principles is appropriate.

⁷ ASEAN Protocol on Enhanced Dispute Settlement Mechanism, adopted at the ASEAN Summit on 29 November 2004, Vientiane, Lao PDR.

⁸ Brunei has not used the WTO DSM either probably due to its characteristic trading structure.

⁹ Nine cases for Thailand, 3 cases each for Indonesia and the Philippines. Among the RCEP members, India has also received assistance from the ACWL for 3 cases. From the ACWL Website (<http://www.acwl.ch/e/index.html>).

What ASEAN+1 FTAs lack when compared with the WTO is the trade policy review mechanism (TPRM). In the TPRM, all the WTO members are reviewed with different frequency depending on economic size (i.e., larger economies are reviewed more frequently). TPRM is an interactive process between the reviewed country, other members and the secretariat, which enhances transparency of trade policy and puts peer pressure for compliance/implementation. As of now, ASEAN+1 FTAs do not have TPRM probably because such a mechanism requires a strong secretariat, and none of the ASEAN+1 FTAs have their own secretariats.¹⁰ On the other hand, the ASEAN Secretariat produces several reports on the progress of the AEC, including the AEC Scorecard. ASEAN also conducted a mid-term review of the ASEAN Economic Community Blueprint in 2012, with the support from ERIA.

Such a review mechanism will enhance transparency as well as the implementation of the RCEP Agreement.

(3) Open accession clause in RCEP

The RCEP Guiding Principles and Objectives (Principle 6) declared that an open accession clause will be included in the RCEP. More specifically, it provides:

“The RCEP agreement will also have an open accession clause to enable the participation of any ASEAN FTA partner that did not participate in the RCEP negotiations and any other external economic partners after the completion of the RCEP negotiations.”(Principle 6)

Open accession clause is important on the following three points. *First*, considering that bilateral or regional FTAs cause trade diversion and thus do not bring the largest economic welfare to the world, an open accession clause minimises such trade diversion risk in the medium- to long-run by inviting other members to join the FTA. *Second*, RCEP (formally, ASEAN+3 and ASEAN+6 FTAs) and TPP are the two main pathways to achieve the Free Trade Area of the Asia-Pacific (FTAAP) as stated in APEC 2010 declaration. The geographical coverage of FTAAP is broader than the current geographical scope of RCEP and

¹⁰ ASEAN Secretariat plays the role in limited occasion. AANZFTA has a special unit in the ASEAN Secretariat, which plays a similar role of FTA secretariat to some degree.

TPP. In order to realise the long-term goal of FTAAP, open accession clause is the most important provision. *Third*, membership is one of the most important elements of an FTA's attractiveness. Given that TPP has an open accession clause, RCEP should also have one in order to make itself attractive enough not just when the agreement becomes effective but also in the future. Indeed, *RCEP with open accession clause is the only way that ASEAN can maintain its Centrality in the next decades of regional architecture design*. Thus, it was a rational choice that ASEAN and RCEP members have agreed to have an open accession clause.

Actually, open accession is not a new phenomenon. Indeed, Asia-Pacific FTAs already had some accession clause in the 1990s. For example, NAFTA (Art. 2204) clearly said that “[a]ny country or group of countries may accede to this Agreement...” Also, the P4 Agreement (Trans-Pacific Strategic Economic Partnership Agreement) also had an open accession clause (Art. 20.6.1). Interestingly, even some bilateral FTAs had accession clauses, e.g., Australia-US FTA (Art. 223.1) and Australia-Singapore FTA (Ch17, Art. 4).

However, none of them has successfully welcomed a new member. Chile tried to accede to NAFTA but in vain and switched its strategy towards bilateral FTAs with USA, Canada and Mexico separately. Although the P4 Agreement includes open accession clause, the United States “did not even consider acceding to P4 rather than initiate TPP negotiations” (Hawke, 2013). Considering the future possibility of China's accession to TPP, Hawke further contemplated that “[n]o difference in behavior can be expected of China.” Similarly, US may not “even consider” an RCEP accession clause either. Thus, the mere existence of open accession clause does not ensure the bright future of RCEP (or TPP) to lead to an FTAAP and thus trade diversion minimisation.

In addition, some points should be clarified in Principle 6 of the RCEP Guiding Principles and Objectives. First, “external economic partners” is a new wording. ASEAN Charter (Art. 44) uses “Dialogue Partners”, but never used “external economic partners.” It is not entirely clear whether Hong Kong with whom ASEAN has decided to pursue a new

ASEAN+1 FTA will get a ticket once the FTA negotiation concludes. Second, it is not clear whether the “external economic partners” should sign an ASEAN+1 FTA first to become eligible for RCEP negotiation (even after RCEP becomes effective). If such a pre-condition is introduced, there will be a risk of duplicative negotiations --- once in ASEAN+1 FTA process and secondly in the RCEP negotiation --- which may not be an efficient use of decidedly very limited negotiation resources of both ASEAN and the external economic partners. On the other hand, a pre-requisite of an ASEAN+1 FTA before joining RCEP may enhance ASEAN Centrality.

