



Economic Research Institute
for ASEAN and East Asia

Collective Leadership, ASEAN Centrality, and Strengthening the ASEAN Institutional Ecosystem

Edited by: Simon Tay, Shiro Armstrong, Peter Drysdale, and Ponciano Intal Jr.

**ASEAN Vision 2040:
Towards a Bolder and Stronger
ASEAN Community**

Volume II



Collective Leadership, ASEAN Centrality, and Strengthening the ASEAN
Institutional Ecosystem

ASEAN Vision 2040: Towards a Bolder and Stronger ASEAN Community
Volume 2

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ERIA hopes that the recommendations in the report will help ASEAN Member States to step boldly forward and to strengthen ASEAN centrality and community, as the region will face ever greater challenges over the next 2 decades. As always, ERIA is ready to support ASEAN Member States to address the challenges and to realise the ASEAN Vision 2040.

Jakarta, March 2019



Hidetoshi Nishimura

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ASEAN Present and Future Global and Regional Developments

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I. ASEAN: Remarkable Achievement; Considerable Expectations

Remarkable Achievement

At the closing of the Meeting of the Heads of Government on 24 February 1976 in Bali, Indonesia (effectively, the first Association of Southeast Asian Nations (ASEAN) Summit), then Prime Minister Lee Kuan Yew of Singapore stated:

'Up till yesterday, a favorite question posed by ASEAN watchers was: 'Has ASEAN a future?' When our officials follow up on the agreements we have reached at this meeting, their question will now be: 'what kind of future is it to be for ASEAN?'' (ASEC, 10 Years ASEAN, 1978: 141, reprinted in Pitsuwan et al., 2017: inside flyleaf).

The above-mentioned question on the kind of future for ASEAN is answered by the transformation of the ASEAN region over its first half century, which has been truly remarkable:

- From conflicts and mutual suspicion among ASEAN member states (AMS) during its beginning in the 1960s to being at the centre of regional security arrangements for peace in the Asia-Pacific at present;
- From gingerly preferential tariff arrangements (PTAs) in the 1970s to being at the centre of regional economic integration initiatives in East Asia and the closest example of open regionalism in the world at present; and
- From barely knowing one another to an emerging ASEAN identity and incipient ASEAN community.

Political leadership was a critical driving force for this remarkable achievement. At the outset, the ASEAN founding foreign ministers were deeply driven to engender peace and stability in Southeast Asia, the sine qua non of any integration or community building initiative. The distributed leadership among the heads of state of the AMS provided the needed drive, foresight, stature, initiative, and passion to move ASEAN forward at crucial junctures of its development. Thus, arguably, President Suharto's desire to have friendly relations with Indonesia's neighbours as he revived Indonesia from the political and economic chaos of the mid-1960s facilitated the establishment of ASEAN. Similarly, the stature of Prime Minister Anand Panyarachun of Thailand, with support from Prime Minister Goh Chok Tong of Singapore, enabled a Leaders' consensus in 1991 towards the establishment of the ASEAN Free Trade Area (AFTA). Prime Minister Goh Chok Tong also started the conversation among ASEAN Leaders in 2002 towards the establishment of an ASEAN Economic Community (AEC). Prime Minister Mahathir Mohamad was passionate about ASEAN, and it was during Malaysia's hosting of the ASEAN informal summit in 1997 that the ASEAN Vision 2020 was adopted – setting out the vision for deeper integration beyond AFTA.¹

External developments also provided crucial impetus for the development of ASEAN. The fear that the still fragile AMS would be engulfed and torn asunder by communism amid China's cultural revolution and the Soviet Union's expansionism provided the fundamental animus to the creation

¹ Pitsuwan et al. (2017) provides some fascinating articles by ASEAN leaders and officials who have played significant roles in the development of ASEAN. The volume also includes background papers on the evolution of ASEAN during its first 50 years.

of ASEAN. The Plaza Accord of 1985 and the concomitant flow of export-oriented foreign direct investment (FDI) to Indonesia, together with the liberalisation reforms that Indonesia undertook as a result of the fall in world oil prices, led to a shift towards export orientation in Indonesia in the latter 1980s. Similarly, concerns over a possible ‘Fortress Europe’² and the impending North American Free Trade Agreement (NAFTA) moved AMS to step up regional integration initiatives from preferential tariff arrangements (PTA) to AFTA. Additionally, concern over the loss of investment attractiveness of ASEAN to China led AMS to move towards the establishment of an AEC.

The decision to establish an AEC was also prompted by the favourable review of the performance of AMS on their implementation of AFTA commitments, i.e. the AMS implemented their tariff liberalisation faster than what was programmed under AFTA. In effect, it is the interplay of leadership, pressures from external development, and favourable implementation performance that, at least in the later years, provided the positive dynamic forward for ASEAN. Finally, ASEAN’s Dialogue Partners³ have provided critically important support to ASEAN over the years of ASEAN development and evolution.

The ASEAN region is arguably the most successful developing economy region during the past four decades. McKinsey calls ASEAN the region of (growth) outperformers (Das et al., 2018: 4 (Exhibit 1)):⁴

- Indonesia, Malaysia, Singapore, and Thailand are long-term outperformers with per capita gross domestic product (GDP) growth outpacing the United States (US) consistently during 1965–2016 at a compound growth rate of at least 3.5% per year. The other three in the list are China, Hong Kong, and the Republic of Korea.

² ‘Fortress Europe’ describes a situation where European markets are much more difficult to access by exporters from ASEAN because of higher tariffs and/or non-tariff barriers.

³ The more significant ASEAN dialogue partners in terms of support to the region include Japan, China, the European Union (and formerly, European Economic Community), United States, and Australia–New Zealand.

⁴ Brunei Darussalam was excluded because its population is less than the 5 million population criterion for inclusion in the analysis. The total number of countries included is 91.

- Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam (CLMV) are recent outperformers that outpaced US per capita GDP growth consistently during 1995–2016, with a per capita compound growth rate of at least 5.0% per year. Six other countries are on the list, including India, Ethiopia, and Central Asian countries like Kazakhstan.
- The Philippines is a very recent accelerator with a per capita GDP growth rate of more than 13.5% per year during 2006–2016. Eight other countries belong to this group including Bangladesh, Peru, Poland, and Sri Lanka.

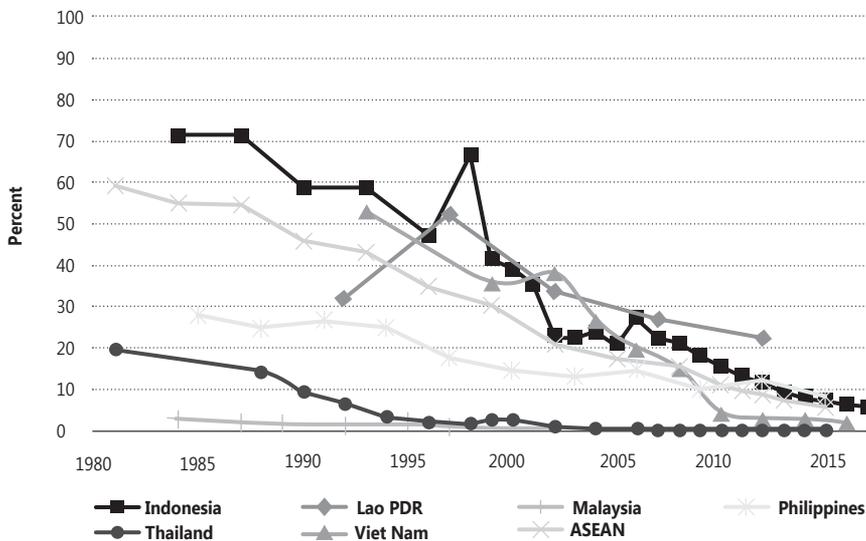
Underpinning such remarkable growth performance of virtually all AMS are high investment (and savings) rates⁵ and very robust FDI flows. Tables A1–A5 provide a quantitative picture of the remarkable economic performance of AMS over the past few decades.⁶ The very high growth rates of the CLMV countries from the mid-1990s to the present (2019) and the sharp uptick in the growth of the Philippines since 2010 are noteworthy. Gross capital formation as a ratio of GDP is robust in most AMS, with ratios rising significantly since 2010 in Cambodia, Myanmar, and the Philippines. ASEAN includes super savers in Brunei Darussalam and Singapore; high savers in Indonesia, Malaysia, Myanmar, and Thailand; and modest but rising savers in Cambodia, the Lao PDR, and the Philippines. Foreign direct investment inflows as a ratio of gross fixed capital formation and GDP in most AMS are higher than in China and India, most notably in CLMV countries and Singapore. ASEAN vies with China as the most preferred FDI destination in the developing world. Most AMS have also been trade oriented: six AMS had trade to GDP ratios of more than 100 during the past decade. Total factor productivity also contributed modestly to the robust growth performance of most AMS.

⁵ Cambodia, the Lao PDR, and the Philippines have substantially lower saving rates than the rest of the AMS.

⁶ See also, for example, Intal et al. (2014), Chapter 1; Intal and Chen (2017) Chapters 1, 2, and 3; and Das et al. (2018) for in-depth discussion of the remarkable economic progress in ASEAN.

The remarkable growth performance of AMS has translated to the near elimination of dire poverty and marked reduction in the overall poverty rate over the years in the region. Health and education outcomes have also improved substantially. Figure 1 shows the dramatic long-term decline in poverty rates in many AMS since the 1990s, most notably in Viet Nam. Improvements in the Human Development Index since 1990 (see Table 1) provide a snapshot of the improvement in education, income, and life expectancy (health) of the ASEAN peoples as these are the elements of the Human Development Index.

Figure 1: Headcount Poverty Rates*
(% of population)



ASEAN = Association of Southeast Asian Nations, Lao PDR = Lao People's Democratic Republic.

* At \$1.90 per day per capita at 2011 purchasing power parity.

Note: Malaysia is using income data; the rest are consumption data; ASEAN data is aggregated from Indonesia, the Lao PDR, the Philippines, Thailand, and Viet Nam data.

Source: World Bank, PovcalNet (2018), Poverty Head Count (% population) [Data file]. <http://iresearch.worldbank.org/PovcalNet/index.htm> (accessed 24 November 2018).

Table 1: ASEAN, China, and India Human Development Index, 1990–2017

	1990	2000	2010	2012	2017
Brunei Darussalam	0.782	0.819	0.842	0.852	0.853
Cambodia	0.364	0.420	0.537	0.553	0.582
Indonesia	0.528	0.606	0.661	0.675	0.694
Lao PDR	0.400	0.466	0.546	0.569	0.601
Malaysia	0.643	0.725	0.772	0.781	0.802
Myanmar	0.358	0.431	0.530	0.549	0.578
Philippines	0.586	0.624	0.665	0.677	0.699
Singapore	0.718	0.819	0.909	0.920	0.932
Thailand	0.574	0.649	0.724	0.731	0.755
Viet Nam	0.475	0.579	0.654	0.670	0.694
China	0.502	0.594	0.706	0.722	0.752
India	0.427	0.493	0.581	0.600	0.640

ASEAN = Association of Southeast Asian Nations, Lao PDR = Lao People's Democratic Republic.

Source: United Nations Development Programme, Human Development Report (2018), Human Development Index (HDI) [Data file]. <http://www.hdr.undp.org/en/indicators/137506> (accessed 25 November 2018).

A review of the policy developments and economic performance of AMS suggests that ASEAN has been a co-driver together with the World Trade Organization of significant policy reforms in many AMS, especially the newer AMS (see Intal and Chen, 2017). The implementation performance of the ASEAN Economic Community Blueprint, 2009–2015 (ASEAN Secretariat, 2008) measures is also noteworthy, even if a significant gap remains between the actual and the 'ideal' of an ASEAN single market or what were targeted. Tariffs on intra-regional trade in goods have virtually been eliminated. Major trade facilitation measures are well under way – the ASEAN Single Window should be in live operation by January 2019 among five AMS and at least three more AMS are expected to join soon after, the National Trade Repositories are being set up and populated with the information requirements set out in the ASEAN Trade in Goods Agreement (ATIGA), and the self-certification schemes have gone past the pilot stage towards the implementation stage. ASEAN services liberalisation commitments have been World Trade Organization General Agreement on Trade in Services (GATS) Plus, albeit with still a significant percentage in the flexibility clause. Similarly, investment liberalisation has deepened under the ASEAN Comprehensive Investment

Agreement (ACIA). MRAs have been signed on professional services as well as priority goods sectors, although the implementation leaves much to be desired. There has been a wide range of cooperation initiatives on many economic sectors (especially agriculture, forestry, and fisheries as well as finance and transport) and a number of critical economic issues such as competition policy and intellectual property rights. The explosion of ASEAN-related meetings since the early 2000s is a reflection of the expansion in the coverage and depth of cooperation among AMS under the ASEAN umbrella.

The remarkable achievements of ASEAN are not only in the political-security and economic arenas; there is also considerable achievement in the social development and cultural arena. Covering more than 20 sectors, the ASEAN Socio-Cultural Community (ASCC) has seen a rich and diverse range of initiatives involving a widening network of experts, non-state actors like non-governmental organisations, government officials, and ASEAN's dialogue partners. An example of the outcomes of the ASCC is the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) and the consequent establishment of the ASEAN Coordinating Centre for Humanitarian Assistance on disaster management (AHA Centre). ASEAN's regional cooperation in disaster management has enabled the region to take an active role in the international negotiations on the Sendai Framework for Disaster Risk Reduction.⁷

Initially less emphasised in the early decades of ASEAN than the other two pillars (i.e. the ASEAN Political-Security Community (APSC) and the AEC), the ASCC is potentially the most impactful of the three because it is the people pillar and it is inherently more cross-sectoral and multidimensional. That is, the ASCC has the potential to frame the effectiveness of the AEC and APSC measures forcefully in terms of their

⁷ The Sendai Framework for Disaster Risk Reduction is a 15 year (2015–2030), voluntary and non-binding agreement adopted by United Nations member states during the Third UN World Conference in Sendai, Japan March 2015. The Sendai Framework agreement is the successor agreement to the Hyogo Framework for Action (2005–2015). The agreement aims for the substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries. (<https://www.unisdr.org/we/coordinate/sendai-framework>).

impact on people empowerment and the interconnectedness of the various measures of the three ASEAN Communities that determine to a large degree the effectiveness of the measures in delivering benefits to the ASEAN peoples. Former Prime Minister Abhisit Vejjajiva of Thailand states that the AEC would find its progress difficult without the ASEAN peoples becoming closer socially and culturally (Vejjajiva, 2017). Former President Fidel Ramos of the Philippines emphasises that in order for the ASEAN peoples to consider ASEAN as their Community in all its dimensions, they need to see it as having pervading beneficial influence on their lives and regard the ASEAN vision as their own (Ramos, 2017).

An indication of the fruition of the community building efforts in ASEAN is that a substantial 37% of the student respondents to the Institute of Southeast Asia Studies (ISEAS) survey in 2014 considered themselves to be 'ASEAN citizens'. A similar study undertaken by ERIA in 2016–2017 using a similar question to that of the Institute of ISEAS survey but involving a wide range of respondents shows that half of the student respondents in the ERIA survey in all AMS consider themselves 'ASEAN citizens', suggesting some progress in the sense of belongingness among the ASEAN peoples. (See Intal and Ruddy, 2017.) This is a significant result considering that when ASEAN was established the ASEAN peoples hardly knew one another and may even have harboured suspicions and mistrust about one another.

Nonetheless, a large percentage of students in ASEAN do not consider themselves ASEAN citizens. Those who do consider themselves ASEAN citizens appear to do so because of geographical proximity to the ASEAN countries and ease of travelling within the region among the ASEAN peoples. Moreover, the ERIA survey suggests that the knowledge of ASEAN is primarily that of the AEC. (The ERIA survey was undertaken just more than 1 year after the establishment of the AEC, which dominated the media in the run-up to its establishment in 2015.) Thus, a huge challenge remains in moving towards a deep sense of ASEAN belonging and shared ASEAN identity.

Considerable Aspirations–Expectations Gap

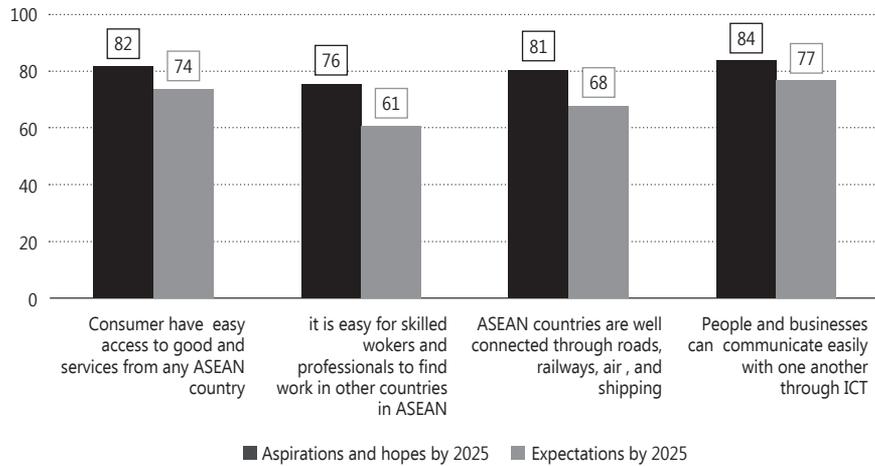
Alongside the remarkable achievement is the considerable aspirations–expectations gap by ASEAN peoples on ASEAN and AMS moving forward into 2025 (and likely beyond into 2040). ERIA undertook a survey in 2016–2017 of 2,322 people from all 10 AMS on their aspirations and expectations for ASEAN and their home countries for 2025 (see Intal and Ruddy, 2017). The respondents cover a wide range of professions including government officials, students, academics and researchers, civil society, and the business sector. The survey results, shown in Figures 2–4, show a strong aspiration (i.e. what the respondents aim or hope for) for an integrated and connected ASEAN; a resilient, equitable, and sustainable ASEAN; an ASEAN of good governance; and an ASEAN with significant global and regional presence and contribution. However, the respondents’ expectations (what they expect to happen) are more downbeat. While they were more optimistic that their aspirations for an integrated and connected ASEAN would happen by 2025, they were much less optimistic about an ASEAN of good governance as well as an equitable and sustainable ASEAN by 2025. There was also a considerable gap between aspirations and expectations for an ASEAN that is resilient to natural disasters and that plays a large role in the global and regional arena (Intal and Ruddy, 2017).

The survey results also show a strong concordance between the respondents’ views on the pressing problems facing their own countries and ASEAN as a region. Corruption ranks as the most important pressing problem at the regional level and, on average, at the national level. Income disparity and social inequality rank second at the national level and third at the regional level, with climate change and natural disasters ranking second at the regional level (Figure 5). To a large extent, the pressing regional and national concerns shown in Figure 5 mirror the gap between aspirations and expectations indicated in Figures 2–4.

The significant gaps between the aspirations and expectations of ASEAN peoples on ASEAN and their own countries indicate strongly that ASEAN remains very much a work in progress. At the same time, the strong concordance and overlap of the regional and national concerns suggests that regionally coordinated concerted national actions addressing the

concerns of importance at both the national and regional levels would enhance the synergy of such actions among the AMS. In addition, achieving the dream of an integrated and connected ASEAN that is more equitable, resilient, and playing a large global and regional role would call for enhancing the synergy among the various blueprints and action plans of the three major communities of ASEAN: the AEC, ASSC, and APSC.

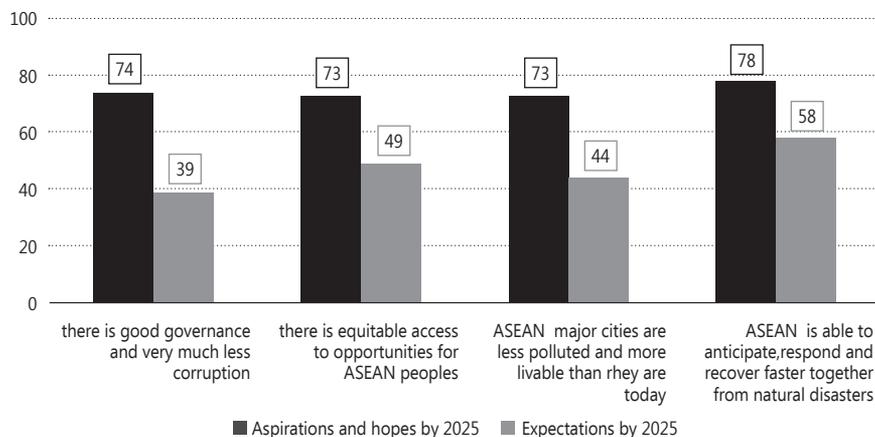
Figure 2: Integrated and Connected ASEAN
(%)



ASEAN = Association of Southeast Asian Nations, ICT = information and communication technology.

Source: Intal and Ruddy (2017).