In view of the above discussion, and in order for the ASEAN-led RCEP to function as the core foundation and means in larger regional economic architecture formulation, ASEAN countries, together with ASEAN FTA Partners, should:

- *Provide clear criteria with established process for open accession;*
- *Make such open accession rules available for potential members;*
and
- *Engage with potential members.*

TPP, RCEP and FTAAP

TPP is largely perceived as a competitor of RCEP. Currently, four AMSs (Brunei, Malaysia, Singapore and Viet Nam) participate in the TPP while the other six AMSs do not. While TPP is often understood as a high-quality FTA, it is not clear whether RCEP is inferior to TPP. First of all, RCEP is to achieve “a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement” (RCEP Guiding Principles and Objectives). Second, neither TPP nor RCEP negotiation is completed and thus the substance of agreements of each is not clear yet. Third, while TPP emphasises high tariff elimination ambition as well as new agendas (which makes TPP a 21st century agreement), it is not clear whether TPP will adopt some key elements of ASEAN+1 FTAs (or of RCEP) which fits the purpose of production network enhancement, e.g., liberal rules of origin and common concession approach in tariff elimination.

In general, TPP is often recognised as comprehensive and cover broader issues than RCEP. TPP is known to have 21 negotiation areas while RCEP Guiding Principles and Agreement mention only eight chapters. Such understanding, however, is not precise because TPP breaks down some components of RCEP into different negotiations (see **Table 6.3**). To take an example, RCEP covers trade in goods as one of the eight chapters. This includes, judging from ATIGA and ASEAN+1 FTAs, market access, rules of origin, customs, TBT, SPS, and trade remedies, each of which is counted as a separate negotiation area in the TPP context. Thus, the real issue is depth of commitments rather than broadness of negotiation issues.

Table 6.3: Issue coverage of TPP, RCEP, ASEAN+1 FTA and AEC

	TPP	RCEP	ASEAN+1	AEC
Trade in Goods	●	●	●	●
-- Market Access to Goods	●	●	●	●
-- Textile and Apparel	●	○	●	●
-- Rules of Origin	●	○	●	●
-- Customs	●	○	●	●
-- Trade Facilitation		●		●
-- TBT	●	○	●	●
-- SPS	●	○	●	●
-- Trade Remedies	●	○	●	●
Trade in Services	●	●	●	●
-- Cross-border Services	●	●	●	●
-- Financial Services	●	○	●	●
-- Telecommunications	●	○	●	●
-- Temporary Entry	●		●	●
Investment	●	●	●	●
-- Protection	●	●	●	●
-- Liberalisation	●	●	●	●
-- Facilitation		●	●	●
-- Promotion		●	●	●
Economic and Technical Cooperation	●*	●	●	
Intellectual Property	●	●	●	●
Competition	●	●	●	●
Dispute Settlement	●**	●	●	●
Others	●	●		●
-- E-commerce	●	●		●
-- Environment	●			
-- Government Procurement	●			
-- Labour	●			
-- Cross-cutting Trade Issue				

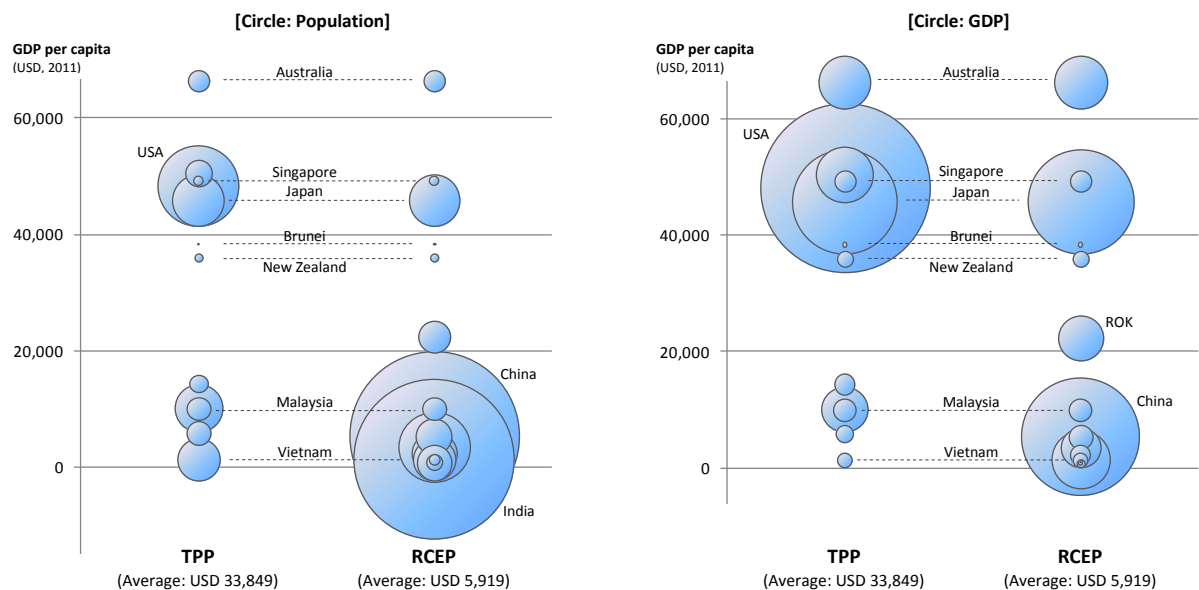
Note: “●” means the issue is covered. For ASEAN+1, “●” means at least one ASEAN+1 FTA covers the issue. “○” for RCEP means that the issue is likely covered judging from ASEAN+1 FTAs and AEC. * “Cooperation and Capacity Building.” ** “Legal issues” for administration of the Agreement including dispute settlement.

Source: Prepared by Yoshifumi Fukunaga

This does not mean that ASEAN does not need to consider those “new agendas” which have not been covered in the existing ASEAN+1 FTAs. As ASEAN should and does aim at further growing itself in the post-2015 period, many of these issues will become more and more relevant to ASEAN’s development.

In any case, TPP and RCEP are different FTAs for regional economic integration of different sets of countries. **Figure 6.2** shows the GDP per capita, populations and GDP of TPP and RCEP countries. TPP is dominated by high-income countries both in terms of number of countries as well as the population of member countries. In contrast, lower middle income countries and even LDCs have significant positions in the RCEP grouping, both in terms of number of countries and population. Thus, even if the long term goal of deeper regional economic integration is the same for RCEP and TPP, the meaning of what is “high-quality” can be different between the two, reflecting the different economic reality of their member states. It is apparent that RCEP needs to give more emphasis on inclusiveness and developmental goals as compared to TPP; TPP can be expected to emphasise more the more developed country agendas.

Figure 6.2: GDP per capita, populations and GDP of TPP and RCEP countries



Source: Calculated by Ikumo Isono, ERIA.

The overlapping ASEAN membership of TPP and RCEP with different coverage and degree of commitment between the two agreements can create complications on the preferential access in some AMSs vis-a-vis other AMSs. Specifically, where AMSs members of TPP agree to provide preferential treatment to other TPP members in areas not covered under RCEP (e.g., government procurement), non-ASEAN TPP members would be in a more advantageous position than non-TPP member AMSs even if the services liberalisation in RCEP were more ambitious than TPP. Solving this problem of preferential disadvantages of AMSs would call for either (a) ensuring that the commitments in the AEC (or RCEP) are as deep, if not deeper, than commitments in TPP or (b) bringing in the areas covered in TPP that are not yet covered in AEC (or RCEP) to the AEC (or RCEP) process. For the latter, the involvement of four AMSs in the TPP negotiations provide a valuable learning experience that can be useful for ASEAN as it attempts to expand the coverage of AEC to include those areas that are in the TPP. In the process, there would a convergence of AEC, RCEP and TPP in the future, which would be the major building block towards an FTAAP for the whole Asia Pacific region (see Fukunaga, 2013).

In summary, RCEP is an astute ASEAN strategy that helped address the competing visions of two key ASEAN Dialogue Partners on East Asian integration and ensured the promotion of ASEAN centrality not only in process but also in substance. It also addresses a more inclusive and developmental agenda in the wider East Asia regional economic architecture. In addition, RCEP becomes a major complement to TPP towards a much bigger FTAAP in the far future, and thereby minimises trade diversion within the Asia Pacific region. It is also likely to become a significant force in the reshaping of the global economic architecture that is increasingly centered on Asia Pacific.

Institutional Strengthening of ASEAN¹¹

Deepening ASEAN integration efforts beyond 2015 must necessarily address more difficult border and behind the border policy, regulatory, and institutional issues. However, there has been considerable disquiet about the capability of existing ASEAN institutions to effectively facilitate and address the challenges of regional integration and community building as well as of ensuring ASEAN centrality and greater ASEAN voice in the international arena (see, for instance, Sukma, 2014). ASEAN has of course come a long way from its beginnings as largely a weak regional cooperation forum; ASEAN's institutional growth is best exemplified by the 2007 ASEAN Charter that gave legal personality to ASEAN and embedded in it the lofty goals of the ASEAN Leaders for the region. However, it is precisely the tension between the institutional demands of regional community building and ensuring ASEAN voice and centrality, on the one hand, and the "...member states' attachment to the principle of sovereignty and overriding preference for maintaining unity and regional diversity" (Sukma, 2014, p.2), on the other hand, which is at the crux of the institutional reform debate for ASEAN.