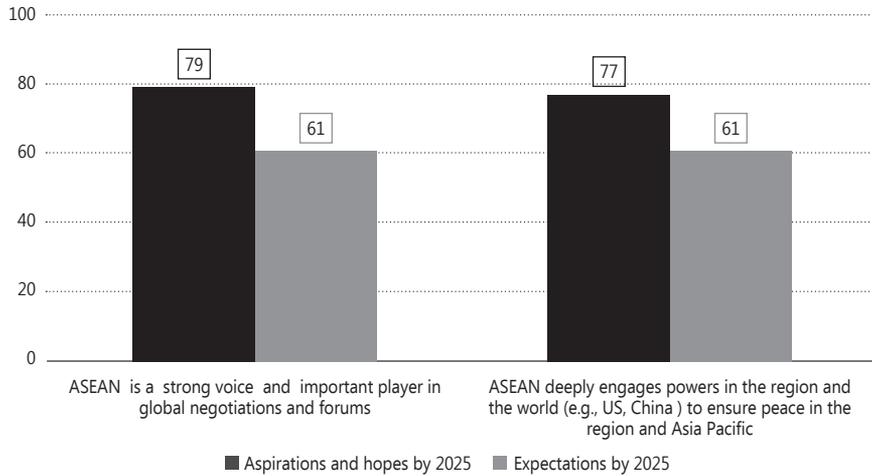
Figure 3: ASEAN Governance, Resilience, and Equity
(%)



ASEAN = Association of Southeast Asian Nations.

Source: Intal and Ruddy (2017).

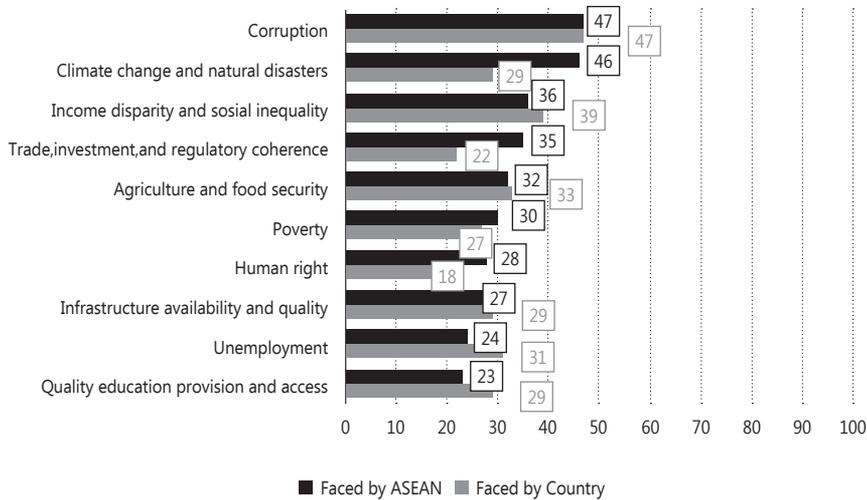
Figure 4: ASEAN Global and Regional Engagement (%)



ASEAN = Association of Southeast Asian Nations, US = United States.

Source: Intal and Ruddy (2017).

Figure 5: Pressing Problems at ASEAN and National Levels (%)



ASEAN = Association of Southeast Asian Nations.

Source: Intal and Ruddy (2017).

Finally, and importantly, the regional coordinated concerted actions addressing the concerns of the ASEAN peoples would arguably engender a deeper sense of community and common identity in ASEAN. Former Prime Minister Abhisit Vejjajiva of Thailand emphasises that at the heart of an ASEAN community is a community of people:

‘A true community must be a community of people, a concept that should be at the heart of ASEAN Community. ASEAN must strive to bring its member countries together and create a sense of shared identity of peace and prosperity for all ASEAN peoples based on common ASEAN values with an ASEAN identity.’ (Vejjajiva, 2017; 93)

Thus, ASEAN Leaders like Prime Minister Vejjajiva present the timeless existential challenge of ASEAN, i.e. ASEAN must be of benefit to ASEAN peoples and embody ASEAN values. In addition, former Philippine President Gloria Macapagal-Arroyo emphasises that ASEAN has a responsibility to the broader Asia, which is that ‘More than just a regional community, [ASEAN] must be a dynamic force in Asia towards maximizing the benefits of globalization... uplifting the poor in the region’ (Macapagal-Arroyo, 2017, in Pitsuwan, S. et.al., 2017: 63).

The voices of ASEAN Leaders and peoples described above show that ASEAN peoples and Leaders have high expectations for their own countries and ASEAN. Despite the remarkable achievement of AMS and ASEAN, it is clear that much more is to be done for ASEAN and the AMS to achieve the aspirations of the ASEAN peoples.

Recent key global economic, political-security, and technological developments present ASEAN with both tremendous opportunities for sustainably robust equitable growth and inclusive integration on the one hand and huge risks of comparatively lacklustre growth and greatly reduced international credibility and relevance on the other hand. These developments include (i) the emergence of the China–ASEAN–India growth corridor as the world’s fastest growing largest market in the world; (ii) the digital revolution and Industry 4.0 that characterise the new industrial revolution; (iii) the rise of trade protectionism best exemplified

by the trade policies of the United States, the world's largest economy and hitherto the strongest supporter of the world's trading system; and (iv) the shifting geopolitics in the Pacific and Indian oceans. All four key global and regional developments suggest that business as usual is not an option for ASEAN moving forward. It must step and move up to a next level if it wants to meet the aspirations of its peoples for the future.

II. Key Global and Regional Developments

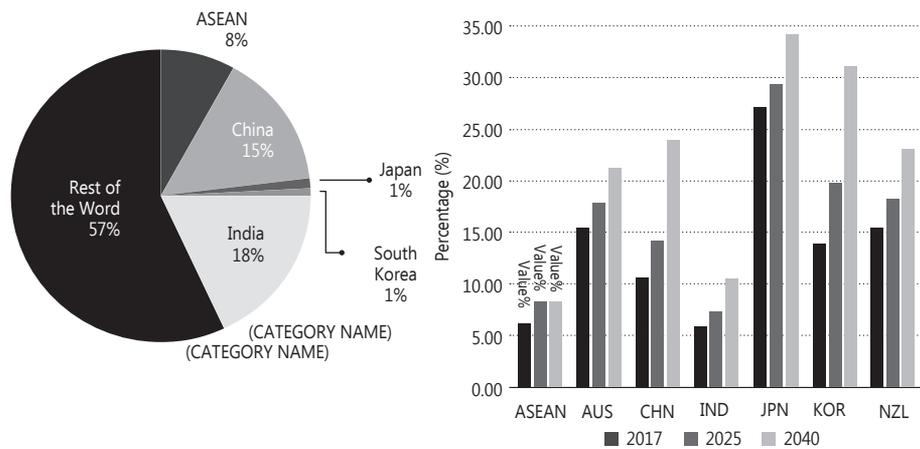
The Rise of Asia Pacific as a Global Economic Powerhouse

China is expected to be a high-income country by around 2030, with a population of about 1.42 billion in 2040. Virtually all AMS would be at least upper middle-income countries, with three or four being high-income countries, by 2040. ASEAN's population is expected to be 0.77 billion by 2040. India is expected to be the fastest growing large economy in the next two decades, in addition to being the most populous country in the world with about 1.61 billion by 2040. ASEAN, China, and India are projected to account for 29% of the world's population in 2040 –the most populous region of the world. China, India, and ASEAN (viewed as a single entity) would belong to the top four economies in the world in terms of GDP in purchasing power parity (PPP) terms by 2040 (Figure 6 and Table 2). The China–ASEAN–India corridor would see the largest increase in the middle class in the world in the next two decades. As a result, the centre of gravity of the world's middle class would shift inexorably from North America and Europe to the Asia–Pacific (including India) region, and much of that shift is because of the surge in the middle class in the China–ASEAN–India corridor.

That the most populous corridor in the world would be largely middle class by 2040 has huge implications. Middle classes invest more in education and health, leading to higher stock (quality) of human capital. Higher quality of human capital contributes to labour flexibility, technical change, and productivity growth. Thus, middle class growth has positive synergy with the long-term growth of an economy. Equally important is the implication of middle-class growth on trade and investment. Middle-class growth means a marked increase in the demand for durables and differentiated products, either domestically produced or imported. The

production of durables is linked to production networks in the region. The middle-class growth is also expected to lead to a marked rise in the demand for services of increasingly higher quality and likely that are increasingly more tradable in view of the emerging technologies. Thus, cross-border service networks or chains can be expected to also grow significantly. What all this means is that East Asia, the 'factory of the world', would be the 'growth market of the world'. Additionally, assuming that trade barriers are reduced much more and there is greater regulatory concordance or convergence or coherence, there would be much greater avenues for intra-regional trade. The graduation of a huge mass of people, most of them in the China–ASEAN–India corridor, into the middle class and consuming class has been called the 'the biggest opportunity in the history of capitalism' (Atsmon, 2012: 1).

Figure 6: Projected ASEAN Population Relative to the World in 2040 (a), Projected Ageing Population Relative to Total Population (%) (b)



ASEAN = Association of Southeast Asian Nations, AUS = Australia, CHN = China, IND = India, JPN = Japan, KOR = Republic of Korea, NZL = New Zealand.

Source: United Nations Department of Economics and Social Affairs, Population Division (2017), World Population Prospects 2017 [Data file]. <https://population.un.org/wpp/Download/Standard/Population/> (accessed 24 November 2018).

**Table 2: GDP Long-term Projections at PPP
(constant 2016 \$ billion)**

GDP Long-term Projections at PPP (in constant 2016 \$billion)

Rank	2016		2030		2040		2050	
	Country	Value	Country	Value	Country	Value	Country	Value
1	China	21,269	China	38,008	China	44,838	China	58,499
2	US	18,562	US	2,3475	India	27,717	India	44,128
3	India	8,721	India	19,511	US	27,017	US	34,102
4	Japan	4,932	Japan	5,606	Indonesia	7,117	Indonesia	10,502
5	Germany	3,979	Indonesia	5,424	Japan	5,997	Brazil	7,540

GDP Long-term Projections at PPP (in constant 2016 \$billion)

Rank	2016		2030		2040		2050	
	Country	Value	Country	Value	Country	Value	Country	Value
1	China	21,269	China	38,008	China	44,838	China	58,499
2	US	18,562	US	23,475	India	27,717	India	44,128
3	India	8,721	India	19,511	US	27,017	US	34,102
4	ASEAN (6)	6,900	ASEAN (6)	12,166	ASEAN (6)	15,861	ASEAN (6)	23,232
5	Japan	4,932	Japan	5,606	Japan	5,997	Brazil	7,540

ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, PPP = purchasing power parity, US = United States.

Note: ASEAN (6) consists of Indonesia, Malaysia, the Philippines, Thailand, Malaysia, the Philippines, Viet Nam, and Singapore. Data for Singapore taken from Pardee Center International Futures, with GDP at PPP in constant 2011 \$billion. 2040 forecasts are author's own calculation based on data provided by sources.

Source: PricewaterhouseCoopers (2017), The Long View: How will the global economic order change by 2050? <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf> (accessed 24 November 2018).

For ASEAN, which is at the geographical centre of the 'world's golden arc of opportunity' – as the fastest and largest growing market in the world – the next two decades into 2040 offer tremendous opportunities for trade, investment, and growth. ASEAN needs to be well positioned to take on the challenges that such golden opportunities offer. The challenges for ASEAN are indeed huge. Benefiting more from the growth corridor entails deeper economic integration with, and therefore openness of ASEAN to, China and India. However, ASEAN has far less technological capability, skilled labour, and scientific and engineering talent than China and India. That is, ASEAN has to markedly improve its technological, human capital, and even institutions and infrastructure to compete effectively under

more liberalised trade and investment environments in the India–ASEAN–China growth corridor. Equally important, given that China and India are both countries while ASEAN is a group of 10 countries, there is a great challenge for ASEAN to approximate as closely as possible the single economy condition of China and India to compete more effectively with them.

Trump, Brexit, and the Importance of Inclusive Integration

One key lesson of the Trump and Brexit phenomena is that globalisation and economic integration can leave some segments of the population behind, fomenting dissatisfaction with globalisation and an open economy and fuelling calls for more protectionist policies. This highlights the importance of giving greater focus to inclusivity in integration and growth. Herein lies the critical importance of complementary policies in the management of adjustment in an integrating world.

The quest for inclusiveness and social equity in the context of an open economy and regional integration involves the pursuit of the elimination of absolute poverty and a reduction in social inequality. Inclusiveness as poverty reduction is best undertaken by robust (better still, high) economic growth over a significant period. Investment is a key growth driver, and many regional integration initiatives in ASEAN (e.g. trade facilitation, connectivity, good regulatory practice) enhance investment attractiveness. In this sense, regional integration supports the pursuit of inclusiveness. The challenge is how the design and implementation of such regional integration measures as investment and growth drivers are themselves enablers of inclusiveness in terms of reduced inequality by giving focus to the impact on employment and small and medium-sized enterprises (SMEs) in the design and implementation of such regional integration measures.

Nonetheless, inclusiveness in growth and integration is much more than poverty reduction and elimination. Indeed, it is the widening inequality that tends to feed disaffection about globalisation and economic openness. The worse is the case of stagnant incomes and widening inequality, which appears to have provided the animus for the more

protectionist calls in the United States. Appropriate complementary policies to the regional integration measures are needed to engender a more inclusive outcome such as reduced social inequality. Such complementary policies include social safety net measures; education and skills training; universal health measures; and for emerging economies, access to electricity, irrigation, roads, safe water, and even sanitation. It is probably not surprising that countries with much better performing social safety nets, education, skills development, and health measures, e.g. Japan, the Scandinavian countries, and Canada, have not experienced a substantial backlash against globalisation and economic openness compared with the US.

The rise of President Trump has one additional result: a strong protectionist trade policy agenda, especially his imposition of tariffs on China's exports to the United States. This has at least two contrasting effects on ASEAN. The first is the relocation of the production of more labour-intensive export-oriented manufacturing from China as well as the realignment of US import sourcing to lower labour cost ASEAN countries which do not face US trade sanctions. The contrasting effect is that China's exports to the US include inputs from ASEAN countries and therefore may dampen exports from AMS. In addition, the worsening trade spat between the two largest economies in the world dampens the global trade and economic environment, and thereby adversely affects the export and growth outlook of AMS because of their heavy reliance on trade. It is not clear whether this is a short-term negotiating strategy or at least a medium-term phenomenon; nonetheless, the rise of a protectionist US calls more than ever for greater efforts for deeper integration within ASEAN and the broader East Asia.

Acceleration of the Digital Revolution and Industry 4.0 in the Region and the World

Revolution denotes abrupt and radical changes in the economic and social systems. Looking back, ASEAN had greatly benefited from the agrarian revolution and the industrial revolution of the 1960s–1980s, with the rise in value-added agricultural production and production networks. Today, the Fourth Industrial Revolution is powered by a wider range

of new technology breakthroughs⁸ – not only in the digital realm (e.g. artificial intelligence, internet of things) but also in the physical realm (e.g. new materials, bioengineering process). The digital economy and Industry 4.0 are revolutionary because of the breadth of technologies, speed of change, and depth of anticipated benefits.

The new technologies and the interactions between them offer new ways to create and consume, will transform how AMS deliver and access public services, and will enable ways to communicate and govern natural resources and build resilience. Almost every aspect of the more than 600 million people of ASEAN will be touched by Industry 4.0: business models, industrial/economic structure, jobs, social interactions, and systems of governance. That distribution of changes will very much depend on how these technologies are adopted to deliver the level of impact expected.

There are many opportunities for AMS and ASEAN arising from the digital economy and Industry 4.0. They include:

1) Increased industrial productivity:

The users of Industry 4.0 technologies expect four major economic benefits in the future compared with companies not taking part in the upcoming industrial revolution: (i) a reduction in costs, which can be realised through an increase in the degree of automation and efficiency; (ii) an increase in flexibility that allows companies to react quickly to changes in orders and capacities, and respond to increasingly individualised customer demands; (iii) increased stability and improved quality arising from intelligent maintenance concepts (e.g. predictive maintenance); and (iv) an increase in turnover through incremental efficiency in business and manufacturing processes and by entering new markets.

⁸ The following are generally considered to be part of Industry 4.0 technologies: artificial intelligence, advanced robotics, mobile internet, sensors and the internet of things, blockchain and distributed ledgers, 3D printing, autonomous vehicles, new nano materials, genetic and bio engineering, new energy and storage technologies, big data, and quantum computing (Anbumozhi and Kimura, 2018).

2) Empowering SMEs with access to technology, finance, and markets:

SMEs are the backbone of the economies of AMS and ASEAN. The rise of digital technology, marketplaces, and online services can empower SMEs to trade in ways that were once unimaginable, connecting them to regional and global markets rather than just local consumers. Technologies such as blockchain will revitalise SME financing and bank logistics. Industry 4.0 thus promises to unleash a new ASEAN of micro-transactions. At present, the value of e-commerce in ASEAN stands at \$9 billion or \$15 per person. In China and India, the value is \$325 and \$75 per person, respectively, which illustrates the size of the potential.

3) Powerful force of inclusion – no one left behind:

The digital economy and Industry 4.0 will create new ways for ASEAN peoples to connect with each other, trade with one another, and access services that are not currently available. Some AMS are archipelagic and physical connectivity has long been constraining their economic development. Investments in high-speed broadband, 3D printers, and local electricity hubs provide a faster way to connect the isolated people than investing in roads, railways, and electricity grids. Telemedicine, when coupled with drone delivery, offers an opportunity to provide improved access to health care for remote areas. Under Industry 4.0, ASEAN peoples will gain access to new sources of information, e.g. market prices, new forms of education such as online courses, and new financial services. The result could be more inclusive forms of growth, given the high cost of moving goods and services around disadvantaged isolated communities.

4) Transforming agriculture:

Many AMS have large agriculture sectors and Industry 4.0 is likely to impact the farming, fisheries, and forestry sector positively. In the short term, the impact of connecting small-scale farmers to the internet has already brought well-documented improvements in farm productivity in countries like China and India, profitability in Latin American countries, and sustainability in Organisation for Economic Co-operation and Development (OECD) economies. Smartphones give farmers better access to market information for their products; weather information to tackle climate variability; and knowledge about soil, seeds, and fertiliser.

5) Improving natural resources management:

A recent ASEAN environmental outlook suggests that 40% of the land in six AMS suffers from severe human-induced degradation (see Anbumozhi and Kimura, 2018). Artificial intelligence, remote sensing, and drones offer opportunities to monitor natural resources, forests, and fisheries activities much more effectively. Irrigation systems and land use practices could be planned and operated more efficiently through blockchain and automated systems.

6) Improved resilience:

ASEAN is more vulnerable to climate change and disasters given the heavily populated coastline, continued reliance on agriculture, and persistent incidence of poverty. Information and communication technology and remote sensing technologies, when combined with big data, can provide effective early warning systems and new ways of preparing for disasters and delivering recovery and aid services. Collecting location-specific data will enable the identification of adaptive actions, but also potentially lower the costs of providing services by reducing money spent on inappropriate and duplicative projects and programs.

The discussion above shows that huge potential benefits arise from the embrace of the digital economy and Industry 4.0 in ASEAN. There may be more benefits, such as more efficient use of materials, if the circular economy takes hold in the region.

Industry 4.0 and the digital economy also pose significant risks and challenges, however, including the following:

- Technologies such as artificial intelligence and robotics will decrease the competitiveness of low-cost and low-skilled labour. 3D printing could transform the nature of manufacturing. With the advent of production networks, many goods are made at decentralised locations operating at scale and producing standardised products. In the future, 3D printing may mean that products are produced locally close to users or consumers on a highly customised basis.

- Industry 4.0 technologies are also rapidly increasing the jobs that machines can perform better and faster than people. While this may reduce costs and raise productivity, it will also threaten jobs, and some members of ASEAN will be more affected than others. The immediate threats are to low-skilled, repetitive jobs such as assembly line workers, but services jobs are also at risk, threatening to undermine regional success stories such as the rise of the business-process outsourcing sector. Moreover, digitalisation and automation could lead to the reshoring of manufacturing back to high labour-cost countries, and reduce the attractiveness of ASEAN for FDI in the manufacturing sectors. Retraining and skill development may cushion the impact of automation, but will not prevent deep shocks. Rapid movement towards knowledge-based and creative economies will be required for ASEAN to remain competitive at the global level.
- The digital economy and Industry 4.0 promise to empower ASEAN SMEs, but they may create difficulties for larger businesses. This is especially true for the type of companies that require scale to be competitive, such as banks and online businesses. The spread of digital networks means that the economics of online business no longer experience diminishing returns to scale. Adding an additional customer or user has almost zero marginal cost and instead delivers ever greater value through the impact of network effects. On the other hand, as more and more devices, sensors, and machines are connected through the internet, the potential for damage and cyberattacks will rise significantly. The likely annual cost to the global economy from cybercrime is \$375 billion–\$575 billion.
- Economic convergence among ASEAN economies has shown promising trends since the 2000s. The impact of Industry 4.0 has the potential to accelerate returns to talent and knowledge. This could slow down or even reverse the gains achieved in the past decades between advanced economies and less developed countries within ASEAN, and would widen inequality within countries.