AMSs are comfortable with "... reliance on regional institutions ... as long as it would not undermine national sovereignty and endanger regional unity" (Sukma, 2014, p.2). This section lists a number of recommendations, drawn from Sukma (2014) and ERIA (2012a), that "... ASEAN could and should do in order to fulfill its own promise to transform itself into a rules-based

¹¹ This section is largely based on Sukma (2014) and ERIA (2012a).

organization and accelerate the process of regional integration without necessarily becoming a supranational institution” (Sukma, 2014, p.3). They are as follows:

(a) Utilise flexible decision-making when appropriate

The ASEAN Charter states that the decision-making in ASEAN shall be based on “consultation and consensus” (Art. 20.1). However, it also explicitly mentions that flexible participation is allowed in the implementation of economic commitments (Art. 21.2). The “ASEAN minus X” is a well-known flexible approach. Such decision-making structure is indeed applied in trade in goods (e.g., self-certification) and trade in services. Of course, the risk is that two different sub-groups will be formed within ASEAN which hinders the scale economies that AEC could create. Thus, “ASEAN minus X” should be considered as “a means for experimentation, demonstration, and explanation of economic initiatives.”¹² On the other hand, when only one or two AMS(s) hesitate to join a new initiative, “ASEAN minus X” can be utilised in broad economic areas for the abovementioned purposes.

(b) Substantiate enforcement and dispute settlement

The context of enforcement and dispute settlement is different in the AEC-related areas from political-security areas which Sukma (2013) focused on. While Sukma emphasises lack of enforcement sanction in the political arena, the situation is different in economic agendas. ASEAN has already adopted the Enhanced Dispute Settlement Mechanism (EDSM) in 2004. Most economic agreements in ASEAN explicitly refer to EDSM. Modeling after the strong judicial system of the WTO, ASEAN EDSM allows for “sanction” (i.e., compensation and the suspension of concessions) when a Panel (or Appellate Body) finds the respondent is noncompliant with ASEAN economic treaties. While the EDSM itself has never been invoked, compensatory measures have been utilised within ASEAN. For example, in 2000, Thailand and then followed by Indonesia requested compensatory measure when Malaysia delayed its AFTA application to automotive products (Suzuki, 2003). Although the compensation was discussed via negotiation rather than adjudication, the “sanction” possibility induces compliance to an extent in AEC-related areas.

¹²Edmund Sim, AEC Blog on 8 Oct 2011, available at: (<http://aseanec.blogspot.com/2011/10/putting-asean-x-to-work-for-aec.html>).

On the other hand, there are issues of implementation of EDSM itself (ERIA, 2012a, Chapter XVIII). For example, Appellate Body members have never been appointed. In addition, the Secretariat capacity of supporting the Panel is very limited. Considering the clear and tight timeframe and with negative-consensus based semiautomatic procedure as stipulated in the EDSM Protocol, this suggests a high possibility for ASEAN EDSM to miss the deadline in its first case. Vergano (2009) also points out procedural and institutional shortcomings. For example, he argues that smaller countries face constraints due to funding structure of panel operation even if these countries have legal capacity to utilise EDSM. Some efforts are being made in ASEAN to operationalise the EDSM, e.g., GIZ's support to craft detailed procedural rules. Further efforts should be taken to substantiate the EDSM as early as possible.

(c) Build up independent monitoring mechanism

Given that EDSM is dispute settlement of last resort and dealing with pure legal issues, an effective monitoring mechanism plays a critical role in inducing timely implementation of the ASEAN commitments.

According to the AEC Blueprint (para. 73), “[t]he ASEAN Secretariat shall review and monitor compliance of implementing the Blueprint.” (ASEC, 2008). The ASEAN Integration Monitoring Office (AIMO), with the responsibility of updating and improving the AEC Scorecard and many more reports, is at the core of the Secretariat's monitoring role. However, with AIMO's limited number of staff members and given its other important responsibilities, the ASEAN Secretariat's monitoring function in practice is weaker than optimal. This can also be attributed to the broad but not specific mandate in the AEC Blueprint with respect to monitoring.

Thus, the first and most important recommendation will be to introduce a third party monitoring and technical resource function by the ASEAN Secretariat with the support from regional research institutions in key policy areas. Such monitoring will be effective when actual policy could be examined to ensure the full implementation of regional commitments (e.g., services and NTMs). In order to make it functional, ERIA (2012a) made the following more specific recommendations: (a) to give specific mandate to the ASEAN Secretariat on

these issues, and (b) to strengthen the Secretariat's capacity (see section below).