In view of the tremendous opportunities and large risks, the way forward calls for a more innovative ASEAN. Embracing the digital economy and Industry 4.0, and countering job losses and disruptions from the digital economy, will require innovation and transformative education.

Innovative enterprises and start-ups will be critical to capturing these opportunities. AMS that are unable to innovate and apply Industry 4.0 technological advances to their present industries are unlikely to cope with the negative externalities of the digital economy. Hence, innovation capacity and educational systems will be more critical for ASEAN. This will call for ASEAN firms to articulate a long-term strategic plan of digital technology and human resources strategies to advance from basic production capacity to the ability to adopt and adapt disruptive technologies. It may call for AMS to think about how to connect national innovation systems, incubators, and regional business and financial support services to help current research and development programs to operate across ASEAN in embracing Industry 4.0. AMSs may need to nurture the cross-fertilisation of ideas to support the exploration of complementarities among the group of Industry 4.0 technologies.

In summary, the digital revolution and the new technologies that underpin Industry 4.0 can lead to a services revolution under the so-called 3rd unbundling⁹ or to a disruptive production revolution, which can result in either structural unemployment or substantial productivity improvement or both. Thus, while the 2nd unbundling benefited ASEAN greatly because it suited the latent comparative advantage of AMS in labour-intensive manufacturing, the impact of the new industrial economy on ASEAN and AMS is far less certain because it depends largely on how successful the AMS will be in adjusting to the challenges and opportunities of the digital revolution and Industry 4.0 in the future.

ASEAN Centrality in a Dynamic and Outward-looking Region

In a rapidly changing geopolitical landscape, ASEAN has been able to uphold and strengthen its unity, cohesiveness, and centrality in the evolving regional architecture, which is built upon ASEAN-led mechanisms. ASEAN's most important asset for shaping external powers' engagement with Southeast Asia is through its position as the hub of

⁹ 3rd unbundling involves the unbundling of tasks while the 2nd unbundling involves the unbundling of production into tasks. Thus, 3rd unbundling involves even greater disaggregation of activities (as compared to 2nd unbundling) that can be undertaken in different locations domestically or abroad.

the broader region's political-security forums, principally the East Asia Summit, the ASEAN Regional Forum, and the ASEAN Defence Ministers' Meeting Plus. ASEAN has been successful in using this role to set the agenda of regionalism and to inculcate ASEAN norms and the concept of ASEAN centrality in its dialogue partners. It is basically through these platforms and mechanisms that AMS perform their important roles in the geopolitics of Southeast Asia, East Asia, and the wider Asia-Pacific region.

However, despite ASEAN's success so far in creating structures that bring the entire region together on its terms, these institutions have not achieved their potential, which poses a real risk for their future relevance. One of the major built-in weaknesses of ASEAN-based institutions is their organisational basis – requiring collective decision making based on ASEAN consensus – while there are major differences in national priorities. As a result, the ability is limited for ASEAN-centred institutions to develop into robust, effective organisations for tackling difficult issues involving external major powers as well as intra-ASEAN issues such as the Rohingya in Myanmar. ASEAN centrality is therefore crucial to the widespread acceptance of the regional institutions, peace, and stability in the region.

The increasing rivalry and potential conflict between the US as the established power and China as the emerging power has been rising. Since the end of the Second World War, the US has been the stabilising power and the guarantor of peace and stability in East and Southeast Asia. The election of President Trump has signalled a major global and regional strategic foreign policy shift of the US. Whether this is a temporary or more permanent shift will have far-reaching implications on peace and stability in East and Southeast Asia and implicitly on the viability of ASEAN centrality. The South China Sea dispute is a case in point, involving the great powers, which is taking place in Southeast Asia. In this context, ASEAN's role as the anchor of the region will become more important in the future. With the possibility of US retrenchment from the region and China's growing influence, ASEAN will need to ensure its centrality in the region. The draft agreement of the Code of Conduct on South China Seas signed at the 51st ASEAN Foreign Ministers' Meeting in Singapore in August 2018 is a vital step forward as a framework for addressing this potentially explosive maritime security

issue. Other potential flashpoints include the nuclear issue in the Korean peninsula, conflicting claims on maritime islands by China and Japan in the East China Sea, and the long-standing cross-strait issue between China and Taiwan. As the rivalry of the great powers in the region increases, ASEAN's ability to maintain a common approach towards these powers is likely to come under increasing pressure – and so the viability of ASEAN centrality.

The continued relevance of ASEAN centrality is its ability to strengthen stability and peace in the broader region. By bringing regional partners around the table and promoting the use of diplomacy as opposed to force, ASEAN has contributed to a more stable regional dynamic. In the past, this was done by limiting the scope for competition between major powers in Southeast Asia. However, ASEAN's prospects for a more active stabilising role are limited in the future as its centrality in the region is heavily dependent on external dynamics over which it has no direct control. In the present, ASEAN's relevance is supported by a large degree of rivalry between the great powers. At the same time, ASEAN's diplomatic space to act will continue to be limited by inequality in terms of economic and political power between ASEAN and the major powers. Moreover, ASEAN is unable to address most of the main security issues that exist among the major powers in the regional institutions, except the South China Sea. The rapid rise of China, and to a lesser extent of India, has created undefined enormous challenges to ASEAN centrality and indirectly to its relevance as a 'catalyst of Asian regionalism', peace, and stability in the region.

Under the likely increasing regional security landscape in Southeast Asia towards the ASEAN Vision 2040, what are the policy options available for ASEAN to choose? Two possibilities arise from this emerging security landscape. One approach is to expect that the great powers have a benign foreign policy posture towards the region by putting regional stability above their great power ambitions and national interests. However, this approach is not realistic and is a far-fetched illusion devoid of historical precedent. The other policy option is to make ASEAN centrality more resilient by strengthen ASEAN as a competitive, integrated, sustainable, and inclusive region as envisioned in the AEC, APSC, and ASCC. Even this approach is not a guarantee for avoiding

Southeast Asia becoming a region of contest for the great powers. Nonetheless, this approach has better chances of success as it is within ASEAN's range of internal leverage.

As clearly stated in the APSC Blueprint 2025 (ASEAN Secretariat, 2015), the key elements of ASEAN centrality in a dynamic and outward-looking region are to strengthen ASEAN unity, cohesiveness, and centrality in shaping the evolving regional architecture, built upon ASEAN-led mechanisms; and to strengthen ASEAN's institutional capacity and presence. This APSC Blueprint is valid and viable to face ASEAN present and future global and regional development in the realm of security and emerging geopolitical trends. However, it is important to deepen cooperation with dialogue partners, develop and maintain effective partnership with external parties to support the ASEAN Community Vision 2025 (ASEAN Secretariat, 2015), and enhance ASEAN capacity to contribute and respond to key international issues of common interest and concern. Equally important is to recognise that the APSC Blueprint is strategically linked with the AEC and ASCC blueprints, as security resilience and sustainability are intimately linked to economic prosperity, harmony, and inclusiveness in social and cultural dimensions.

In the economic context, ASEAN has been pursuing ASEAN centrality mainly by establishing free trade agreement networks with its dialogue partners. The Regional Comprehensive Economic Partnership (RCEP) framework is an extension of that framework and mechanism. High-quality successful completion of the RCEP would go a long way to provide viable and sustainable ASEAN centrality in facing uncertain and dynamic geopolitical challenges in the region towards the ASEAN Vision 2040. The RCEP is strategically linked to the AEC Blueprint 2025. As a competitive, integrated, inclusive, prosperous, and harmonious economic community of a single market and production base, ASEAN would be in a much better position to continue its centrality role as a facilitator and a driver of substance in creating a peaceful and prosperous Southeast Asia. Moving forward, ASEAN must continue to be proactive and engaged with the great powers in a dynamic equilibrium, in ensuring that it maintains its centrality and that external powers see value and necessity in ASEAN in taking the driver's seat for the good of great and small powers in the region.

It has been a common consensus that ASEAN centrality became a key principle in ASEAN's extra-regional interactions with its dialogue partners, as non-ASEAN states began to recognise the value of ASEAN's multilateral norms in conflict management. However, the most serious challenge that ASEAN faces is the huge gap between its institutional capacity to help govern the region and the promises outlined in the APSC. This gap will become wider and more serious in the future towards ASEAN 2040. To narrow it, ASEAN must pursue measures to streamline its work processes; increase effectiveness, efficiency, and coordination in the work of its organs and bodies; and increase its institutional presence at the national, regional, and international levels.

In conclusion, the geopolitics of East Asia has been changing dramatically with the rise of China in the economic, military, and diplomatic arenas. A fast-rising India can be expected to flex its diplomatic muscles much more in the future, especially as it becomes the most populated country in the world. Thus, the era of Pax Americana in the Asia Pacific with a hegemonic US is giving way to a more multipolar world in the region. ASEAN centrality in the region has been tested greatly in recent years. More than ever, ASEAN needs to ensure that ASEAN centrality has strong resonance in an increasingly multipolar world.

ASEAN at the Crossroads?

Amidst the formidable challenges presented above, is ASEAN at the crossroads? Whether it is or not, the discussion above indicates that business as usual is not an option for ASEAN moving forward. It must step and move up to a next level if it wants to meet the aspirations of its people for the future in an effective manner.

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Appendix

Table A1: Growth Rate of ASEAN, China, and India GDP (constant 2010 US\$)
(%)

Country	1990–1996	1997–1999	2000–2004	2005–2009	2010–2014	2015–2017
Brunei Darussalam	2.8	0.3	2.6	0.2	0.6	(0.6)
Cambodia	(6.3) *	7.1	8.7	8.2	7.0	6.9
Indonesia	7.2	(2.5)	4.6	5.6	5.8	5.0
Lao PDR	6.4	6.0	6.0	7.7	8.0	7.1
Myanmar	5.5	7.5	12.9	11.9	7.8	6.4
Malaysia	9.5	2.0	5.5	4.1	5.8	5.0
Philippines	2.8	2.6	4.5	4.4	6.2	6.5
Singapore	8.7	4.1	5.2	5.3	6.9	2.8
Thailand	8.3	(1.9)	5.5	3.1	3.9	3.4
Viet Nam	7.9	6.2	6.7	6.5	5.9	6.6
China	10.7	8.2	9.2	11.5	8.6	6.8
India	5.5	6.4	5.7	8.1	7.2	7.3

ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

* Data for Cambodia available from 1994.

Source: World Bank, World Development Indicator (2018), GDP (Constant 2010 US\$) [Data file]. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD?view=chart> (accessed 25 November 2018).

**Table A2: Gross Capital Formation
(%of GDP)**

Country	1990–1992	2000–2002	2010–2012	2015–2017
Brunei Darussalam	20.9	16.2	27.5	34.9
Cambodia	(...)	18.1	17.7	22.7
Indonesia	31.6	22.1	33.6	33.8
Lao PDR	(...)	18.7	29.3	29.9
Myanmar	(...)	(...)	27.8	33.9*
Malaysia	35.2	25.3	24.1	25.5
Philippines	21.9	21.7	19.7	23.5
Singapore	35.0	29.4	28.4	27.3
Thailand	41.4	22.7	26.7	21.9*
Viet Nam	15.1	31.3	30.9	26.7
China	36.8	36.0	47.5	44.4
India	26.3	27.2	39.5	31.0

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

* Data for Myanmar and Thailand only available from 2015 to 2016.

Source: World Bank, World Development Indicator (2018), Gross Capital Formation (% GDP) [Data file]. <https://data.worldbank.org/indicator/NE.GDI.TOTL.ZS> (accessed 25 November 2018).

**Table A3: Gross Domestic Savings
(% of GDP)**

Country	1990–1992	2000–2002	2010–2012	2015–2017
Brunei Darussalam	49.3	46.9	66.5	53.6
Cambodia	(...)	8.3	12.5	19.3
Indonesia	27.1	29.0	34.9	33.0
Lao PDR	(...)	9.5	15.4	18.6
Myanmar	(...)	(...)	35.4	30.9*
Malaysia	35.1	43.3	38.2	32.6
Philippines	16.8	15.7	16.8	15.4
Singapore	46.9	44.1	54.3	53.2
Thailand	35.1	31.3	31.2	32.3*
Viet Nam	8.9	28.2	28.3	25.4
China	38.3	37.9	50.8	47.0
India	22.2	24.5	33.1	30.2

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

* Data for Myanmar and Thailand only available from 2015 to 2016

Source: World Bank, World Development Indicator (2018), Gross Domestic Savings (% GDP) [Data file]. <https://data.worldbank.org/indicator/NY.GDS.TOTL.ZS?view=chart> (accessed 25 November 2018).

Table A4: Foreign Direct Investment: Inward Flow
(% of gross fixed capital formation)

Country	1990–1995	1996–2001	2002–2007	2008–2013	2014–2016
Brunei Darussalam	3.8	32.6	52.6	12.7	4.1
Cambodia	24.0	42.0	26.3	67.0	52.3
Indonesia	4.8	(2.2)	4.3	5.8	4.9
Lao PDR	12.8	22.5	7.9	12.6	24.0
Myanmar	19.4	14.4	15.1	13.1	13.4
Malaysia	23.2	43.3	46.3	16.3	10.5
Philippines	6.4	7.1	7.7	4.6	8.4
Singapore	31.3	44.0	72.5	58.4	91.7
Thailand	4.3	15.9	13.8	10.2	4.2
ASEAN	33.5	23.1	13.8	22.9	23.8
Viet Nam	10.9	16.5	19.1	15.2	17.6
China	9.8	12.3	7.7	4.0	2.8
India	0.8	3.0	4.1	6.0	6.3

ASEAN = Association of Southeast Asian Nations, Lao PDR = Lao People's Democratic Republic.

Source: UNCTAD (2018), Foreign direct investment: Inward flow (Percentage of Gross Fixed Capital Formation) [Data file].
<http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96740> (accessed 25 November 2018).

**Table A5: Foreign Direct Investment: Inward Flow
(% of GDP)**

Country	1990–1995	1996–2001	2002–2007	2008–2013	2014–2016
Brunei Darussalam	2.0	11.3	12.0	3.5	1.1
Cambodia	2.7	5.9	5.1	11.7	11.2
Indonesia	1.2	(0.2)	1.0	1.8	1.6
Lao PDR	2.2	3.8	2.5	3.5	6.5
Myanmar	7.4	4.5	3.4	3.0	3.5
Malaysia	3.1	5.7	5.4	3.7	3.5
Philippines	1.6	1.7	1.6	0.9	1.9
Singapore	10.4	15.2	17.5	15.7	23.7
Thailand	1.7	3.7	3.5	2.5	1.0
ASEAN	6.7	6.2	4.5	6.6	5.7
Viet Nam	3.3	4.3	4.4	4.1	4.9
China	3.3	4.1	3.0	1.7	1.2
India	0.2	0.8	1.3	2.1	1.9

ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

Source: UNCTAD (2018), Foreign direct investment: Inward Flow (Percentage of Gross Domestic Product) [Data file]. <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96740> (accessed 25 November 2018).

Table A6: Foreign Trade to GDP
(%)

Country	1990–1992	2000–2002	2010–2012	2015–2017
Brunei Darussalam	103.9	106.9	100.2	85.8
Cambodia	(...)	114.8	115.9	126.6
Indonesia	55.1	66.8	48.8	39.6
Lao PDR	39.4	67.3	91.5	78.9
Myanmar	(...)	0.9	7.6	43.2*
Malaysia	152.3	207.7	153.6	132.7
Philippines	62.0	102.0	68.0	66.1
Singapore	326.4	357.7	374.6	320.6
Thailand	77.4	118.8	135.1	123.8*
Viet Nam	73.9	113.4	157.2	187.9
China	26.8	40.2	49.2	38.1
India	17.2	27.8	53.7	41.0

GDP = gross domestic product, Lao PDR = Lao People’s Democratic Republic.

* Data for Myanmar and Thailand only available from 2015 to 2016.

Sources: World Bank (Export: World Bank, World Development Indicator (2018), Exports of goods and services (current US\$) [Data file]. <https://data.worldbank.org/indicator/NE.EXP.GNFS.CD?view=chart> (accessed 25 November 2018); Import: World Bank, World Development Indicator (2018), Imports of goods and services (current US\$) [Data file]. <https://data.worldbank.org/indicator/NE.IMP.GNFS.CD?view=chart> (accessed 25 November 2018); GDP: World Bank, World Development Indicator (2018), GDP (current US\$) [Data file]. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?view=chart> (accessed 25 November 2018).



Collective Leadership for East Asia and ASEAN's Trans-Asian Role

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Summary

Adjustments to the major shift in economic power in Asia have been made harder with the rise in protectionism in the United States (US) and the fracture in Europe. The multilateral economic regime is under threat and with it, Asia's economic and political security. The weight and importance that Asia now has in the multilateral system suggests that leadership must come from the region to preserve and strengthen that global system. No one country can lead in Asia, which has several large powers and divergent interests. Asian collective leadership is now critical to global economic policy outcomes at the core of the interests of the Association of Southeast Asian Nations (ASEAN).

ASEAN remains central to broader regional cooperation and institution building. The process of its economic integration underpins its centrality in Asian affairs. The Regional Comprehensive Economic Partnership (RCEP)¹ is important to entrenching and expanding that process for ASEAN. The RCEP is crucial for ASEAN's capacity to manage its economic and political security interests with its large neighbours in the region. The existing regional institutions and processes will be made more effective if there is more cohesion in their agendas and memberships. Better connecting the existing regional economic and political cooperation will help to navigate and manage current and future challenges to regional prosperity.

Three principles of collective leadership should guide East Asian community building:

1. Shared commitment to multilateral principles and processes
2. Consensus decision-making based on equality and shared partnership
3. Building on international rules and norms

These principles have their antecedents in the evolution of those of ASEAN cooperation and will be needed for broader Asian and trans-Asian cooperation to manage the vastly different circumstances of the regional and global system.

The Rise of Asia and the Rise of Protectionism

Asia is now and will remain the primary driver of global growth in the coming decades, but only if it can craft a cooperation agenda that embraces all the region and has global objectives and reach.

¹ The Regional Comprehensive Economic Partnership (RCEP) is ASEAN-led regional economic agreement being negotiated involving 10 ASEAN Member States (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam) as well as ASEAN's six FTA partners (Australia, China, India, Japan, New Zealand and the Republic of Korea). RCEP was launched in 2012 and aims to achieve a comprehensive, high quality and mutually beneficial economic partnership agreement amongst all the members.

The question ASEAN now confronts is how the world – which has benefited so much from the certainties of economic openness that the World Trade Organization and other global institutions have provided – can protect its strategic economic and political interests in the face of the change in policy direction of what is still the world’s largest economy, and how it can engage all Asian economies in the same endeavour.

Successive waves of trade and industrial transformation have created a new centre of Asian economic activity that rivals North America and Europe in terms of its contribution to world output and world trade. Deeper integration in Asia is already centred on China and is likely to incorporate India more fully over the next decades.

The Asian economy accounts for about 30% of global economic output in purchasing power parity terms. With continuing economic reform, it could account for 47% by 2040 and 52% by 2050, with per capita incomes equivalent to Europe’s today (Asian Development Bank, 2011). That is a rapid rise from the 18% of the global economy it accounted for in 1980. A large increment of that growth has been the consequence of China’s sustained growth, which has made it the world’s second largest economy, its largest trader, and the largest trading partner of almost all Asian countries.

Demographics and catch-up growth suggest that the trajectory of Asian economic growth is likely to continue to remain above global average rates through to 2040 and beyond. North America and Europe will have a smaller share of global economic output. The US will be a smaller part of the global economy despite remaining the largest military power and likely the second largest economy. Managing that power shift will be a major challenge for the region.

The post-World War II global order and the international public goods that have supported growth under it have benefited Asia more than most other regions. Bretton Woods institutions and US leadership created the environment and framework for Asian countries to commit to open markets and develop out of poverty. Countries in Asia experienced rapid

growth once they committed to the rules and norms of the multilateral system. The success of China and Asia has put a lot of pressure on that system.

Rising protectionism in the US and Europe, including the retreat from European economic integration in the United Kingdom, creates headwinds for the global economy. US protectionism presents a proximate and immediate threat to Asian economic and political security. In the longer term, the extent of US commitment to engagement in the Asia-Pacific region remains uncertain and a challenge.

Although consumption in East Asia is rising, the region still relies on open markets elsewhere and an open global system for its prosperity, and will continue to do so. Parts of Southeast and South Asia will be opening up their economies to regional and global competition and reforming in a more hostile external environment than others in Asia experienced.