A supplementary measure to the Secretariat's monitoring (i.e., track 1) will be track 1.5 monitoring. Sukma (2013) proposed an outside and independent assessment mechanism as a key instrument of enforcement. He praises the ERIA Study on Improving the AEC Scorecard, conducted in collaboration with the ASEAN Secretariat and ERIA's Regional Institutes Network members, as a good model to be adopted in APSC and ASCC.¹³ Such an outside, independent yet officially engaged study provides objective viewpoints on the progress of ASEAN measures, which may also serve an outreach purpose. ERIA's Scorecard study which takes analytic scorecard approach supplements the compliance scorecard (i.e., AEC Scorecard by the ASEAN Secretariat). The ERIA Study invites business perspective as well as academic viewpoint in the analysis.¹⁴ It considers work in progress with specific data, in addition to "achievements".

Based on this, ERIA made the following proposals to the AEM Retreat in November 2011:

- i. Establish an AEC coordination-cum-monitoring committee in each country;
- ii. Establish a regular track 1.5 monitoring mechanism at the national and regional levels; and,
- iii. Invite donor community to support monitoring system at the national and regional levels.

All these recommendations will definitely function in the post-2015 era as well.

(d) Strengthen capacity of the ASEAN Secretariat¹⁵

¹³For the knowledge of authors, ASCC is also taking a mid-term review study, using outside and independent experts.

¹⁴Involvement of business and academia practically has an aspect of information dissemination and outreach as well.

¹⁵Sukma (2013) goes deeper than the size and capacity of Secretariat officials and advocates for reform of the Secretariat's top management status: (a) changes to the rotational appointment of the Secretary-General; and (b) introduction of open recruitment of Deputy Secretary-Generals. Noting that the DSG for AEC is already an open recruitment (not rotational appointment), those issues should be seriously considered in the broader context of Charter review process, rather than post AEC.

The two recommendations stated in section (c) above are complementary. The first recommendation (i.e., third party monitoring by the Secretariat) effectively means the strengthening of the ASEAN Secretariat as a technical resource and monitor to a number of ASEAN bodies. The second recommendation (i.e., track 1.5 monitoring) provides an institutionalised mechanism for the complementary, more analytic, and relatively more independent monitoring of AEC measures. This recommendation can also become an institutionalised mechanism to support the ASEAN Secretariat and/or be involved in third party technical analysis of AEC measures and policy actions, current or planned, by the ASEAN and/or AMSs. However, the ASEAN Secretariat still needs to be strengthened. This is because the Secretariat is the one that is in the frontline, and there are intra-regional discussions and negotiations that may need to be confidential to any but the concerned government officials and agencies as well as the Secretariat. Indeed, as the policy actions towards an AEC start to “bite” and difficult policy issues have to be addressed in order to move forward towards deeper economic integration, ASEAN needs an ASEAN Secretariat that serves well as a respected, deeply engaged, and highly competent professional technical support to the ASEAN bodies and the AMSs, and less as a secretariat to all the seemingly enumerable meetings in the ASEAN.

Anas and Narjoko (2013) link the Secretariat’s capacity discussion with the RCEP negotiation. One of the biggest challenges before ASEAN is to come up with the common position despite the large differences among AMSs. Strong analytical capacity of the Secretariat, supported by external resources of research institution(s), will be desirable. Although RCEP aims by end of 2015 for conclusion, such analytical capacity remains a necessity when subsequent and supplementary negotiation takes place and also for the purpose of effective monitoring of RCEP implementation.

(e) Introduce flexible rules in members’ financial contribution

The ASEAN Secretariat should be supported by sufficient financial resources. The ASEAN Charter provides the equal-contribution principle of ASEAN Secretariat funding (Art. 30.2). Under such a contribution framework, the country with the smallest fiscal capacity (or smallest willingness to contribute), whoever it is, practically limits the size of the ASEAN budget, and thus does not match the rapidly increasing roles of the ASEAN Secretariat. Thus, the High-Level Task Force on Strengthening the ASEAN Secretariat and

Reviewing the ASEAN Organs should examine the possibility of non-equal contribution.

A major deviation from the equal-contribution rule within the ASEAN framework is the ASEAN Infrastructure Fund (AIF).¹⁶ As agreed by the Finance Ministers in 2011, the AIF was established in 2012. All the AMSs except Myanmar joined the Fund but their financial contribution widely differs. Malaysia contributed the equity amount of US\$150 million, followed by Indonesia with US\$120 million. The Philippines, Singapore, and Thailand contributed US\$15 million each. Brunei and Viet Nam each owns equity of US\$10 million. Notably, Cambodia and Lao PDR contributed only nominal amount.¹⁷ This financial structure, which clearly considers the different size of economy,¹⁸ is a logical choice because the issue is not political but economic. As Dr. Surin Pitsuwan commented, the AIF was “an 'innovative financial architecture,' unique, and appropriate for ASEAN, timely for the region as it explores various financing mechanisms to support the ASEAN Economic Community by 2015.”¹⁹ While such deviation from the equal-contribution principle is exceptional even in the AEC-related funds, it strongly suggests a possible way forward of ASEAN funding.