The huge growth of the Chinese economy has caused other countries to make substantial adjustments. Many countries in East Asia have fared better than others outside the world. Southeast Asia made the most of the opportunities that a growing China presented, and has benefited from the expansion of global value chains that ASEAN's economic cooperation agenda helped realise. Australia benefited, as did other resource-rich countries, from the commodities boom that China's industrialisation brought – with the exchange rate adjustment absorbing much of the shock and macroeconomic policies maintaining full employment. The Northeast Asian economies integrated with the Chinese economy and drove the supply chains.

Not all countries have managed the adjustment from the China shock as well as East Asia. The forces that have led the US to a retreat from global economic leadership are unlikely to be reversed soon, as domestic considerations in the US will continue to trump foreign economic leadership. Asia cannot wait for the US to return to a more familiar global leadership role. An open Asia can bring positive spillovers to North America and Europe.

India's growth to 2040 may not be as rapid as was China's, or as sustained, but the scale of the country and its demographic profile suggest that it will bring further substantial adjustment in Asia and the global economy. Viet Nam's rapid economic rise and success in East Asia are being followed by countries in South Asia, like Bangladesh. New technology will also mean that countries have to continue to reform and manage the different integration pressures within the region and with the rest of the world.

Leadership from East Asia will be needed to manage the continuing change in the structure of regional and global economic power, much of it because of Asia's growth. It will also be needed in pushing back against the rising protectionism and keeping the global economy open. Asia's interests in a stable, predictable, and open global order, as well as its economic weight and interests, mean that Asia will have to represent and protect its own interests. The only way to do that is through mobilising collective leadership.

The rise of China and the accommodation of that by neighbouring countries and within the global system, as well as the impact of India's rise, will require elevated regional and global cooperation. ASEAN has emerged as the centre of Asian institution building and cooperation and, with strategies and steps as outlined below, this central role can and should remain with ASEAN.

Collective Leadership

No one country can lead in a region or global system with several large powers or divergent interests unless it possesses dominant or hegemonic power. Asian collective economic cooperation has been an important complement in the past to US leadership in providing political stability in Asia and the Pacific. Asian collective leadership is now critical to global economic policy outcomes, as the US retreats from support for the global multilateral economic system. It will need to be inclusive and engage partners outside the region.

With two of the three largest economies and two of the largest populations in the world, Asia is, if it acts collectively, a major global force. In addition, all the countries in Asia – industrialised, emerging, or developing – rely on an open external environment for development and prosperity.

There are various forums for managing interstate relations in Asia and globally. ASEAN, Asia-Pacific Economic Cooperation (APEC), and the G20² all involve cooperation, degrees of coordination, and dialogue without binding commitments. The diversity of membership has demanded this, and although progress has been slow, economic cooperation and progress have been sustained.

East Asian countries have succeeded in shaping regional and global outcomes by forging a consensus on economic cooperation. Given the scale of countries in the Asia Pacific and across Asia – and the diversity of interests, stages of development, and structure of endowments – it is increasingly difficult for any one country to lead in trade, the economy, security, or any other domain. There is no hegemonic leadership in Asia and that is likely to remain the case for the foreseeable future.

US security leadership and the hub and spokes framework for political stability in Asia and the Pacific cannot be taken for granted with the rise of China and domestic priorities in the US overwhelming traditional foreign policy objectives. China is the largest trader and second largest economy, but is still not a high-income country and is not ready for a primary leadership role in trade and economic policy in Asia – nor is the rest of Asia ready for Chinese leadership.

Japan has demonstrated leadership in trade and is gradually playing a larger security role, albeit from a low base and under the US security umbrella. Japan, Australia, New Zealand, and Singapore led the effort

² G20 or Group of 20 consists of Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union.

to complete the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)³, the economic agreement which the US exited in 2017. Other small and medium powers have experienced success in shaping external outcomes when building and working with coalitions around interests.

Since the Asian financial crisis, Asian regionalism has strengthened and succeeded most when consensus is forged through consultative dialogue over time. After the global financial crisis, regional cooperation has not been able to rely as heavily on external leadership that had been up to that point the norm. Regional cooperation will need to be strengthened and contribute more to global stability, public goods, and leadership.

In this age of policy uncertainty, how can ASEAN's agenda be directed to that purpose? This will not be an easy task as the US turns away from support for multilateral efforts, as it has even from the narrowly regional enterprise of the Trans-Pacific Partnership (TPP). It will require immense diplomatic effort and leadership from ASEAN in the years ahead.

Hegemonic leadership from within East Asia is unlikely to succeed. There are too many large countries that will not accept being price takers and having the region shaped without their input. The ASEAN principle of non-interference in other countries' domestic affairs applies de facto for the broader region.

The leadership from large countries in East Asia that the region will accept is in the provision of regional and international public goods and the leadership required to execute reforms and liberalisation at home that produces positive spillovers to other countries.

³ The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a trade agreement involving 11 countries in the Asia-Pacific region (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam). CPTPP also known as TPP-11.

Regional organisations and forums provide the platform to announce reform and liberalisation commitments. APEC has provided that platform for the region with the Bogor Goals⁴ as well as for individual countries, such as in 1995 when China announced major unilateral liberalisation on its path towards World Trade Organization membership.

Asian collective leadership can help define, represent, and defend Asia's interests at the global level. If protectionism continues to rise outside Asia, there will be pressure for Asia to follow that path and close markets. This will cause a retrogressive trend in policy thinking that is likely to damage the ASEAN enterprise and its interests greatly.

No one country will be able to withstand that pressure, but collectively Asia can commit to keeping markets open and minimise the costs of protectionism. Collective leadership can go further than helping to hold the line on protectionism. It can mobilise for liberalisation and reform in the face of rising protectionism. Asia's economy is large enough to make a difference globally even if Europe and North America retreat to beggar-thy-neighbour policies.

The structural adjustments that will be needed in all countries as China continues to grow, and as India joins the process, will require forums for cooperation to ease pressures and reduce information asymmetries. The creation of APEC assisted in facilitating a smoother and more stable integration of Japan into the regional and global economy as its growth impacted markets everywhere. The impact of China's growth has already had a larger effect and will continue to do so. Bringing the frameworks for regional cooperation, such as APEC and the East Asian arrangements, into closer alignment to achieve these objectives is an important priority.

⁴ The Bogor Goals are a set of targets adopted by APEC Leaders during the meeting in Bogor, Indonesia in 1994 that aim to achieve free and open trade and investment in the Asia-Pacific no later than 2020.

Three principles of collective leadership need to guide East Asian community building:

1. There should be a **shared commitment to multilateral principles and processes**. This principle of cooperation has allowed the region to develop and prosper while managing interstate relationships. It has also resulted in open regionalism.
2. There needs to be **consensus decision-making based on equality and shared partnership**. Forging consensus takes time and requires compromise, cooperation, and building trust. This decision-making mode is based on the principle of shared and equal partnership.
3. Regional cooperation should be deployed to **build on international rules and norms**.

A commitment to these principles as the foundations for engagement in regional affairs will ensure against hegemonic leadership, produce regional and global public goods, and deepen mutually beneficial exchange and economic integration. These principles have their antecedents in the evolution of ASEAN cooperation principles. They explain why ASEAN cooperation has resulted in open regionalism and collective leadership in regional affairs.

Regional Comprehensive Economic Partnership

The RCEP was designed by ASEAN policy strategists to buttress regional trade reform and lift Asia's growth potential in the global economy. It is now the only active, credible multilateral endeavour anywhere in the world positioned to deliver significant push-back on the retreat from globalisation.

The RCEP is not simply another free trade and investment arrangement. It incorporates an important cooperation agenda, an essential element in building capacity for economic reform and mutually reinforcing regional development over time. Its cooperation agenda has an important political and security pay-off that will assist in ameliorating regional tensions and managing relations with the bigger powers, like China, Japan, and India (on geo-economic issues such the Belt and Road Initiative (BRI) for investment in connectivity and geo-strategic territorial issues), and

those outside it, like the US and Europe (in staking out Asia's interest and claims to ownership in and support of the global public good of an open economy).

This is why the opportunity that the RCEP presents to ASEAN is so important today. It is a critical line of defence against fragility in the global political economy. It is an essential vehicle for ASEAN's dealings with its powerful neighbours. It is an instrument for realising ASEAN's full growth potential.

With ASEAN at its core, the 16-member RCEP grouping is the first inclusive regional effort at a binding economic agreement. Often mistakenly described as China-led because of the dominant size of the Chinese economy, it is in fact centred on the ASEAN+1 free trade agreements with the six members of Australia, New Zealand, China, Japan, India, and the Republic of Korea.

The ASEAN economic integration process has led to deep integration with the global economy, especially with the large neighbours, China and Japan. Intra-regional trade shares are low in ASEAN since the opening up, and reforms have been outward-oriented and have not provided preferential treatment to other ASEAN members. The open regionalism that ASEAN has managed to achieve is built around realising comparative advantage in global value chains and relies on open external markets.

The RCEP will only go as far as ASEAN will. It will be difficult for any of the plus 6 members to push ASEAN or the other members too far in making commitments. The ASEAN cooperative framework with capacity building may not appear to be meeting all the targets and commitments, but in other cases is often exceeding them on the ground. In addition, the mode of cooperation has led to a sustainable integration process. There may be frustration about the slow pace of reform and integration within ASEAN, but the region has made substantial progress. Having a committed and ambitious ASEAN will be necessary for the RCEP. Building a framework that provides the venue and forum for making further commitments and achieving ongoing cooperation goals will be even more important.

Achieving a prosperous ASEAN Economic Community relies on getting relationships with the major economies outside of ASEAN right, not just integration between ASEAN states. ASEAN's economic security is dependent on how it manages its links with its major Asian neighbours in the global economy. The RCEP is important in this setting for entrenching and extending ASEAN principles of economic cooperation and realising regional economic cooperation.

Hence, ASEAN plus six and the RCEP platform have become crucial to the ASEAN Economic Community process, ASEAN's centrality, and ASEAN's capacity to manage its economic and political security interests with its large neighbours in the region.

The RCEP provides a framework for managing large power relations, between China and India, and China and Japan, for example. It remains open to the US and other partners. Progress in bilateral issues and the further economic integration of these large bilateral relationships will be made easier within a framework that is broader than bilateral.

The RCEP negotiations commenced in 2012 and a framework agreement will need to be reached as Thailand takes on the ASEAN chair, for the RCEP agreement to maintain momentum. The initial liberalisation down payments and commitments will need to be substantial for the agreement to be credible and make a difference.

Failure to secure an RCEP deal will threaten the future of ASEAN coherence and centrality. Individual members of ASEAN will likely join the TPP-11, or CPTPP, while not all ASEAN members and China and India will likely remain outside of the agreement, potentially distorting East Asian value chains and efficient economic integration.

Importantly, the RCEP will need to be an ongoing process with economic cooperation at its core. That grouping, with a positive and proactive agenda for deepening economic integration, will give Asia a platform for collective leadership and provide a strong framework of economic and

political security. An economic cooperation process will have significant political benefit in the management of regional affairs.

Connecting Processes for Better Leadership

The RCEP grouping includes six G20 members from Asia and has significant, though incomplete, overlap with APEC, the East Asia Summit (EAS), and other regional groupings. For Asian collective leadership to be effective, the different forums and groupings need to relate better to one another, with agendas and meeting times more closely coordinated.

The variable geometry of regional cooperation and institution building is even more important as interactions become more complex and uncertainty increases around the large shifts in relative power in and across Asia.

The region is crowded with existing institutions and, while new institutions should not be avoided, putting resources into reforming existing institutions and connecting them better is more productive. The RCEP formalises the ASEAN plus 6 grouping that already exists. Many institutions, forums, and groupings can be made more effective by expanding outreach and being more inclusive, without compromising the core agenda or membership. APEC and other forums have succeeded in informally inviting guest or observer countries. ASEAN plus 3 (with China, Japan, and the Republic of Korea) financial cooperation can be strengthened by extending cooperation with those outside the grouping.

APEC has a long history of economic cooperation amongst its members. It has its own challenges to remain effective, including in its agenda to sustain open economies and an open region, in the face of the challenge to these objectives from Washington. It also has incomplete membership of Asian countries. The EAS lacks the economic cooperation of APEC but has political-security cooperation and a broader membership. Connecting these two processes together without compromising the agenda or membership of either, could make both more efficient and effective, and make better use of valuable leadership time.

Bringing more coherence to the various regional groupings can better connect economic and political-security issues. Asia's growth in economic weight is of a scale that has large political and security implications, and security issues are not independent of economic trends and changes. A more integrated approach to economic and political-security issues facing the region could lead to a broader set of choices and a plurality of joint interests across countries. Better connecting regional arrangements will economise on resources, including leaders' valuable time.

ASEAN remains the centre of regional cooperation. The RCEP and EAS have ASEAN at their core, and although ASEAN membership is incomplete in APEC, ASEAN's mode of cooperation and its agenda are entrenched. Cooperation between large powers in Asia – specifically China, India, and Japan – and between them and the US and Europe, are helped by ASEAN-centred cooperation.

ASEAN provides the platform and the buffer to manage great power relations. Management of large power relations is made easier in a broader framework than if pursued bilaterally. Even if major powers in the region improved their relations, having ASEAN with middle powers like Australia and the Republic of Korea helping forge consensus would help larger powers manage their relations. ASEAN and these middle powers (as well as New Zealand) face similar challenges in respect of the rise of major powers and can further develop working relations in the context of the larger frameworks of regional cooperation. ASEAN centrality has evolved to play an important role in broader East Asian cooperation and is central to broader cooperation moving forward. The RCEP framework provides a stronger and organic framework for that.

The new Indo-Pacific conception of the region presents a challenge to ASEAN's role and ASEAN centrality. How a maritime security conception of the region avoids cutting across existing regional forums is a challenge for ASEAN to resolve within the broader East Asian region.

Having open and inclusive arrangements in East Asia will provide a framework for large powers to engage. Engagement based on the three

principles of collective leadership will ensure that leadership by major powers will be accepted by other countries. Much of South Asia is outside East Asian cooperative frameworks, except for India's participation in the EAS and the RCEP. Bangladesh, Sri Lanka, and Pakistan are at various stages of joining East Asian supply chains and will be an important source of growth for East Asia as Chinese wages rise and foreign investment searches out locations for labour-intensive manufacturing beyond the capacity of Southeast Asia.

The integration of South Asia's economy into East Asia's supply chains is complementary, just as the large increment of China's rise brought more complementarity than competition. Where there was competition with Southeast Asia, the finer specialisations and adjustment of production along the supply chain meant the benefit was on balance large and positive.

The impact of the growth of India and the emergence of South Asian economies will be facilitated by integration into supply chains and expansion of those East Asian supply chains westward. Building cooperative frameworks to manage that would increase the likelihood of success and avoid tensions. It increases the chance of regional and international public goods that will facilitate and manage that process. ASEAN and India have been developing their relationship and this is poised to grow further with India's economic growth and 'Act East' policy. ASEAN-India cooperation can be a key pillar in the Indian Ocean and beyond.

Regional and International Public Goods

Asia's economic and political weight will mean its interests in the provision of international public goods must expand. The US provided the public goods of a stable order and underwrote the institutions that maintained that. However large the US role in Asia Pacific in the future, the scale of China, and eventually India, will mean that more public goods will come from Asia. They are needed to help manage Asian interactions and economic integration but also to manage integration with the rest of the world. ASEAN as a group is already present at G-20 meetings and

its largest member, Indonesia, is a G20 member in its own right. As the economies of the region grow and further integrate, ASEAN can increase its voice and contribution on global issues and, over time, the provision of regional and global public goods.

Initiatives like the Belt and Road Initiative (BRI) from China into different countries in the region will play an important role in financing infrastructure and could improve connectivity. Immense benefits can arise from infrastructure that can link and assist development across the region, as well as considerable risks – financial, social, political, and environmental. It is not in the interest of China or the region to have failed projects or for the BRI to fail. There is more chance of success if ASEAN brings coherence to the approach that its different members bring to BRI projects, which are currently framed mostly as bilateral agreements with China. Bringing elements of collective leadership and coordination amongst ASEAN, as well as other partners and other major sources of infrastructure financing, will also help.

Collective leadership and regional cooperation will be important for the provision of public goods from Asia. The provision of international public goods from individual countries in Asia is more likely to succeed and be sustainable if it is born of regional consensus. Competing initiatives or those with opposition from key interests or countries are less likely to succeed.

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East Asian Cooperation: Retrospect and Prospect

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1. Retrospect

Out of the chaos engendered by World War II, the Cold War, the wars in Korea and Viet Nam, and the end of colonialism, the idea of regional cooperation in East Asia and the Asia-Pacific region began to form in the second half of the 1960s. This movement began with a series of meetings initiated by academics and businessmen, who were mainly focused on economic issues. The war in Viet Nam was still raging, and Indonesia had just emerged from the aftermath of an abortive Communist coup. Against this background, in 1968 the Pacific Asia Forum for Trade and Development (PAFTAD) was officiated as the first forum of economists in the region; this had been preceded by the Pacific Business Economic Council in New Zealand (1967) for businesspersons. Dialogue, research, and business began to develop more quickly, and governments in the region increasingly began to recognise the meaningful contribution of these areas. This ultimately led to a government initiative to create the Asia-Pacific Economic Cooperation (APEC), which officially came into being in 1989. It was preceded, in 1980, by the Pacific Economic Cooperation Council, which was consciously designed as a tripartite regional cooperation wherein governments (in a private capacity), businesses, and academics would come together to work on issues of

regional economic cooperation, development, and growth. The idea of the council was mainly driven by Japanese and Australian scholars concerned about the direction of the European Community (EC).

In 1967, the Association of Southeast Asian Nations (ASEAN) was established as a subregional cooperation in Southeast Asia, mainly in response to the dynamics of the Cold War, Viet Nam War, and Confrontation of Indonesia against Malaysia. ASEAN began to participate actively in regional cooperation processes on two levels: Track One, or cooperation between governments; and Track Two, or cooperation between non-state actors and officials in their personal capacities. The ASEAN Minister Meeting proposed an ASEAN Post-Ministerial Meeting attended by ASEAN Member States and dialogue partners to discuss security issues, especially on confidence-building measures (CBMs). It was established in 1983, and had been proposed by the ASEAN Institutes of Strategic and International Studies, an association of ASEAN think tanks. Prior to this, the Canadian foreign minister and later Prime Minister Joe Clark suggested that ASEAN apply the model of the Organization for Security and Co-operation in Europe in the East Asia or Asia-Pacific region. The foreign minister of Australia, Gareth Evans, proposed a similar idea.

Following two 'Track One and a Half' workshops convened in Manila and Bangkok in the early 1990s, the establishment of an ASEAN Regional Forum (ARF) was accepted at the 1992 ASEAN Summit in Singapore. The first ARF meeting was held in Bangkok in 1993, after the ASEAN Ministerial Meeting. The meeting gained momentum from the end of the Cold War in the late 1980s. Japan's support was critical to the establishment of the ARF, as the United States (US) was encouraged to lend its support as well.

The ARF has three stages of objectives: CBMs, preventive diplomacy, and conflict resolution. It came to include more than 20 members, including India, Pakistan, and the Democratic People's Republic of Korea. Since its setup, the ARF has performed well in terms of CBMs, but has moved more slowly in the areas of preventive diplomacy and conflict resolution measures. One possible reason for this is that the second and third

objectives of the ARF are considered more intrusive in the domestic spheres of member states. Despite criticisms regarding the ARF's inability to make progress on its second and third objectives, the CBMs alone have been a great accomplishment, and prove that ARF members are making progress.

The ASEAN Defense Ministers Meeting Plus (ADMM+) was first created to address non-traditional security cooperation, such as that related to natural disasters and peace-keeping; however, it now focusses on more traditional security issues, such as joint naval exercises between ASEAN and China (which took place at the end of October 2018) and between ASEAN and the US in the near future. The ADMM+ has also taken up other important issues, such as air security. However, as it is relatively new, it is still in the process of defining its role in traditional security issues.

The East Asia Summit (EAS) is a forum for cooperation in strategic economic and security issues, and since its inception has been moving towards solidification as a possible ideal forum on security cooperation in the East Asian region. As the EAS is the only security summit in the region, it has received more institutional support from the establishment of the EAS working group consisting of the Jakarta-based ASEAN and non-ASEAN ambassadors to ASEAN. It has been taken more seriously by the members since 2016.

While these regional cooperation initiatives represent positive progress, President Trump's erratic and impulsive US-centred policies loom large, and uncertainty has become the new normal. On the economic front, the Trans-Pacific Partnership 11 (TPP-11), Regional Comprehensive Economic Partnership, and APEC are important institutions that could fill the gaps that may occur in the region if the US abandons multilateralism. Although they may not necessarily be fully adequate, they are at least in the region and would be available if needed.