Another model that ASEAN may consider is APEC Secretariat funding. It considers differences in economic size but also reflects equal partnership by setting upper and lower limits. At maximum, the US and Japan each contributes 20 percent of the total budget while smaller economies such as Viet Nam still contribute 3 percent.

AEC-related activities are expanding because of the broad coverage of the AEC Blueprint and the increasing number of ASEAN+1 FTAs. They will continue to grow in the post-2015 era. To support the financial needs, ASEAN should introduce flexible financial structures in the economic pillar, even if the Charter review faces political constraints.

(f) Increase private sector involvement especially at the sectoral level

¹⁶ADB website: (<http://www.adb.org/sites/default/files/linked-docs/45097-001-reg-fa.pdf>).

¹⁷ADB also contributes a significant amount to the AIF, i.e., US\$150 million.

¹⁸The Malaysia and Indonesia factors should be understood because of their special attention to infrastructure development.

¹⁹ASEAN Secretariat website: (<http://www.asean.org/news/asean-secretariat-news/item/asean-infrastructure-fund-targets-us13-billion-towards-asean-connectivity>).

The private sector plays a pivotal role in AEC Building.²⁰ ASEAN economic integration has been promoted primarily through production networks building by business, supplemented by government initiatives. In this, the economic integration in ASEAN is often described as “market driven” economic integration especially in comparison with the “government driven” European single market. Many, but not all, of the AEC measures are designed to further enhance the private sector’s business activities by improving business environment at the national and regional levels, while mitigating the negative effects arising from economic integration. The private sector includes not only multinational enterprises but also SMEs.

The business sector has been involved in the AEC initiatives in many ways. To start with, the ASEAN Charter explicitly recognises some 20 business organisations. The ASEAN Business Advisory Council (ASEAN BAC) each year presents its policy recommendations to the ASEAN Summit in the fall meeting. The ASEAN Business Investment Summit (ABIS) also provides a precious opportunity for direct communication between the ASEAN Leaders²¹ and the private sector. In addition to the overarching mechanisms, the industries are involved in sector specific initiatives. The most prominent example is probably the Priority Integrated Sectors (PISs) where regional industrial associations are engaged. Yet, the degree of engagement depends on policy areas, and also differs from sector to another. To name one example, while some product working groups (PWGs) of standards and conformance heavily use private sector insights, other PWGs limit their engagement with industrial associations.

Successful implementation of AEC measures towards 2015 and beyond demands even deeper engagement of the business sector and other stakeholders. As ASEAN is shifting towards “people-oriented ASEAN” over the years, private sector involvement will become even more important in the post-2015 vision.

²⁰ Sukma (2014) discusses more broadly in the context of civil society organization involvement in ASEAN towards “people-oriented ASEAN”.

²¹ In 2013, however, ABIS was held in the margin of AEM rather than ASEAN Summit due to the limited accommodation capacity of Brunei. It is critical to once again bring up ABIS to the leader-level.

In short, ASEAN's operational strategies and institutional structures would need to embed private sector participation in decision making process. Therefore, we propose more active engagement with the private sectors in almost all the policy areas, as input channels to and dissemination channels of the regional efforts, as well as partners in implementation of the AEC measures.

ABAC reform should also be pursued seriously. Just like the ASEAN Secretariat, the ABAC Secretariat faces serious constraints of financial and human resources. Compared with the APEC Business Advisory Council (APEC BAC) which has produced many tangible outcomes via policy advocacy, Hew (2013) advocates that ABAC could learn from APEC BAC.

(g) Clarify the functions and role of ASEAN organs and institutions

There remains a lack of clarity in delineation of responsibility and relationships among ASEAN bodies. Sukma (2013) primarily centers on the relationship between the ASEAN Coordinating Council and the other two ASEAN Councils (i.e., AEC Council and ASCC Council), and the reporting structure from the Secretary-General. Putting in the AEC Context, there is also some vagueness or potential overlap between ASEAN organs. For example, the role of CPR in AEC-related issues is not clear. Currently, Committee of Permanent Representatives (CPR) is overseeing connectivity issues by representing their countries in the ASEAN Connectivity Coordination Committee (ACCC), which has many economic aspects involved. In this Report, we argue that the equity and inclusiveness as well as sustainability agendas should be paid more attention to in the post-2015 era. We also argue that the movement of unskilled labour should be considered in the future. These issues are currently dealt with under the ASEAN Socio-Cultural Community pillar rather than AEC. Thus, certain coordination mechanism should be set up to ensure early implementation of the post-2015 Vision. For example, ASEAN may consider the OECD approach which often establishes a joint working group between different committees, e.g., Trade and Environment Working Group.