China has also initiated some important regional organisations with distinct functions and roles, including the Shanghai Cooperation

Organisation, which was developed from the Shanghai Conference on Interaction and Confidence-Building Measures in Asia; the Asian Infrastructure Investment Bank (AIIB); and the Belt and Road Initiative (BRI). Due to the uncertainty mentioned above, these organisations have an important role to play in the future. Thus, it is important to consider how they can complement the other organisations, including those initiated by ASEAN.

2. Prospect

In 1999, during an interview with Singapore's Channel News Asia network, I was asked to name the most important person who had changed Asia. My answer was Chairman Deng Xiaoping who opened up China 40 years ago in December 1978, making it possible for China to become what it is now, and giving Asia (and the world) the chance to develop together peacefully. Chairman Deng gave us China's peaceful rise, and the East Asian region has taken the opportunity to develop together with China, making it the most rapidly developing region in the world. East Asia's development has become a model for emerging economies in many parts of the world. Chairman Deng wanted to see China develop peacefully, and be accepted by the region by not showing off its power and success, and being willing to deal with others on equal and 'win-win' basis. China has now become a great power in its own right and the second biggest economy in the world. Domestically, it is facing popular pressure and demands to stand up against the powers that caused the suffering of the Opium Wars 180 years ago, although China has managed to turn the painful legacy of the past into its current success as a global power.

Since the early 1980s, China has participated in regional affairs and development through ASEAN initiatives such as the ARF, ADMM+, and EAS. Currently, China also has bilateral trade agreements with each ASEAN member state, and one with ASEAN as a whole. In addition, China has been an active member of the APEC and Pacific Economic Cooperation Council, and a member of the Council on Security Cooperation in the Asia Pacific, a Track Two regional construct.

In 2016, China established the AIIB to finance and cooperate in infrastructure building in Asia. In 2013, China created the BRI as a new global strategic cooperation venture in the fields of infrastructure, finance, trade, social, and person-to-person cooperation along the traditional Silk Road. It is not aiming to supplant the existing international order, but rather to bring about new, complementary initiatives for global cooperation. China has benefitted greatly from the current order, and thus cannot be considered a total revisionist power; however, it can perhaps be considered partially revisionist, because it was not present at the creation of the global order after the end of World War II, and has in that sense come up with new initiatives. At most, it would simply like to change certain parts of the status quo. In the process, China has given new meaning to the strategic value of the Silk Road for Eurasian relations, such as through the BRI.

China's membership in trade regimes such as the World Trade Organisation, APEC, and ASEAN-based regional cooperation shows that it is undoubtedly still a status-quo power. Some allege that China has been unfair on issues like intellectual property rights and state subsidies, although Japan and other countries have behaved similarly in the past. Nonetheless, China must look carefully at the complaints raised by the US and other Western countries regarding these issues. If these allegations are true, China should make amends to make itself credible. I believe China is trying hard to do this, and reform some of its policies on trade and investment. The attitudes and policies of any major power appear intended to acquire dominance, by thinking mainly of its own national interests. A case in point is President Trump's actions in creating self-centred policies without any care for others.

As a member of the international community, China is playing by the rules as others do, and has been actively participating in certain United Nations-initiated efforts such as peace-keeping, programs on the environment, and the Millennium Development Goals and Sustainable Development Goals. While China strongly resists any attempt by an outside power to interfere in its domestic affairs, compromises are possible in some cases, such as specific human rights issues. Just as the US resists the supremacy of China, China also will resist any US attempt to interfere in its domestic affairs, let alone change its current system

of government into a liberal democracy. In addition, China will work to oppose any efforts by the US to hamper China's goals to improve its high-technology capabilities towards 2025.

China has toughened its position on the South China Sea because it needs this sea for strategic reasons. In defending its interests, China has been very assertive on its own instead of taking the path of diplomacy, as shown by its reaction to the results of the United Nations Tribunal on the South China Sea. Over the course of 2 years (2015–2016), I and my ASEAN colleagues initiated a series of dialogues and conferences with our Chinese counterparts that increased our understanding of the problem, which I now follow. Frankly, I think that the decisions of the tribunal were overly one-sided and anti-China. However, at the same time I agree that China should not be so assertive, which is creating doubts as to its peaceful rise. China has not accepted the results of the tribunal because they know that the US and Japan were behind it. It will be difficult to implement the decisions, which were obviously anti-China, and it is unclear who will adhere to them. After all these activities on the South China Sea, now a second chance to conclude the Code of Conduct on the South China Sea in the next 2 years is open. This is important for establishing regional order in the South China Sea.

China has stated that it would like to maintain a corrected globalisation, multilateralism, and an open economy. These principles are undoubtedly important to keep in place an international order that can balance the unilateralism of the US, and at the same time sustain peace and development both globally and regionally. Each country should do its part to keep its economy open and promote intense regional cooperation to overcome any issues that may arise from President Trump's policies. Supportive regional institutions include those initiated by ASEAN and the West, such as APEC, TPP-11, ARF, ADMM+, and EAS. Chinese initiatives like BRICS (Brazil, the Russian Federation, India, China, and South Africa), the Shanghai Cooperation Organisation, AIIB, and BRI; and the Regional Comprehensive Economic Partnership. Ideally, most of these organisations should be complementary, as it is important to maintain openness in the economy and politics of the region and the world. Maybe it is for every member of Asia and the Pacific to take up this challenge.

The term 'Indo Pacific' has become common in the region since 2017. However, it is also somewhat confusing as countries have divergent views and definitions of it. At present, the biggest area of confusion is the revival of Quad 2, as announced in November 2017 on the side of the East Asia Summit in Manila. Quad 1 was slowly diminishing 5 years ago, due to the differing interests of countries like Australia. The US has now taken the lead on Quad 2 (which, similar to Quad 1, consists of Australia, India, Japan, and the US) to promote security cooperation against China.

The US policy is aligned with its 2017 National Security Strategy, in which it declares that China and the Russian Federation are its rivals. This is serious, and opens up a new chapter in China–US relations, with significant consequences for the Asia-Pacific region. Quad 2 can be seen as the implementation of the US' national strategy for containing China. This is of course undesirable for both Indonesia and ASEAN. Indonesia has consistently proposed that regional cooperation should be open and led by ASEAN. Thus, with this mindset, the EAS (which consists of all relevant countries in the region, as well as India, the Russian Federation, the US, and China) should be the platform for Indo Pacific.

One big question is the future of the US in East Asia. President Trump remains ambivalent towards this question. On the one hand, his insistence on an 'America first' agenda is basically anti-multilateralism. This has raised questions regarding the value of the US alliance with Japan, the Republic of Korea, and Australia. Although his military staff and the White House have claimed that US policy in the Asia-Pacific region remains business as usual, it is difficult to take this for granted. Trump is clearly a unilateralist, and will ultimately make the decisions in this area. Thus, all countries in the region must continue to cooperate closely and work not only to maintain bilateral relations but also to keep multilateral institutions relevant.



Towards an Integrated and Connected East Asia and Indo–Pacific 2040

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I Perspective: From the Far East to East Asia and Indo–Pacific: A Brief History of a Fluid Region from the Exotic Margin to, Increasingly, a Centre of the Global Economy

When leadership of world affairs rested in the North Atlantic region, the countries of Southeast Asia were often seen simply as part of the 'Far East'. In the third quarter of the 20th century, ASEAN (then with six members) played a key role in making familiar the concept of 'Asia Pacific'. That term was understood in several ways. Most important was (in Japanese word-order) Pacific Asia, the eastern and southeastern edge of Asia, Australia and New Zealand, and the United States (US), due the importance of its security relationship with the region. Canada was included, apparently by analogy with the US; and Mexico and South America came later, mostly as a by-product of the North American Free Trade Agreement (NAFTA) and the subsequent trade agreement with Chile. This also reflected the American understanding of 'Asia Pacific', which was dominated by memories of Spanish galleons between Peru and Mexico on the one hand and the Philippines and China on the other, along with the identification of the US as a 'Pacific' power after World

War II. British and European writers were more likely to see Asia–Pacific as including India, while in Australia and New Zealand it was usually read as ‘Asia and the Pacific’ to include the Pacific islands. In practice, the use of the term Asia–Pacific was close to that of the geographic term ‘Pacific rim’.

Yet, it was more than a geographic area. Asia–Pacific was the field for a Japanese-led conception of economic integration characterised by business leadership and diplomatic and official processes following business decisions on investment and location of operations. Japan’s experience with ‘export-led growth’, in an age when conventional thinking was more likely to be in terms of import-substitution, was followed by the Republic of Korea (henceforth Korea), Taiwan, Singapore, and Hong Kong in the renowned ‘flying geese’ formation. Thailand, Indonesia, and other Southeast Asian countries followed. China was too big to be a single goose in a flock, and its opening to international integration after 1978 ushered in a new phase of regional growth. This growth experience was located in ‘Asia Pacific’. However, there was a clear institutional basis for Asia Pacific in the non-official Pacific Economic Cooperation Council (founded in 1980) and the Asia Pacific Economic Cooperation (APEC) process (begun in 1989 and extended to leader-level summits in the early 1990s).

In the half-century since its foundation in 1967, the Association of Southeast Asian Nations (ASEAN) has established itself clearly and firmly in international affairs. It helped shape the conception of the region from being the ‘Far East’ far away from the global centre (the North Atlantic) during its foundation to the more current ‘East Asia’ that is increasingly the global centre. ASEAN played a central role in the early history of APEC. Its members were crucial in the endeavour to develop a governmental process from the Track II processes of the Pacific Economic Cooperation Council. The six ASEAN members, who were half the membership of APEC, initially staged half the annual meetings, and generally provided one of two co-chairs for all significant APEC committees. The inclusion of China, Hong Kong, Taiwan, and Latin American members diluted the role of ASEAN and, although Viet Nam became a member of APEC, other new members of ASEAN – that is, Cambodia, the Lao People’s Democratic Republic, and Myanmar – did not.

Furthermore, there was considerable dissatisfaction with APEC amongst Asian members at the time of the Asian financial crisis in 1997. Although it was possible to argue that financial issues were not central to the role of APEC and should be left to other agencies, there was a strong feeling, especially amongst Asians, that in any cooperative body members would look for ways to assist with the principal issue facing any member. APEC survived, but it ceased to be unrivalled as an agent for the international aspects of ASEAN economic integration.

ASEAN and the three North Asian economies – China, Japan, and Korea – explored the potential of an ASEAN+3 grouping. This was the basis for financial cooperation in what eventually became the Chiang Mai Initiative Multilateral and the associated ASEAN+3 Macroeconomic Research Office (AMRO). In addition, Japanese leadership promoted an ASEAN+6 comprehensive economic partnership, extending membership to India, Australia, and New Zealand. This became the basis for the East Asia Summit (EAS), as well as the membership of the proposed Regional Comprehensive Economic Partnership (RCEP). The EAS remains an extension of ASEAN ministerial and leaders' meetings with ASEAN dialogue partners. US leaders have made repeated attempts to characterise the EAS as a 'political and security' institution while APEC remains the 'premier regional economic institution', but there is no such distinction in most ASEAN thinking. The EAS, which now includes the US and the Russian Federation, and APEC are both vehicles for managing the regional and international dimensions of building the ASEAN community with its political and security, economic, and social and cultural pillars. Similarly, the RCEP may be seen as either a rationalisation of all ASEAN free trade agreements (FTAs) (and membership is restricted to those who have an FTA with ASEAN), or an initiative to place the ASEAN Economic Community in an appropriate regional and international context. It is discussed further below. The EAS and its associated agreements have made 'East Asia' rival 'Asia Pacific' as a component of international affairs.

India's participation in the EAS highlights the looseness of the term 'East Asia' and directs attention to an alternative term: 'Indo Pacific'.¹ India's

¹ The reference is to the Indian Ocean rather than to India. India–Pakistan relations are specifically excluded from the brief of the ASEAN Regional Forum. 'Pacific' is the ocean, whereas in 'Asia Pacific' it is more likely to be an adjective specifying (in Japanese word-order) a region of Asia.

adherence to East Asian economic integration is quite different from the rhetoric of a 'free and democratic Indo-Pacific'. 'Indo-Pacific' is a well-established term in discussions of international security in venues such as the ASEAN Regional Forum and its accompanying Council for Security Cooperation in Asia Pacific. The significance of the Malacca Straits and its role as a fulcrum between the Indian Ocean, the South China Sea and the Pacific Ocean make Indo-Pacific a natural term of discussion. This is especially true for Indonesia, but also for other ASEAN members. The current use of Indo-Pacific is a rather transparent effort to create a forum for the promotion of leadership in Asia, excluding China.

'East Asia' provides an opportunity for India to join ASEAN, China, Japan, Korea, Australia, and New Zealand as a plurilateral component of the international economy. Nobody is thinking in terms of a 'bloc', and the modern development of production networks likely makes the blocs of earlier eras impossible. Plurilateral components are simply regions that find it mutually advantageous to work cooperatively. As India did not share the earlier experience of business-led export-led growth, it still looks somewhat out of line with its regional partners in East Asia, but it is participating as the basic economic model comes to emphasise cooperation and international production networks that involve services as much as goods.

The 'East Asia' framework exists alongside 'Asia Pacific'. While insisting it remains a Pacific power and engaged with Asia, the US has removed itself from its earlier central role in APEC, at least temporarily. Nonetheless, APEC will remain a framework through which ASEAN and its East Asian partners continue to engage with the US. Latin America continues to provide participants in Asia Pacific, but there are also dedicated links between Latin American and East Asian economies.

Plurilateral institutions have to relate to the WTO, the first principle of which is the extension of 'most favoured nation' treatment to all WTO members. The WTO does make provision for free trade areas and customs unions, and it may be that the evolution of time and practice has modified the meaning of most favoured nation so as to allow preferential trade within acknowledged plurilateral agreements. However,

that same evolution of time and practice has extended the scope of economic integration, and tariffs have become less important (although not unimportant, especially in the case of tariff peaks). Membership of a plurilateral agreement, which confers specific treatment for market access, including regulatory treatment, can be preferential even if all tariffs are zero for everyone. Consequently, there is still need to pay attention to multilateral processes and institutions. We return below to the evolution of 'open regionalism' and the specific issue of the accession clauses of plurilateral agreements.

II. Towards Integrated and Connected Indo–East Asia: The Comprehensive and Progressive Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership in an Age of Trade Policy Uncertainty²

Stable, predictable, and open trading environment is necessary for the promotion of trade, which in turn contributes to economic growth. The high economic growth of the post-World War II world economy attests to the validity of this observation. From 1960 to 2016 the world economy grew at an average annual rate of 3.5%, significantly higher than in earlier periods. During 1960–2016, world trade increased 127-fold in nominal US dollar terms, while the corresponding figure for the world gross domestic product (GDP) was 56-fold; this resulted in a substantial increase in trade–GDP ratio from 24% to 56%.³ During 1960–2016, the world trading environment became more open and stable, thanks to trade liberalisation and the management of world trade led by the General Agreement of Tariffs and Trade (GATT) from 1948 to 1994 and the World Trade Organization (WTO) from 1995 to present. Amongst various regions of the world, East Asia benefited most from the stable and open trading environment as it achieved remarkably high economic growth, which is accompanied by rapid expansion of foreign trade. However, global trading environment has become uncertain and unpredictable because of rising protectionism. Continued economic development and growth for East Asia needs a stable, predictable, and open trading environment. This

² This section draws on Urata (forthcoming).

³ The figures are computed from the World Bank's World Development Indicators (online).

section considers various options or alternatives for East Asia to achieve this objective.

Growing Protectionism and Trade Wars: The Need for Comprehensive and Progressive Trans-Pacific Partnership and Regional Comprehensive Economic Partnership

A serious concern about the future expansion of world trade emerged in the aftermath of the 2007–2008 global financial crisis, because many countries, to protect their domestic industries, began to adopt protectionary trade policies in the form of both tariff and non-tariff measures. Protectionism spread to many parts of the world along with a growing anti-globalisation sentiment as those negatively affected by globalisation gained political influence. Politicians eager to gain support in the elections adopted a populist policy stance of protectionism. A notable example is Donald Trump, who was elected as President of the US by appealing to the public with an America First approach, whose main component is a protectionist trade policy.

On 23 January 2017, Trump's third day in office, the US withdrew from the Trans-Pacific Partnership (TPP) agreement, which was signed by the US and 11 other members in March 2016. This was expected, as withdrawal from the TPP was one of the promises in Trump's presidential campaign. It is argued that, in addition to his belief that the TPP was not a good deal for the US, Trump wanted to abandon the policies adopted by the Obama administration. In 2018, Trump began to increase import tariffs through a series of actions. In January, the US government imposed safeguard tariffs on large imported residential washing machines (20%) and solar energy cells and panels (30%); and in March the US imposed additional import tariffs of 25% on steel and 10% on aluminum for national security reasons. To the same end, Trump also ordered the Department of Commerce to investigate the automobile industry for the possible imposition of tariffs.

In July 2018, a trade war broke out between the US and China as the US imposed 25% tariffs on \$34 billion worth of imports from China in response to China's alleged unfair trade practices related to the forced

transfer of American technology and violation of intellectual property rights; China immediately retaliated by matching tariffs on the same amount of imports from the US. In response, Trump imposed tariffs on \$16 billion worth of imports from China in August, to which China retaliated by imposing tariffs on the same amount of imports from the US. In September, the US and China adopted another round of tariff imposition. This time the US imposed tariffs on \$200 billion worth of Chinese imports, while the corresponding value of China's imports from the US was \$60 billion. Thus far, the cumulative value of US imports from China subject to additional tariffs amounts to approximately \$250 billion, while the corresponding value of Chinese imports from the US amounts to approximately \$110 billion. These values account for approximately 50% of the US' total imports from China, and 70% of China's total imports from the US. The trade war between the US and China is likely to continue for some time, as the battle is not just over trade but leadership in the future world.

Rising protectionism and the eruption of trade wars present serious challenges to the multilateral trading system under the WTO. As the US' unilateral actions are possibly a violation of the WTO rules, some affected countries have taken these cases to the WTO's Dispute Settlement Mechanism (DSM). Although the WTO DSM is said to have improved substantially from that under the GATT, it is facing a serious problem of too many member vacancies in the Appellate Body because the US has blocked the appointment of new members. Another problem facing the WTO is the lack of enforcement of its rules and its inability to set rules in new trade areas such as the digital economy. Faced with increasing uncertainty caused by growing protectionism and the eruption of trade wars, East Asian countries must cooperate to fight against protectionism and establish a rules-based, open, and stable trading environment. Specifically, East Asian countries have signed the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) Treaty and need to enact the Regional Comprehensive Economic Partnership (RCEP) Treaty as soon as possible.

From the Association of Southeast Asian Nations+1 Free Trade Agreements to the Regional Comprehensive Economic Partnership

Toward the end of the 1980s, when trade liberalisation negotiations in the Uruguay Round under the auspices of the GATT were not making much progress, many countries around the world began to form regional trade agreements (RTAs), which include FTAs and customs unions. Countries expecting trade expansion to contribute to economic growth became interested in forming RTAs, mostly FTAs. In 1993, the members of ASEAN formed an FTA, the first in East Asia, named the ASEAN Free Trade Area (AFTA). They were primarily motivated to establish AFTA by the emergence of China as a strong competitor in attracting foreign direct investment (FDI), an important contributing factor for achieving economic growth, as well as by the increasing numbers of RTAs in other parts of the world, as these would reduce export opportunities for ASEAN members.

Other East Asian countries, such as China, Japan, and Korea, did not show an interest in FTAs because they were engaged in pursuing trade liberalisation under the APEC framework. Toward the end of 1990s, East Asian countries changed their attitude toward FTAs and became increasingly interested. At least two factors were responsible for this. The first was the 1997–1998 Asian financial crisis, which negatively impacted many East Asian countries, particularly Korea, Thailand, Indonesia, and Malaysia. East Asian countries realised the need for regional cooperation to avoid another crisis, and one of the forms of such cooperation that they tried to pursue was an FTA. The second factor was the rapid expansion of FTAs in the rest of the world including NAFTA, whose membership consisted of the US, Canada, and Mexico. The formation of FTAs, particularly NAFTA, disadvantaged them in the US market, their largest export market at that time. To overcome their disadvantageous position in the world market, East Asian countries became to consider FTAs involving East Asian countries.

In the late 1990s, Korea, Japan, and Singapore began actively discussing bilateral FTAs with countries in other parts of the world. China began to pursue its FTA policy after establishing access to the world market by successfully joining the WTO in 2001. As China's approach toward FTAs differed from those of other countries in several respects, many East

Asian countries, especially Japan and Korea, were caught by surprise. First, unlike Japan and Korea, which pursued bilateral FTAs, China approached ASEAN as a group to form an FTA. Second, the China–ASEAN FTA contained components that had not been incorporated in other FTAs. Specifically, China offered various schemes that were attractive to ASEAN and its newer members in particular, such as economic cooperation with the newer members and advanced trade liberalisation (early harvest) in tropical foods and other products.