Deepen Partnerships with APEC

In addition to institutional strengthening, ASEAN can exploit more the synergies with other regional integration efforts in Asia Pacific, most especially

the Asia Pacific Economic Cooperation Forum (APEC), of which 7 AMSs are members out of the total of 21 member economies in the APEC. APEC's Bogor Goals share with ASEAN Economic Community's objectives of free and open trade and investment regime and seamless connectivity among member economies, albeit on a wider geographical area, without binding commitments and compliance, and relying more on peer pressure and discussion to achieve the Bogor goals. Many of APEC's major initiatives are similar or complementary to the major measures in the AEC Blueprint and the MPAC. Thus, APEC and ASEAN can learn from each other, coordinate with one another, and complement one another in the drive towards a more economically integrated region in ASEAN, East Asia and the Pacific Rim.

Among the areas where APEC and ASEAN can work together are in trade facilitation, supply chain connectivity, structural reform and the role of the private sector (see Hew, 2013):

- Trade facilitation in APEC includes customs procedures, standards and conformance, business mobility, and electronic commerce. APEC has been more focused on transparency, process simplification, consistency and predictability, and consultations when it comes to customs procedures. ASEAN has an even more ambitious agenda in establishing National Single Windows and the ASEAN Single Window, and for transparency, the national and regional trade repositories. Nonetheless, APEC's trade facilitation action plans and supply chain connectivity framework action plan can help enrich the ASEAN trade facilitation program into and beyond 2015.
- APEC and ASEAN would need to give more importance to standards and conformance since technical barriers to trade are the most problematic NTMs affecting international trade. In both, alignment with international standards has been going on. Nevertheless, this is a complex area especially in the light of the wide differences in levels of development of the member economies. At the same time, this is an area where contribution from the private sector is particularly useful. Given that APEC

member economies include many of the most important economies in the world which can be expected to substantially shape international standards, a closer working relationship between ASEAN and APEC in the field of standards and conformance would contribute to regional and global efforts at reducing transactions costs of compliance to varied national standards.

- Structural reform in APEC includes any improvement in institutional frameworks, regulations and policies that help minimise behind the border barriers and improve economic performance. The priority work streams on structural reform in APEC are: (a) regulatory reform; (b) competition policy; (c) corporate governance; (d) public sector governance; and (e) strengthening economic and legal infrastructure (Hew, 2013, p. 10). It is apparent that this is an area where ASEAN can learn a lot from APEC. Thus, for example, the discussion on Responsive ASEAN in **Chapter 7** of this Report may involve improvement and/or reform of behind the border regulations and policies, even if the proposed process of informed regulatory conversations in the chapter differs somewhat from the whole of government approach of OECD that underpins the regulatory reform program of APEC. Competition policy is also given more importance for ASEAN beyond 2015 in Chapter 3 of this Report. ASEAN may need to address issues of corporate and public sector governance in the future as the AEC deepens.
- The private sector, primarily through the APEC Business Advisory Council (ABAC), has been a much more pro-active partner in APEC, providing many valuable inputs and significant studies that contributed a lot to the development of the action plans in APEC. Arguably, the private sector in ASEAN has been less pro-active than in APEC despite the rising instances of private sector-ASEAN official interactions in the ASEAN process. ASEAN can learn from the APEC experience in bringing and benefiting from the deep private sector involvement in the regional integration process.

There are likely other areas of complementarity and synergy between ASEAN and APEC. It is worthwhile for ASEAN to maximise the potentials from such synergy to further the deepening economic integration and improving business and investment climate agenda of ASEAN into and beyond 2015.

ASEAN voice in the global community of nations

A credible AEC 2015, the continued push for an integrated and highly contestable ASEAN (see Chapter 3), greater focus on the measures needed for a competitive and dynamic ASEAN (see Chapter 4) and an inclusive and resilient ASEAN (see Chapter 5A and Chapter 5B), as well as a credible RCEP (see recommendations in this chapter) can be expected to raise the profile of ASEAN in the global community of nations. But of course ASEAN is much more than AEC and RCEP. Indeed, arguably, a number of the important successes of ASEAN are in the diplomatic, rather than economic, arena. Perhaps the most important among them is the fostering of regional reconciliation among the original members of ASEAN (especially among Indonesia, Malaysia, Singapore and the Philippines) in the early years, one *raison d'être* for the establishment of ASEAN. This fundamental focus on regional peace is also embodied in the zone of peace and disarmament treaty that ASEAN and its dialogue partners have signed on. Indeed, Article 1.1 of the ASEAN Charter emphasises ASEAN's purpose as to "maintain and enhance peace, security and stability and further strengthen peace-oriented values in the region." Peace is a critical and necessary condition to any sustained economic growth and transformation in the region.