The China–ASEAN FTA unleashed competitive pressure on Japan, Korea, Australia and New Zealand, and India, and triggered a domino effect through which these East Asian countries approached ASEAN to establish individual FTAs. Despite a strong tendency for these countries to propose the FTAs to ASEAN rather than ASEAN approaching them, the fact that the partner countries were aware of ASEAN’s political and economic importance indicates ASEAN’s advanced diplomatic abilities. The China–ASEAN FTA was enacted in 2005. Other FTAs involving ASEAN as a group were enacted subsequently and, by 2010, five ASEAN+1 FTAs (with China, Japan, Korea, India, and Australia–New Zealand respectively) were enacted, making ASEAN the regional hub of FTAs in East Asia.

The concept of an FTA encompassing all countries in East Asia emerged in the late 1990s. At the ASEAN+3 (China, Japan, and Korea) summit meeting in 1998, President Kim Dae Jung of Korea suggested the establishment of the East Asia Vision group to examine the goals for long-term economic cooperation. In 2002, this group submitted a policy proposal, including the formation of an East Asian FTA (EAFTA), to its leaders. In 2005, a research group of private-sector experts formed to examine the feasibility of achieving an EAFTA compiled a proposal for intergovernmental discussions to begin in 2009. Thereafter, a working group led by the Government of China was formed to discuss the issues concerning the establishment of the EAFTA.

Soon after the EAFTA research group was formed, Japan proposed the idea of a Comprehensive Economic Partnership for East Asia (CEPEA) in 2006 as an economic partnership agreement to include an FTA with the member countries of ASEAN+3+3 (ASEAN, China, Japan, Korea, India,

and Australia and New Zealand). ASEAN+3+3 (ASEAN+6) also comprises the members of the EAS meeting launched in 2005.⁴ A research group of private-sector researchers began to study the feasibility of the CEPEA in 2007, and in 2009 proposed that discussions between governments should begin. Discussions were pursued under a working group.

The activities and research surrounding the EAFTA and CEPEA moved in parallel. China took the leadership role in the EAFTA and Japan did so in the CEPEA, but the ASEAN countries, which did not want to deepen opposition by aligning with one or the other, participated in both activities with equal weight. In these circumstances, ASEAN countries strengthened their voices in both frameworks and began to engage actively in leading the discussions on regional integration in East Asia.

One goal of founding the EAFTA and CEPEA was to increase the level of economic activity by forming an integrated market in East Asia. In the 2000s, five ASEAN+1 FTAs were completed, but they did not result in a unified single market. FTAs connecting the +6 countries (China, Japan, Korea, India, and Australia and New Zealand) were missing. If a single market like that of Europe were to be created in East Asia, elements that play an important role in economic activity, such as goods and capital, would come to move freely and actively by avoiding the 'spaghetti-noodle bowl effect', which arose due to different rules being adopted by the five ASEAN+1 FTAs, and economic growth and prosperity could be expected. More specifically, the expansion and smoother utilisation of the regional production network that extends through East Asia would become possible due to the formation of a free and open single market, leading to higher economic growth.

Although China and Japan took the lead in the formation of a region-wide FTA in East Asia, the ASEAN countries, which did not wish to deepen opposition by deciding an order of precedence, participated in both activities (EAFTA and CEPEA) with equal weight. However, after China and Japan put forth a joint proposal to accelerate the EAFTA and CEPEA,

⁴ Since then, the US and Russian Federation have joined the EAS group.

the ASEAN countries, which feared losing a central role in the movement towards an East Asian regional framework, responded by proposing the Regional Comprehensive Economic Partnership (RCEP) in 2011. The RCEP framework does not specify membership, like ASEAN+3 or ASEAN+6, and can be joined by any East Asian countries prepared to sign an FTA with ASEAN. A statement was released to launch the RCEP negotiations at the ASEAN+6 summit in November 2012, unifying the movement towards founding an EAFTA and CEPEA in the RCEP. Negotiations did not begin until May 2013. It is argued that Japan's announcement (in March 2013) of its participation in TPP⁵ negotiations pushed RCEP members, especially non-TPP members such as China, to begin negotiations. It is interesting to note that the negotiations for the China–Japan–Korea FTA began in March 2013, and the Trans-Atlantic Trade and Investment Partnership (involving the US and European Union) began in July 2013, possibly triggered by the intensifying TPP negotiations. This kind of chain reaction or domino effect concerning FTAs has been described as 'competitive regionalism' (Solis, Stallings, and Katada, 2009).

The RCEP negotiations missed several targets for conclusion. The 24th round of negotiations finished in October 2018. Although momentum for reaching an agreement on the RCEP has been strengthened since the signing of the CPTPP agreement (a rival mega-FTA),⁶ contentious issues amongst the RCEP negotiating members have prevented them from reaching an agreement. One of the most contentious issues is the level of tariff elimination in the market access negotiations. Developed countries, such as Australia and Japan, demand high levels of tariff elimination exceeding 90–95% of overall tariff lines, while some developing countries, such as China and especially India, insist on much lower levels of tariff elimination. Another problem seems to be a lack of political will to establish the RCEP on the part of RCEP leaders.

⁵ We will discuss the evolution of the TPP in the next section.

⁶ CPTPP will be discussed in the next section.

From the Trans-Pacific Partnership to the Comprehensive and Progressive Trans-Pacific Partnership

As East Asian countries began actively discussing the possible formation of region-wide FTAs, some economies and countries belonging to the APEC began to discuss the formation of a region-wide FTA with a high level of trade liberalisation. At several APEC meetings in the 1990s, Australia, Chile, New Zealand, Singapore, and the United States (P5) held informal discussions to discuss mechanisms for creating a new type of trade agreement amongst 'like-minded' states.⁷ Of the P5 countries, Chile, Singapore, and New Zealand, which shared a very high enthusiasm for establishing a high-level FTA, launched negotiations at the APEC Leaders' Summit in 2002. Brunei Darussalam joined the negotiations in 2005.⁸ P4, consisting of Chile, Singapore, New Zealand, and Brunei Darussalam, was enacted in 2006. The formation of P4 was spurred by these countries' dissatisfaction about the slow progress on trade liberalisation in the APEC.

P4 is a comprehensive FTA covering a broad range of issues, including trade in goods and services, rules of origin, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, competition policy, intellectual property, government procurement, economic cooperation, and dispute settlement.⁹ P4 is a high-level FTA requiring members to eliminate tariffs on basically all products by 2015. The primary objective of P4 is the establishment of a business-friendly environment under which free trade and investment are achieved with fair competition and the effective protection and enforcement of intellectual property rights.¹⁰ Another important objective of the agreement is to support the APEC process towards the goals of free and open trade and investment. In other words, the founding members hoped that P4 would become a foundation for a larger trade agreement by accepting new members.

⁷ Elms and Lim (2012) provided detailed discussions on the origin and evolution of FTA discussions in the Asia-Pacific region.

⁸ New Zealand Ministry of Foreign Affairs <http://www.mfat.govt.nz/Trade-and-Economic-Relations/2-Trade-Relationships-and-Agreements/Trans-Pacific/2-P4.php> (accessed 25 February 2019).

⁹ Trans-Pacific Strategic Economic Partnership Agreement. <http://www.mfat.govt.nz/downloads/trade-agreement/transpacific/main-agreement.pdf> (accessed 25 February 2019).

¹⁰ Trans-Pacific Strategic Economic Partnership Agreement. <http://www.mfat.govt.nz/downloads/trade-agreement/transpacific/main-agreement.pdf> (accessed 25 February 2019).

In March 2008, the P4 members began negotiations on trade in financial services and investment in order to broaden the agreement's issue coverage. Broadening the issue coverage to meet the demands and needs of businesses was one of the notable characteristics of P4, which is known as a living agreement. In September 2008, the US, which was interested in liberalising financial services and investment, announced that it was seeking to join the expanded P4 negotiations. Under the Obama administration, which began in January 2009, the US joined the expanded P4 negotiations in November 2009. Australia, Peru, and Viet Nam quickly joined the US in expressing their intention to join the negotiations. During this period, P4 became the TPP. The emergence of discussions on the formulation of region-wide FTAs in East Asia in the form of ASEAN+3 and ASEAN+6 sparked the US' interest in TPP (which encompasses countries on both sides of the Pacific) as it did not want to be kept out of East Asia.

Enlarged TPP negotiations began in March 2010 with eight countries: Brunei Darussalam, Chile, New Zealand, Singapore, Australia, Peru, the US, and Viet Nam. Four more countries joined after negotiations began: Malaysia (in October 2010), Canada and Mexico (in 2012), and Japan (in 2013). The fact that the number of negotiating countries increased during the negotiation process is quite unusual and reflects the importance of the TPP for many countries. The negotiations lasted for 5 years and 7 months before an agreement was reached in October 2015. The TPP negotiating members signed the TPP treaty in February 2016, and the ratification process began subsequently. This process stopped after Japan and New Zealand ratified the treaty, because the newly elected US President Donald Trump withdrew the US from the treaty in January 2017. US ratification was a necessary condition for the enactment of the treaty.¹¹

Now that the TPP was not going to enter into force, the remaining TPP members decided to pursue TPP11 without the US. The TPP11 trade ministers held a side meeting at the APEC trade ministers' meeting in May

¹¹ According to the agreement, the TPP enters into force if at least six TPP governments, accounting for 85% of the combined GDP of the 12 countries, have ratified the treaty. US ratification is necessary because the US accounts for 60.3% of the combined GDP.

2017 and agreed to revive the stalled agreement. Several reasons were identified for pursuing TPP11. First, TPP, with its high-level trade and FDI liberalisation and comprehensive issue coverage, could be a model FTA for future FTAs.¹² Second, enacting TPP11 could put pressure on other mega-regional FTAs, such as the RCEP, to maintain the momentum for forming FTAs and strengthen resistance against protectionism. Third, although very unlikely under the Trump administration, the US may come back to the TPP. For such an eventuality, TPP11 needs to be in force to receive the US. The negotiation of TPP11 reached an agreement rather quickly in January 2018, and the TPP11 treaty (or, formally, the CPTPP) was signed in March 2018. The ratification process began subsequently, and six members have ratified the treaty as of the time of writing (1 December 2018). The CPTPP has entered into force on 30 December 2018.¹³ Several countries, including Korea, Indonesia, Thailand, Colombia, and the United Kingdom, have expressed an interest in joining the CPTPP.

Complementarity of the Comprehensive and Progressive Trans-Pacific Partnership and Regional Comprehensive Economic Partnership as a Driver of Integration in Indo-East Asia and as a Global Model Towards Deepening Economic Linkages under Open Regionalism

Let us compare the CPTPP and RCEP in terms of the objectives, content, and quality of the agreements. The objectives of the CPTPP and RCEP appear quite similar.¹⁴ Both the CPTPP and RCEP aim to be high-quality and comprehensive trade agreements for promoting economic growth and development. Indeed, the issue coverage of both frameworks is broader than that of the WTO (Table 1). Despite the common objective of promoting economic growth and development, the CPTPP and RCEP

¹² The notable characteristics of the TPP will be discussed later.

¹³ According to the agreement, the CPTPP enters into force if at least six CPTPP members have ratified. As of 31 October 2018, Mexico, Japan, Singapore, New Zealand, Canada, and Australia have ratified the CPTPP treaty.

¹⁴ The text of the CPTPP is available at the following website. <https://www.mfat.govt.nz/assets/CPTPP/Comprehensive-and-Progressive-Agreement-for-Trans-Pacific-Partnership-CPTPP-English.pdf> (accessed 25 February 2019). The information on the RCEP is obtained from 'Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership' <https://asean.org/storage/2012/05/RCEP-Guiding-Principles-public-copy.pdf> (assessed 25 February 2019)

differ in terms of the emphasis on economic growth and development. One of the most important elements of the RCEP is achieving equitable economic development through economic cooperation. By contrast, the CPTPP does not put much emphasis on economic cooperation. It is only natural for the RCEP to emphasise economic cooperation as its members include low-income countries such as Cambodia, the Lao People's Democratic Republic, and Myanmar, whose successful economic development is important for sustainable economic growth and social stability in the region.

The issue coverage of the CPTPP and RCEP are different. As shown in Table 1, both the CPTPP and RCEP cover the following issues: market access for goods, rules of origin, customs cooperation and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, investment, trade in services, e-commerce, government procurement, competition policy, intellectual property, economic cooperation and capacity building, economic development, small and medium-sized enterprises, and dispute settlement. However, some issues are only covered by the CPTPP, not the RCEP. These are state-owned enterprises and designated monopolies, labour, environment, competitiveness and business facilitation, regulatory coherence, and transparency and anti-corruption. These issues are regarded as important for developed countries, such as Japan and Australia, to achieve a level playing field in competition and sustainable economic growth while protecting labour and the environment; however, they pose challenges for developing countries, especially those with strong government control of their economies. It should be noted that the CPTPP adopted 'cumulation' in the definition of rules of origin, which treats products produced in CPTPP countries as CPTPP products. Thus, they are traded tariff-free, facilitating the construction and management of regional production networks, or supply chains. The RCEP is likely to adopt a similar arrangement, contributing to the development and promotion of regional production networks.

A closer look at the CPTPP and RCEP reveals that content that may appear similar can be quite different in terms of quality or level of commitment. One area where differences in the level of commitment can be clearly seen is the level of trade liberalisation, or market access

in goods trade. The CPTPP is seeking the complete elimination of tariffs, or 100% trade liberalisation although, in reality, trade liberalisation rates (the proportion of the number of tariff lines subject to tariff elimination in the total number of tariff lines) for some members are lower than 100% because of political sensitivities concerning some products (such as rice for Japan) (Table 2).

In contrast, the trade liberalisation rate for the RCEP is likely to be substantially lower than that of the CPTPP. Some observers predict 80%–90% trade liberalisation, in light of the trade liberalisation achieved by the five ASEAN+1 FTAs. ASEAN countries achieved nearly 90% trade liberalisation in each of the ASEAN+1 FTAs, while only 73.1% of tariff lines were commonly eliminated vis-à-vis their ASEAN+1 FTA partners (Fukunaga and Kuno, 2012). Since common tariff concessions are adopted in RCEP negotiations, even achieving 80% trade liberalisation will require significant efforts on the part of ASEAN members. Furthermore, India has the lowest trade liberalisation rate (78.8%) in its FTA with ASEAN, indicating that it will be very difficult to achieve 80% or 90% trade liberalisation. As India is very much concerned with the possible increase of imports from China, it is unlikely to achieve the rate achieved in its FTA with ASEAN (78.8%). Non-ASEAN RCEP members must also make enormous efforts to achieve 90% trade liberalisation, except for Australia and New Zealand, which have achieved 100% trade liberalisation in their FTA with ASEAN.

Another major difference between the CPTPP and RCEP is their treatment of low-income countries. The ASEAN+6 trade ministers agreed to provide special and differential treatment to the low-income ASEAN member states in the RCEP. Considering the substantial differences in levels of economic development amongst the RCEP negotiating members, this special and differential treatment is understandable and consistent with the arrangements adopted in the ASEAN+1 FTAs. Specific examples of this treatment include the postponement of trade liberalisation by new ASEAN members in the ASEAN–China FTA. The CPTPP does not provide special or differential treatment to its least-developed members in terms of the content of the agreement.

It should also be noted that the modes of agreement are likely to differ between the CPTPP and RCEP. Despite the CPTPP's comprehensive content, its members should accept all of its contents and components from the outset in the form of a 'single undertaking', albeit with some flexibility as indicated in the side letters and the lengthy transitional periods in a few cases. Unlike the CPTPP, the RCEP may adopt a gradual and sequential approach where different components are negotiated and implemented under different time schedules, depending on the difficulty in reaching an agreement.

Finally, having discussed several differences between the CPTPP and RCEP, one may wonder if the relationship between these two mega-regional FTAs would be competing/substitutable or complementary as a region-wide mega-FTA. They tended to be considered competing when the US was a member of the TPP due to the rivalry relationship between the US in the TPP and China in the RCEP. However, a view emphasising a complementary relationship seems to be growing. For example, Urata (2014) presents a stages approach to East Asian regionalism, in which East Asian countries that cannot accept high-standard, comprehensive rules should first join the RCEP (first stage) and achieve economic development. These countries should join the CPTPP (second stage) once they have grown successfully and are able to accept these rules. In this way, the CPTPP and RCEP can be considered to be in a complementary relationship.

III. Towards an Integrated and Connected Indo-East Asia: 'Connecting the Connectivities'

East Asia is not only the centre of mega-regional integration initiatives like CPTPP and RCEP but also the centre of pan-regional connectivity initiatives. Indeed, the challenge is how to ensure greater synergy amongst the connectivity initiatives in the region, i.e. 'connecting the connectivities'. The importance of 'connecting the connectivities' is not limited to converging different connectivity plans in Asia, between Asia and Africa, and Asia and Europe. A roadmap for developing synergy amongst the Masterplan on ASEAN Connectivity (MPAC), Belt and Road Initiative (BRI), Asia Africa Growth Corridor (AAGC), and Asia–Europe Meeting (ASEM) can be only formed through a broad commitment

by these connectivity plans to put people and their prosperity at core, employ good governance and accountability as drivers, and work towards the goals of sustainable development and global governance. When connectivity plans converge with regional, national, and global development priorities, synergies amongst plans will appear naturally.

'Connectivity' has always existed. People have communicated and interacted across boundaries, for business, government purposes, and social activities from time immemorial. However, the conceptualisation of 'connectivity' is recent. The contemporary use of connectivity is mainly in the digital and communication domain. It is also used figuratively to cover economic linkages, as an understanding amongst economies.

Masterplan on Association of Southeast Asian Nations Connectivity

ASEAN is credited with popularising the term 'connectivity' leading to its MPAC, which was adopted in Ha Noi in 2011. Significantly, it is subtitled 'One Vision, One Identity, One Community'. 'Connectivity', like 'open regionalism', 'comprehensive and co-operative security', and even 'Asia Pacific', has become a concept with a substantial Asian origin.

The ASEAN approach to connectivity uses the context of community building and, specifically, the objective of 'a well-connected ASEAN that will contribute towards a more competitive and resilient ASEAN, as it will bring peoples, goods, services and capital closer together' (ASEAN, 2011). The MPAC contemplates physical, institutional, and people-to-people components. The MPAC 2025 broadens this vision to 'achieve a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of Community.' Although the vision continues to operate under the three pillars listed above, the emphasis of its actions has greater economic and institutional connotations than the those of the MPAC 2010. These actions are as follows: (i) sustainable infrastructure, (ii) digital innovation, (iii) seamless logistics, (iv) regulatory excellence, and (v) people mobility.

The MPAC 2025's acknowledged goal is that of a seamlessly connected ASEAN. This may be more ambitious than the ASEAN Vision 2025, but may be a desirable goal for ASEAN Vision 2040. The previous emphasis on movement of goods and services, mobility of skilled labour, and energy and rail connectivity is supplemented by the emerging trends that will influence the ASEAN connectivity agenda. These trends include the following: (i) a doubling of the number of ASEAN households that are part of the 'consuming class' over the next 15 years; (ii) the challenge of improving productivity to sustain economic progress as growth in the size of the workforce starts to slow; (iii) the movement of 90 million more people to cities within ASEAN by 2030; (iv) the need for infrastructure spending to more than double from historical levels; (v) the challenge of equipping the world's third-largest labour force with the skills needed to support growth and inclusiveness; (vi) the emergence of disruptive technologies; (vii) the opportunity to transform natural resource efficiency in the region; and (viii) the imperative to understand the implications for ASEAN as the world shifts towards a multi-polar global power structure. The MPAC 2025 is therefore clearly consistent with the objectives of the ASEAN Economic Community, and shares in the objective of a socio-cultural community.

The ASEAN notions of connectedness and community building can be subdivided in various ways, and applied to economic integration in East Asia, which is a larger geographical and human base than ASEAN alone. Despite some differences, these features are also compatible with European and African thinking and, can therefore be utilised effectively in pan-Asia, Asia–Africa, and Asia–Europe connectivity. However, in a global milieu, these connectivity plans have broader developmental objectives and should operate within national development policies.

A belief in convergence or 'connecting the connectivity plans' is based on the notion that all connectivity plans have similar objectives. The contours of the MPAC as described above, and of the AAGC and BRI as explained below will show that this is not always the case. There are inherent differences in each of these plans, given their origins, partnerships, resources, and the political and economic priorities of the promoters. It is only by putting the strength of different connectivity plans behind globally agreed development goals, and achieving consensus on global

governance mechanisms that it will be possible to create commonality of purpose and create synergies amongst the different connectivity plans and connectivity platforms.

The Asia–Africa Growth Corridor

Asia–Africa relations are both historical in terms of their common past, and contemporary in terms of their aspirations. They share past struggles, present efforts, and prospects for bright future with enormous where prospects for cooperation and growth. This bond is also apparent from their coming together on many occasions: bilaterally, sub-regionally, as global forces, and as the ‘one voice’ of the developing world on issues touching human concerns of every kind. The Indian Ocean is the natural link between the two regions, enabling trade and connectivity from time immemorial.

The Asian economy, especially that of East Asia, has demonstrated resilience and provided a robust drive for the global economy, and it continues to provide the tailwinds thereof. Africa, on the other hand is on the path to growth. Its young demography and economy require integration and expansion into the global value chains of production that exist in Asia. The two regions account for 70% of the global population and 37% of global GDP. Conjoined by the Indian Ocean, the two regions provide a renewed opportunity for partnership for sustainable development. As developing regions, both continents are committed to promoting strong, balanced, sustainable, and inclusive growth, at both national and international levels.

The vision document of the Asia Africa Growth Corridor (AAGC) titled the ‘Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development’ was presented at the Africa Development Bank Annual Meeting on 25 May 2017 in Ahmedabad, India. The AAGC foresees Africa’s integration with Asia, in which South Asia, West Asia, Southeast Asia, East Asia, and Oceania play an important part. The AAGC proposes four major pillars of connectivity and cooperation to bring peoples, goods, services, capital, and institutions closer together to realise the objective of an Asia–Africa partnership for sustainable and innovative

development. These pillars are: (i) development and cooperation projects, (ii) quality infrastructure and institutional connectivity, (iii) enhanced capacities and skills, and (iv) people-to-people partnership.

These will facilitate and enhance economic growth by linking economies in Asia and Africa through the development of institutional and human capacity, connecting institutions and people, building capacities for planning and executing projects, facilitating trade, developing human resources, and improving technology and infrastructure (ports, airports, industrial parks, telecommunications, and information technology) of the two continents. The AAGC emphasises capacity building and expanding the manufacturing base and trade between Africa and Asia. The aim is to transform the region into a growth corridor to embed development processes and value chains in Africa and Asia. It will enable the connected economies to integrate further and collectively emerge as a globally competitive economic region. The AAGC remains specially aligned with Agenda 2030, which provides green projects with priority funding and implementation.

The Asia–Africa Growth Corridor (AAGC) has a twofold purpose: (i) to bring the development experience of East, Southeast, and South Asia closer to Africa and make a case for greater economic connectivity and cooperation for development between the two mega regions; and (ii) to present a development paradigm in which trilateral, multilateral, and global initiatives contribute to enhance prosperity, and the freedom to pursue development plans suitable for, and in sync, with the development priorities of countries in Africa, Asia, and the Asia-Pacific region. The AAGC, therefore, is not merely a plan for development and cooperation between Asia and Africa, but also encourages freedom of movement of people, goods, services, and capital in a geographical spread between the western edges of Africa to the eastern edges of Asia and Oceania. The AAGC is the first such attempt to prepare a growth plan that connects two continents, by which the development strengths of Asia can be shared and dovetailed with the development priorities of the countries and regions of Africa. The AAGC prioritises the prosperity of the people of Africa and Asia, and their development goals in all plans and projects under its aegis.

The Belt and Road Initiative

The BRI proposed by China aims to promote connectivity amongst the Asian, European, and African continents and their adjacent seas. It also aims to establish and strengthen partnerships amongst the countries along the 'Belt and Road'; set up all-dimensional, multi-tiered connectivity networks; and realise diversified, independent, balanced, and sustainable development in these countries (National Development and Reform Commission, 2015). The framework covers the area of the ancient Silk Road but it is open to all countries.

The initiative has two components: (i) the land-based 'Silk Road Economic Belt', and (ii) the Maritime Silk Road. Per reports, the initiative will focus on jointly building a new Eurasian land bridge and developing China–Mongolia–Russia, China–Central Asia–West Asia, and China–Indochina Peninsula economic corridors. To do so, it will take advantage of international transport routes, rely on core cities along the Belt and Road, and use key economic industrial parks as cooperation platforms. Many of China's bilateral infrastructure projects in Asia, Europe, Africa, the Indian Ocean Islands, and the Pacific Islands have been brought within the BRI. Due to its high visibility in the international connectivity narrative, project implementation under BRI has invited greater scrutiny in both the project hosting country as well as the international community. The issues of project preparation, debt and equity, and sustainability are especially under focus. China's insistence that every project be within a partnership in which both parties benefit is similar to the position of several established development banks. Importantly, BRI has brought the global focus on project prioritisation, costing, and sustainability of connectivity plans, especially in those countries where development projects must match the developmental priorities.

The Belt and Road vision extends well beyond investment in economic infrastructure. The Action Plan on BRI published in March 2015 sets out five dimensions of connectivity: (i) policy coordination; (ii) high-quality transport, communications, and energy networks to facilitate international commerce; (iii) reducing the cost and risks of trade and other international economic transactions along supply chains; (iv) financial integration; and (v) people-to-people bonds.

The BRI is backed by strong financial resources commitments from China. China has launched a \$40 billion Silk Road Fund, which will directly support the initiative. Additional financial resources for the initiative will be provided by the Asian Infrastructure Investment Bank, which was primarily set up to address the infrastructure funding gap in Asia (estimated by the Asian Development Bank to amount to \$8 trillion between 2010 and 2020).

The scope of the BRI is unprecedented. It aims to link many of the economies of Asia and Europe and reach out to others. Trillions of dollars will need to be invested over a period of several decades. In linking many diverse economies, it will be necessary to deal with many risks and uncertainties. Although it is not possible to anticipate all problems that will arise, they can be overcome by governments that are committed to development and can cooperate flexibly to achieve a shared vision. If the BRI is implemented efficiently, many economies can become deeply integrated and successfully engage in global value chains. The Government of China has earmarked up to \$1 trillion for investments. Decision making on infrastructure projects is based on bilateral agreements with other governments. Many early investments are already underway, and focus on building on and improving existing infrastructure.

The Action Plan on BRI notes that investments in physical connectivity should be backed up by policy development and capacity building to make international commerce amongst Belt and Road economies cheaper, easier, and faster, and should include cooperation to strengthen institutional and people-to-people linkages.

Following early investments in new or existing transport, communications, and energy networks, the BRI is looking for sustainable cooperation amongst diverse group of countries where political leaders and officials, both in China and in partner countries, are able to (i) create bilateral projects based on mutual benefit and mutual trust, (ii) agree on investments that are sustainable and achieve the stated objectives, (iii) effectively manage risks through transparency and responsible governance, (iv) converge the infrastructure projects and associated

capacities with the development priorities of the partner countries, and (v) invest in sustainable infrastructure.

The early phase of the BRI has focused on investment in the hard infrastructure of transport, communications, and energy networks. The developmental and fiscal results in some of the countries hosting BRI projects has brought the BRI under immense global scrutiny, especially on its policy-coordination role with the host country. The BRI needs to transform from an infrastructure programme to a connectivity programme by embracing the multidimensional aspects of connectivity.

The BRI process links participants that differ greatly in terms of the size of their populations and economies, forms of governance, institutional development, and productivity. Several decades of experience of economic cooperation indicate that successful and sustained cooperation amongst such a diverse group should be voluntary and based on principles of openness, transparency, mutual benefit, mutual trust, mutual respect, and careful evolution. The challenge for BRI in the coming years is to put these sound guiding principles into practice, and to take BRI projects where they are needed.

Asia–Europe Meeting Connectivity

ASEM connectivity differs from the infrastructure connotations of the BRI, the developmental and capacity-building contours of the AAGC, and the key role of the MPAC as a driver of the ASEAN Community. ASEM is a multilateral platform of 51 countries in Asia and Europe with both formal and informal institutions that administer its mandate. However, connectivity is the most visible face of this group, as it runs across all three pillars: political, economic, and socio-cultural. Over the past 22 years, ASEM, which represents a sizeable part of the global community, has witnessed tremendous change in regional and global relations. Since its inception in 1996, it has played a key role as a forum for dialogue and cooperation in connecting Asia and Europe. ASEM is uniquely placed for fostering interregional relations. In the past 22 years, ASEM process has proved its vitality and relevance through a steady increase in membership and enhanced cooperation between Asia and Europe for the benefit of

their peoples. As the main multilateral platform linking Asia and Europe, ASEM carries significant global weight. Representing 62% of the global population, ASEM is becoming increasingly aware that its combined strength and connectivity has a benign influence over regional and global development processes and that it can be a major voice in global affairs.

ASEM is a collective effort to foster greater connectivity amongst the geographies, economies, and peoples of Asia and Europe. At the 10th ASEM Summit in 2014 in Italy, the Chairs' Statement noted: 'Leaders underscored the significance of connectivity between the two regions to economic prosperity and sustainable development'.¹⁵ The 11th ASEM Summit in 2016 in Ulaanbaatar agreed to make ASEM responsive to emerging demands and the need for connectivity, and to this end established the ASEM Pathfinders Group on Connectivity. At the group meeting in Nay Pyi Taw in 2017 it was established that:

'Connectivity is about bringing countries, people, and societies closer together. It facilitates access and is a means to foster deeper economic and people-to-people ties. It encompasses the hard and soft aspects, including the physical and institutional social-cultural linkages that are the fundamental supportive means to enhance the economic, political-security, and socio-cultural ties between Asia and Europe, which also contribute to the narrowing of the varying levels of development and capacities.'¹⁶

ASEM connectivity should also contribute to the materialisation of the principles, goals, and targets of the 2030 Agenda for Sustainable Development. Sustainability is an important quality benchmark for connectivity initiatives in the ASEM context.

As new needs and avenues of engagement have emerged, the ASEM has evaluated its role in, and impact on, deepening integration between the two continents. A collective effort to address the demands of greater

¹⁵ Chairs' Statement, 10th ASEM Summit, Rome, 2014.

¹⁶ <https://www.consilium.europa.eu/media/31705/annex-i.pdf>

connectivity between the geographies, economies, and people of the two regions has led ASEM to agree to work towards five focus areas for 'Tangible Areas of Cooperation in the Field of Connectivity' to bring necessary focus and spur interest amongst ASEM members' activities for enhanced cooperation in the field of connectivity. These focus areas are (i) sustainable connectivity, (ii) future connectivity, (iii) trade and investment connectivity, (iv) people-to-people connectivity, and (v) security challenges linked to connectivity.

It is commonly understood that improved connectivity and increased cooperation between Europe and Asia require plans that are both sustainable and able to be upscaled. A sustainable vision of ASEM connectivity is embedded in the freer movement of people, trade, investment, energy, information, knowledge and ideas, and greater institutional linkages.

ASEM connectivity is now working to draw synergies from global sustainable development programmes that share common goals and objectives with ASEM. Global development programmes that are relevant to the people of Asia and Europe (and indeed to the entire global community), and can be addressed under the ASEM connectivity mechanisms include the 2030 Agenda for Sustainable Development, the Sendai Framework for Disaster Risk Reduction, the Paris Agreement, the Istanbul and Vienna Programme of Action, and the Samoa Pathway

ASEM connectivity is based on the spirit of multilateralism and global governance as these can help achieve common goals of development for all. Asia–Europe connectivity is reinforced and strengthened by effective multilateralism and rules-based international order. In turn, ASEM's strength can reinforce the mandate and working of multilateral institutions and governance mechanisms for trade, financial stability, and economic growth.

Convergence of Connectivity Plans—Finding the Necessary Rationale and Binding Spirit

The apparent commonality of objectives in connectivity plans and mechanisms is deceptive because the principal agents in each plan choose different pathways towards apparently common goals. Therefore, the results differ amongst various connectivity plans. Finding a common link amongst all connectivity activities is difficult but not impossible.

Revisiting the objectives of connectivity—connecting people, increasing trade and economic cooperation, improving prosperity with sustainable development, and leaving no one behind—allows us to agree that governments across the globe recognise connectivity’s growing importance. The global development programmes and impetus for multilateralism is the way to create greater interlinkages between connectivity plans through governments, and regional and multilateral institutions. The spirit of inclusive development, transparency in governance, commitment to multilateralism, and a rules-based society are some of the guiding principles that can create common linkages between different understandings of connectivity, and different connectivity plans. Just as initial uncertainty about how the World Bank would relate to the various regional development banks was removed by familiarity with its working over the years, so the various connectivity initiatives can create a seamless whole; there may not be need for any overriding governance mechanism.

In the 21st century, all connectivity plans have Asia at its core. This is not a coincidence. Asia, particularly East Asia, has been a model of trade and economic cooperation, and much of this region’s prosperity is due to its hard and soft connectivity efforts. Asia has also put people at the centre of connectivity. Based on these two pillars, it is axiomatic that the connectivity plans can converge when they cater to the aspirations and needs of people, and that they create programmes and projects based on equal partnership, mutual trust, and cooperation. Good governance, transparency, and accountability to people will be the common link amongst the connectivity plans. When connectivity plans act as growth and trust multipliers, they are effortlessly connected.

IV East Asia and ASEAN, Open Regionalism and Multilateralism

The widening geographic spread of integration and connectivity necessitates the strengthening of the multilateral regime. Can the multilateral system be reformed in tandem with widening regional integration and pan-regional connectivity? What are the complementarities of open regionalism, pan-regional connectivity, and reframing the multilateral trade regime?

It seems unlikely that there will be another ‘round’ of trade negotiations of the kind that existed in the Uruguay Round or the earlier Tokyo or other ‘rounds’. The disappointing outcome of the Doha Round discourages thoughts of repetition.

The successful rounds occurred in an era when there were a few principal world traders and their interests were not widely different from those of other traders. Thus, the round could proceed by seeking compromises amongst the few (especially the US, European Union, and Japan joined by others for specific issues, such as Iceland for fish and New Zealand for agriculture), subject only to modification by the wider membership. There are now too many significant members and they perceive their interests very differently; as a result, the consensus method of decision-making is very slow.

Despite the current disenchantment of the US, the multilateral system remains important. The disputes resolution system is widely appreciated, again despite the current belief of the US that the system is prejudiced against American interests. The way in which the CPTPP evolved from the TPP may well have to be used again to ensure that WTO members who value it as an institution for resolving disputes can continue to use it despite the absence of the US. This may also be necessary to preserve the fundamental characteristics of the WTO that its members, with few exceptions, accept the ‘most favoured nation’ rule, that all members are treated equally, and that tariffs are restricted by their ‘bound’ levels and not available as weapons in bilateral disputes.

However, the WTO cannot be fossilised. The nature of economic integration continues to change, and the rules for multilateral trade must change accordingly. Nobody doubts that a 'rules-based' system is desirable; the debate is always about what the rules are or should be, and international rules can be developed only by negotiation and agreement.

In the absence of traditional 'rounds', rules are most likely to be developed in plurilateral and multilateral groupings, whether regional or sectoral. The force of plurilateral agreements is not only in the degree to which they liberalise trade and investment flows amongst members, but also in the way they can serve as experiments with provisions that might eventually become part of the international rules managed by the WTO. In this regard, CPTPP will undoubtedly be modified over time, including in areas where the desired international rules are contested – Intellectual Property Rights, rules of origin, rules about the nature and operations of SOEs and various other aspects of international regulatory management. In some of these areas RCEP may prove to be a more useful venue for experimentation than CPTPP. Some sectoral agreements include a provision that they become 'most favoured nation' as soon as their membership reaches some prescribed minimum, usually expressed as a percentage of world trade in the relevant area. That provision is unlikely to be appropriate for regional agreements, and the relevant process is much more likely to be one of trial, evaluation, and successful innovations being copied elsewhere.

There are a number of ways in which ASEAN can exercise leadership in maintaining and developing the multilateral system. ASEAN and East Asia have practised 'open regionalism', meaning essentially that the regional arrangement should facilitate integration amongst its members without increasing barriers to interaction with non-members. It also implies that membership of the agreement should be open to those who are prepared to accept its provisions. Currently, in the RCEP and CPTPP, as in other regional arrangements, accession is hardly 'open'—the accessions clause is interpreted to mean that a new member must negotiate the approval of all existing members.

Any applicant for membership of an established organisation will likely need to consider how some aspects of its economy or legal system relate to the terms of the existing agreement. Even if in principle, the applicant is willing to accept the commitments adopted by existing members, further consideration is likely to be involved. However, 'open regionalism' should restrict the ability of existing members to impose unnecessarily onerous conditions on the applicant, or otherwise to use the accession process as an opportunity to resolve unrelated differences. A suitable accessions clause might require the employment of a non-political agency to determine how the applicant can be treated in a manner most similar to that of the existing member closest to the applicant in terms of level of development. The application process would be a technical rather than a political process.

ASEAN should show leadership as other international rules continue to evolve. One currently controversial issue is the question of how state-owned enterprises (SOEs) should be treated in international commerce. The basic intent is to ensure that transactions across boundaries reflect commercial considerations rather than political motives. However, the organisational form of SOE varies too much between economies for this to be a strong foundation. Some SOEs may be government agents, while others are commercial activities that happen to have collective ownership. Governments may influence privately-owned firms as well as SOEs, and there may be no clear difference between an SOE and a private corporation that relies heavily on government-funded research and development. Creating a direct means to monitor and constrain government intervention in commercial decisions would be a useful way to develop international rules.

There is also a clear need to clarify international rules around intellectual property. In many respects it is appropriate to deal not with undifferentiated intellectual property but separately with copyright, patents, trademarks, and trade secrets since they vary in economic effects and their intent may differ. Nonetheless, they share the common feature that they are intended as mechanisms to balance rewards to innovators with the desire to make knowledge available to all, especially potential further innovators. They do not share the feature of perpetual and exclusive control characteristic of 'property' in general. International

rules around intellectual property should reflect this much more than they do at present. Finding a way forward would incidentally remove some of the conflict between developed and developing countries that is currently present in international trade negotiations. The ASEAN-centred agreements could pioneer provisions with international appeal.

Many other issues in relation to cross-border investment and services have become much more important in the modern international economy. At what point does a deal involving technology transfer and market access become coercive? Can the participation of services in international commerce be conceptualised as issues in regulatory management rather than analogous to tariffs on goods? Again, international rules need to be developed and shown to be effective. ASEAN can contribute to the multilateral system by leading in the development of appropriate rules.

V. Summary and Conclusions

The countries of Southeast Asia have a long history of co-existing beside much larger countries while preserving their own cultures. As members of ASEAN they have extended that into quiet, undemonstrative, but effective insistence on managing their own destiny, while collaborating with others including the Great Powers but remaining subservient to none.

ASEAN Vision 2040 envisages the maintenance and development of this tradition. The ASEAN Community, with its economic, political and security, and social and cultural pillars remains at the core. Through its institutions, principally the EAS and RCEP, ASEAN will engage with its partners to continue to use economic integration as a vehicle for promoting a community that is prosperous in all respects. It will also ensure that it remains abreast of evolving technology and social trends.

In particular, it will demonstrate inclusive growth. The ASEAN Community will remain characterised by cooperation focused on capacity-building, that is, assisting less developed members to come abreast of advanced members, will remain experimental, and will engage in learning-by-doing

as its members seek to ensure 'no one left behind'. It will draw on the history of the 'Asian miracle', which demonstrated that government's role may vary in successful economies and communities but will share a common characteristic of emphasising the facilitation of adaptation to change rather than protection of existing activities. From now to 2040, ASEAN members will develop their social safety nets, but even more they will focus on creating institutions and incentives to build opportunities to gain skills and capabilities which open access to emerging technologies. The experience of ASEAN members will be transmitted to regional partners through institutions like the RCEP.

ASEAN-centred regional organisations will contribute to regional growth and hence to global growth. The RCEP and CPTPP will counter any extension of the backlash against globalisation being experienced in Europe and North America by showing that it is possible to reconcile 'policy space' for social policy and communities with efficient business operation across national borders. This could include showing the value of thinking in terms of 'trade in value added' rather than traditional accounts, and relating efficiency to international production networks rather than single-economy export goods.

ASEAN will contribute to the development of the international community by joining with like-minded partners to develop and demonstrate successful rules for international commerce.