As ASEAN progresses, ASEAN's ambitions are well articulated by H.E. President Susilo Bambang Yudhoyono of Indonesia when he said that as ASEAN consolidates, integrates and transforms into a community, "...ASEAN seeks a more vigorous role in Asian and global affairs at a time when the international system is experiencing a seismic shift". In a region with much larger economies such as China and Japan, ASEAN, as essentially an association of small and middle powers, can be expected to have greater voice and influence regionally and internationally primarily by banding together and having a common voice where feasible in addition to its adherence to

deepening economic integration within ASEAN through AEC and the East Asia region through the RCEP.

In the 19th ASEAN Summit in November 2011, the Leaders adopted the “Bali Declaration on ASEAN Community in a Global Community of Nations --- Bali Concord III”. The Leaders adopted an ASEAN common platform on global issues, covering political-security, economic and socio-cultural agendas, with the following characteristics:

- (a) a more coordinated, cohesive, and coherent ASEAN position on global issues of common interest and concern;
- (b) An enhanced ASEAN capacity to contribute and respond to key global issues;
- (c) A strengthened ASEAN community centered on ASEAN as a rules-based organisation; and
- (d) A strengthened capacity of the ASEAN Secretariat which is able to support the vision and development of the ASEAN community in a global community of nations.

The “Bali Declaration on ASEAN in a Global Community of Nations--Concord III” is an indication of the growing maturation of ASEAN from its far more modest beginnings in the 1960s. It is an indication of the conviction of achievements and promise of ASEAN and AEC that ASEAN Leaders gave special focus on growing ASEAN’s role in global affairs. Tay (2013) gives examples of occasions when ASEAN banded together and had a common voice, thereupon resulting in a significant ASEAN influence diplomatic-wise. One example was the common ASEAN-6 position and voice on the Vietnamese presence in Cambodia during the cold war years that helped pave the way for the Paris Peace Agreement in 1991. Another more recent example was the constructive engagement of ASEAN with Myanmar instead of joining the US and EU in sanctioning the regime in Myanmar. Arguably, ASEAN’s constructive engagement and quiet diplomacy have substantially helped in facilitating the remarkable developments in and transformation of Myanmar in the past two years.

ASEAN, however, is composed of AMSs with varying levels of development, economic size and structure, political institutions and history. Thus, it is not easy for AMSs to band together and have a common position as exemplified in WTO negotiations. Nonetheless, as Tay (2013) puts it, “A common voice for ASEAN is not impossible even if it cannot be achieved overnight. But neither is it natural.” Thus, Tay (2013) emphasises some key elements needed to generate ASEAN’s common position on global and regional issues more effectively in post-2015, while respecting different positions of AMSs. They are as follows:

- First, ASEAN common voice should aim to articulate ASEAN’s regional interests. It means ASEAN should constrain itself from taking a strong position when conflicting national interests are involved (e.g., South China Sea). Rather, ASEAN’s role should be to set norms and thus facilitate a peaceful means for dispute settlement. In the economic sphere, ASEAN as the region should focus on helping resolve disputes as a neutral body, rather than taking a specific position.
- Second, therefore, ASEAN must ensure trust and neutrality.
- Third, ASEAN needs to be flexible while respecting the principles of unity, consensus and regional resilience. Among all, decision-making needs special attention. Consensus can mean unanimity or it can also mean lack of disagreement. If unanimity is required strictly, ASEAN cannot form its common position promptly. Thus, pragmatically, a flexible approach taking lack of disagreement as consensus should be adopted.
- Fourth, other ASEAN institutions should be reviewed and reformed to facilitate the coordination process (e.g., strengthen the ASEAN Secretariat). This issue has been addressed earlier in the section on institutional strengthening of ASEAN in this chapter.

The creation of the ASEAN Community sets the basis for ASEAN’s common voice especially in the economic arena. As explained earlier in the RCEP context, the AEC experiences help ASEAN prepare for larger economic

integration while at the same time give a special position for ASEAN to propose useful substances to the region. It is also the case for other non-trade economic agendas. If ASEAN integrates more, AMSs will get close to each other in terms of their approach to global issues. Tay (2013) discusses the importance of norm-setting via the ASEAN Charter. AEC Post 2015 Vision will substitute it in the economic context.

In sum, that ASEAN aims for stronger role in Asian and global affairs, as best expressed by H.E. President Yudhoyono of Indonesia, reflects to some extent the maturation of ASEAN from its more modest beginnings and of its considerable achievement as well as unique role in furthering regional peace and economic integration in East Asia. Thus, the challenges of ensuring a successful RCEP in tandem with ASEAN centrality, ASEAN institutional strengthening, partnerships with complementary regional organisations, and the search for an ASEAN voice in international diplomatic arena are all an embodiment of the drive of RISING ASEAN to becoming a truly global ASEAN.