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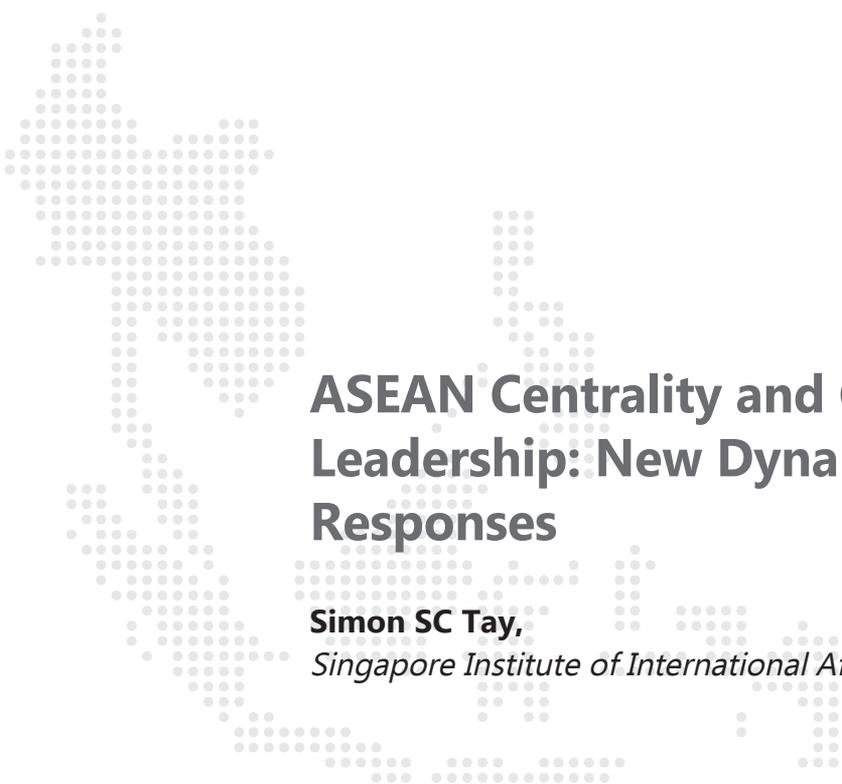
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ASEAN Centrality and Collective Leadership: New Dynamics and Responses

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Introduction

The Association of Southeast Asian Nations (ASEAN) has been celebrated and also much criticised in recent years. Celebrations reached something of a crest with the 2015 inauguration of the ASEAN Community – with economic, political-security and socio-cultural pillars¹ – and the group's 50th anniversary in 2017. Over these decades, ASEAN has become the convenor of several key forums and Summits not only for its own members but to bring together the major powers in the wider region; these include the ASEAN Regional Forum, the ASEAN Defence Ministers +8 meetings and, for leaders, the East Asia Summit. In this way, ASEAN has emerged as a central actor in the region, offering a form of leadership that belies the group's lack of major power status.

¹ This capped more than a decade of effort from the 2003 Bali Summit through to the 2008 ASEAN Charter. See Tay, 2008.

Yet as ASEAN has reached these milestones and taken on greater ambitions, criticisms have also increased. ASEAN has struggled on several major initiatives – deepening the group’s economic integration, moving ahead with the broader Regional Comprehensive Economic Partnership (RCEP) to bring in all its major partners, and stabilising conflicting claims in the South China Sea and the wider relationship with China and other major powers. There are also global megatrends that require ASEAN to respond in politics and economics (Tay and Tijaja, 2017).

Some believe that ASEAN is unable to meet these new challenges, and predict that the group will fail or else fall apart unless its members agree to undertake radical changes that depart from the traditional ASEAN way. This essay sees that there are real dangers to unity, acceptability and effectiveness – constituent elements of ‘centrality’ – but believes that ASEAN can modify the ways it works to maintain and indeed re-vision ‘leadership’ in the region.

Within constraints of length, this essay will consider the conditions that allowed and indeed propelled ASEAN to take up a central leadership role, and how these conditions are now becoming changed, and quite radically. Secondly, it will consider how intra-ASEAN norms and practices must be modified and amended, consciously, so that the group can develop from the foundations laid and take next steps. Finally, this essay concludes by considering possible outcomes for ASEAN and collective leadership in the region – both the better possibilities that the right policies can achieve as well as the less optimal outcomes that can result from wrong-headed policies and inaction.

In brief, this essay argues that ASEAN can continue to be a central player in the region – despite these sweeping changes in the dynamics of major power rivalry and other issues – and that its norms can shift sufficiently to accommodate the continued ambition to take on that central role. However, the essay does not underestimate the challenges of undertaking these changes. The essay also argues that ASEAN must relook at the ways at the ways the group works with the middle powers of the region so that together, ASEAN and these middle powers can work together more closely and deeply to offer a collective leadership to the wider region in varying alliances on different issues and at different moments.

The Dynamics of ASEAN Centrality

The world is entering a dangerous phase. The United States (US)–China competition is not only about tariffs and trade in goods. There is longer term competition in economic growth, technology, innovation and for influence across the region and the globe. Many speak of the Thucydides trap, where a rising and current hegemon compete, and some strategic analysts do not rule out the possibility of direct conflict (Allison, 2018). Economically, strong growth in the US is ending a decade-long flood of easy money and emerging markets have to adjust. Impacts are already felt in larger but weaker emerging markets such as Turkey, Brazil, and Argentina.

China – now the world’s second largest economy – is showing signs of both strength and weakness. Its strength shows in a more ambitious and some say assertive policy towards the world and the region. This leads many to fear not only China’s actions in the South China Sea but even more the ambitions of its Belt and Road initiative to develop infrastructure to connect all the way to Europe (with much of it passing through ASEAN). Talk of China’s economic slowing leads some to also be concerned that internal tensions and potential weakness will seek respite through external actions – that acting strongly abroad might shore up domestic constituencies or that building infrastructure abroad and flooding foreign markets with China’s products might stave off economic problems.

At the same time, Japan has re-engaged the region under the Abe administration, which has shown a longevity and consistency greater than any Japanese government for more than a generation. India under premier Modi also promises an Act East policy, to go beyond the preceding administration’s effort to ‘Look East’. The India that is emerging, moreover, is not only an economic actor but one that has begun to consider political and security issues, and some Indian strategists have drawn attention to areas where the sub-continental giant has differences and arenas of competition with China.

For ASEAN, these challenges are not merely new. They are, in many ways, nearly a complete reversal of the conditions that provided the context for ASEAN to take on its role as a central actor in East Asia and the Asia-Pacific. As Table 1 sets out, these conditions included a confident and powerful US that was secure and anchored to its bilateral alliances with various Asian partners so that it looked on quite benignly on ASEAN efforts to create multilateral processes for the region. China, from the 1990s to the first decade of the 21st century, was also benign in dealings with ASEAN and more generally pursued a low-profile policy to bide its time. While there were always issues between them, the US and China managed their relationships in this period with a broad and deep recognition of their independence (He, 2018). For the rest of the major powers in this period, they were largely on the sidelines because of domestic issues.

In this relatively calm and benevolent period in the region, ASEAN – as a grouping of middle and smaller countries – proved to play a useful role and enjoyed the trust and acceptance of the major powers.

Table 1: External Factors Impacting ASEAN Leadership

	1990s to 2010	From 2010	
		Unfavorable to ASEAN	Benign or Favourable to ASEAN
US Policy in Asia	A confident, unilateral America	A self-serving and aggressive America (or conversely, a more isolationist America)	An engaged and multilateral America
China Policy in the near abroad	Peaceful rise of China	Assertive and rule challenging China	A responsible stakeholder China
China-US Relationship	Recognised interdependence	Regional and global competition for influence (or conversely, a G2 condominium)	A deepening interdependence, with recognition of roles and interests of others
Other Major Powers	The limited role of others - with Japan's period of no and slow growth and India's limited inclusion and activity in Asia	Resurgent Japan Focused on security role India and others in democratic alliance	Re-engaged Japan with Abenomics A non-exclusive Asian regionalism (SIIA, 2014a)

ASEAN = Association of Southeast Asian Nations; US = United States.

Source: Tay, 2017.

The external factors and conditions that allowed ASEAN to take on that role have now changed, and not for the better. What can ASEAN do to respond? This is especially as some expect ASEAN to more proactively manage the increasing tensions and competition in the region and head off conflicts.

ASEAN Standing and Norms

ASEAN and its member states are in a number of measures doing better than they once were. In the 1990s and into the 2000s, many in the region were still suffering after-effects of the Asian crisis of 1997–1998. Today, by contrast, ASEAN is outperforming global growth rates, and with a number of ASEAN Member States matching or even out-doing China in terms of the overall economic growth rate. The ASEAN Economic Community, moreover, promises a deeper integration by 2025, and this is expected to stimulate further growth and dynamism in the market of over 600 million (ASEAN Secretariat, 2016: 2).

Over the five plus decades of working together, ASEAN Member States have developed practices for their dialogue and cooperation that have been labelled, 'the ASEAN way'. The realities have shifted somewhat as the group grew in number and took on greater ambition to form a community. But the ASEAN way remains a handy shortcut to describe key norms and practices from many decades of working in a looser 'association'. These include decision-making based on consensus, a high degree of deference to national sensitivities, as marked in the principle of non-interference, and the creation of an ASEAN Secretariat that is modest not only in terms of its staff and finance, but also its powers of initiative and supervision (SIIA, 2014).

There are however emerging trends and imperatives that will push the ten member states towards new modes of interaction and leadership. One trend is ASEAN's internal goal of creating an ASEAN Community with economic integration, deeper cooperation on security and political issues and closer ties on socio-cultural issues. The second is the increasing competition in the wider Asia-Pacific for influence in ASEAN. The competition is not only between the US and China, but also Japan, India,

and others and concerns not only the South China Sea controversies but other issues such as investment. The third imperative is at the global level. New ways are needed to manage the global commons and there is a recognised need to bring in Asian and emerging economies. Yet ASEAN as a group has yet to consistently and significantly engage in such issues in the G20 climate change regime and at the UN.

The need of maintaining the time-tested ASEAN way and the challenge of evolving new practices and processes led to something of a compromise in the 2008 ASEAN Charter, where both are encapsulated. Table 2 above sets out the old and new, and suggests how these new emerging needs can lead to change.

In a number of cases, critics of the existing ASEAN way have proposed radical change. Looking at decision-making by consensus, for instance, some suggest that this be wholly replaced by voting (Lee, 2014). I do not in this chapter advocate such a proposal, and not only because of lack of political acceptability. Consensus has a merit, especially for smaller states, and should be a first recourse. As indicated in Table 2, I suggest instead a more modest evolution in the ASEAN way in the event consensus cannot be reached; this would be for ministers and leaders to use the flexibility of political decision making already allowed in the ASEAN Charter.

Similarly, there are some who suggest investing much more authority with the ASEAN Secretariat to speak for and even decide for the region (Nair, 2016; Tay and Guo, 2015). I agree that giving due consideration to regional interests is key to maintain ASEAN centrality and leadership. However, to me the logical next step (as summarised in Table 2) would be possible as a political elite develops in each ASEAN Member State that has a stronger and even instinctive regional perspective to balance with their national and sectoral viewpoints. This is already beginning as the integration of the region continues and there is a greater awareness of intra-ASEAN trade, investment and broader opportunities. More now recognise that each and every ASEAN member does better as part of the group, than on its own.

Table 2: Inter ASEAN Principles and Emerging Needs

	Evolution of ASEAN since Inception of Current ASEAN Community	Needs of an Emerging ASEAN Community
Economic Growth	Diverse from low to high; not well integrated but with plans for increasing connectivity	Increased connectivity and integration with well-spread, interdependent growth that outperforms other economies
Foreign Direct Investment	Negative competition and nervous nationalism	Win-win, interdependent value chain, and confident regionalism
Domestic Governance and Democracy	Diverse with stalled reform and complicated domestic politics	Linkage of AEC to domestic governance and the 'human face' of AEC in terms of sustainability and human issues such as equity, SMEs, and migrant workers Commitment and progress on reform and modernisation, especially in key countries
Foreign Policy	National interest with regional concerns to enhance sovereignty Norms of neutrality and peace ASEAN-5 coalition over Cambodian question Divided views of major power influences	Increasing recognition of regional interest while respecting the most sensitive national priorities Increased sharing of views about major power influences
Global Voice	G20 membership for Indonesia and attendance for ASEAN (and Singapore) Little coordination at UN and other multilateral forums	Shared views on key issues, increasing dialogue and coordination at G20 and other key forums
Policy Implementation	Non-binding, political process with minimal monitoring	Ruled-based with reference to ASEAN Charter for monitoring and compliance (SIIA, 2014b)
Decision-making	Consensus and run by national governments	Flexible process supervised by leaders and ASEAN ministers with closer monitoring by ASEAN Secretariat or other appointed bodies (SIIA, 2014b)
Secretariat	Minimal budget and staff; few powers of initiative	Increasing budget and staff to sufficiently help deliver goals agreed by members (Tay and Guo, 2015)

AEC = ASEAN Economic Community; ASEAN = Association of Southeast Asian Nations; SMEs = small and medium-sized enterprises.

Source: Tay, 2017.

With that, ASEAN Member State governments are better able to align national interests with regional interests, rather than holding the former always will trump over ASEAN's wider interests. This does not equate to altruism or the pooling of sovereignty, however, and ASEAN must continue respect that national sovereign interests. However, the diplomacy of give-and-take and compromise can underscore ASEAN consensus so that the sovereign right to say 'No' would be reserved only for situations when the most important national interests are at stake.

While at present, this sense of ASEAN regionalism may be relatively confined to an elite, we must recognise that it is often an enlightened elite who must lead such projects. Moreover, in the medium to longer term, this sensibility of ASEANness can grow amongst a broader cross-section of ASEAN societies. There can be policies that can encourage this, such as encouraging and enabling intra-ASEAN travel for tourism, education and work stays. The deepening economic integration, as outlined in the AEC 2025 strategic plan, will be a driver for the growth of ASEAN-wide experiences as goods, services and people move more between ASEAN Member States.

It follows from this that while some argue for the ASEAN Secretariat to be increased and strengthened in and of itself, mine is a more limited reform (as set out in Table 2): for ASEAN Member States to fund and authorise the Secretariat to deliver on goals set by the ASEAN Member States themselves.

In these ways, I believe that ASEAN does not need radical changes to the ASEAN way – which are, in any event, unlikely to be politically acceptable. I argue instead for what I hope are next steps that change processes in consonance with the intention of ASEAN Member States, to give effect to what they have agreed.

The Future(s) of Leadership for ASEAN and the Region

If ASEAN can make these changes, will they be enough? What are the best possible outcomes for ASEAN and collective leadership in the region? What are the worst or less optimal outcomes that can result from wrong-headed policies and inaction?

Much depends on what is expected, what we mean by ASEAN changing 'enough' to maintain leadership in the new dynamics that have been described.

Table 3 sets out a number of shifts that I believe ASEAN can and should make in offering to continue in its central role. The recommendations, I hope, balance the optimal response to the changing dynamics with what might be politically possible to prescribe.

For instance, in the East Asia Summit, where leaders convene, it would not be reasonable to expect that ASEAN can settle major power competition and conflict (Cook and Bisley, 2016). But I do believe it would be further and helpful step for ASEAN to more pro-actively set the relevant agenda and to help develop trust among the key players.

Thereafter, it is important for ASEAN to be united in its response to the policies and actions of different major powers to serve as what might be called a 'chorus of concern' as a normative community. In so doing, moreover, no ASEAN member state should be considered to be permanently on the side of one or another major power. Instead, the regional perspective and the norms of that regional community should be the guide to its perspective on that issue.

While ASEAN currently prefers a flexible and often quiet diplomacy, this must be augmented by a more visible and vocal championing of issues that matter to the region as a whole. ASEAN can aim to emerge as a community of norms that can influence the region and indeed the global

community. As this goes forward, ASEAN needs to develop a common perspective on global issues and speak up with an 'ASEAN global voice'. This is especially as the global order and rules-based system is under pressure and global and regional institutions like the WTO and APEC are impacted.

To this end, I believe that the role of the ASEAN Secretary-General can and should be reviewed. This is already of Ministerial rank and some have suggested that the position be given autonomy and initiative. There are others who believe that the ASEAN Member States should remain at the center of ASEAN decision-making and, as such, that the ASEAN Chair – despite rotating on a yearly basis – must remain the group's key spokesperson. A possible compromise would be to see the ASEAN Secretary-General assisting and working closely with the ASEAN chair. This could be on matters of quiet diplomacy or where ASEAN agrees that the group wishes to develop a global voice on some key issue. The Secretary-General could help ensure an ASEAN perspective and also help provide continuity on issues even as the ASEAN chairmanship shifts.

Even if ASEAN can do this, there are those who calculate leadership based on raw power equations who may not believe these will be enough. As such, notwithstanding the turbulence seen in the current Trump administration, some uphold hopes that the current US hegemony will continue into future decades and continue to engage and indeed dominate the region (Shambaugh, 2018). They may even support efforts to ensure those outcomes.

Others will see the rise of China and believe that the time is coming, if it is not already upon us, that we must all acknowledge Beijing as No.1. This perspective takes the same lens of power in looking at leadership, but differs only its calculation as whether it will be the US or China who will exercise power.

Table 3: The Nature of ASEAN Leadership: Present and Prospective

	ASEAN Leadership 2000s	ASEAN Leadership Future
Summitry	Convening	Agenda setting
Role(s)	Default trust and starting dialogues	Building trust and starting action
Role in Relation to Major Power Issues	Neutral, silent, or divided; flexible and quiet diplomacy	Maintaining flexibility and nonaligned but engage to evolve 'a chorus of concern'. Involve middle powers (India, ANZ, Korea)
Basis of Decisions	Political and economic interests in individual states	While maintaining flexibility, to become a 'community of norms'
Role of ASEAN Chair	Insufficiently defined and can fluctuate, depending on approach, resources, and interests of the chair for the year	Utilise 'troika' approach to harmonise 3-year plans; and rely more on Secretariat for Continuity and follow up
People in ASEAN	MFA-centric and focus on government	Specific issues that matter to people. Whole-of-government and national level involvement of people
Role of the ASEAN Secretary General	Convening Meetings	Working with the Foreign Minister of the ASEAN Chair to facilitate consensus making within ASEAN towards the establishment of a common voice

ANZ = Australia and New Zealand; ASEAN = Association of Southeast Asian Nations; MFA = Ministry of Foreign Affairs.

Source: Tay, 2017.

There are others however who may offer a different perspective about leadership, as I try to. This sees power in broader dimensions to recognise leadership that can work collectively, can develop norms and processes for dialogue, understanding and cooperation, and initiate communities of trust and lead initiatives towards regional integration. The goal of such a leadership is not for anyone to be the hegemonic power. The aim would instead be to move towards a multilateral and inclusive region. With such a goal, the role of ASEAN – as a grouping of medium-sized and smaller countries – has a normative logic that exemplifies such an multilateral and inclusive regionalism. Towards that goal, moreover, ASEAN would not be able to act alone but increasingly must find new ways to deepen its cooperation and collective action with the middle powers of the region – Japan, Republic of Korea, Australia, and New Zealand, and an emerging India.

ASEAN can continue to be a central player in the region – despite these sweeping changes in the dynamics of major power rivalry and other issues. While we cannot underestimate the challenges of undertaking change, ASEAN norms can shift sufficiently to accommodate the continued ambition to take on that central role. In this, ASEAN must relook at the ways at the ways the group works with the middle powers of the region so that together, ASEAN and these middle powers can work together more closely and deeply to offer a collective leadership to the wider region in varying alliances on different issues and at different moments. Only with a united but nimble diplomacy can ASEAN offer leadership that matters to itself and to the wider region.

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Role of Australia and New Zealand in Strengthened ASEAN Centrality and East Asia Collective Leadership

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Australia and New Zealand's economic and strategic interests lie in Asia and the Pacific. The ongoing success of Asia's economic integration is critically important to Australia and New Zealand's prosperity. The Association of Southeast Asian Nations (ASEAN)+6 countries¹ account for 63% of Australia's total trade. This makes Australia the most East Asian-oriented trading nation in the world. Just under 44% of Australia's trade is with Northeast Asia (ASEAN +3),² which is higher than any other major East Asian country. Australia also has the highest trade dependence on ASEAN, at 13%, amongst the +6 countries. For services, ASEAN accounts for 16.9% of Australia's total trade.

ASEAN accounts for 11.6% of New Zealand's trade; and its trade with Northeast Asia accounts for 30% of its total trade, of which China accounts for 19.7%. New Zealand's trade with the ASEAN+6 grouping accounts for 57.6%, but that includes its largest trading partner, Australia.

¹ ASEAN plus Australia, China, India, Japan, the Republic of Korea, and New Zealand.

² ASEAN plus China, Japan, and the Republic of Korea.

Both Australia and New Zealand are open economies that are the major providers of energy, strategic raw materials, and agriculture to East Asia. Australia supplies more than a quarter of Japanese energy, making it Japan's largest supplier. Even with large energy transitions to cleaner sources, Australia is likely to remain crucial since natural gas is an important transition energy. It is also the dominant supplier of externally procured strategic raw material for Northeast Asia.

Both New Zealand and Australia will continue to feed Asia with quality agricultural exports. The comparative advantage of abundant land and technology mean that Australia and New Zealand will be increasingly important for ASEAN and Asia's food security.

The two countries are increasingly important for education, tourism, and other services trade. Given the complementarities in endowments, economic structures, and levels of development, these relationships will continue to deepen and be important in the future, as they evolve. In particular, educational ties and open migration policies provide a foundation for deeper services trade links and people-to-people ties. They also have well-established and quality institutions that are more familiar to those found in North America and Europe.

Australia and New Zealand's economies share high degrees of complementarity with ASEAN and East Asia, and given the differences in endowment structures, that is likely to continue. Australia and New Zealand will become more important suppliers of services, agriculture, and both fossil fuel and non-fossil fuel energy, as well as raw materials.

Institutional arrangements in Australia and New Zealand, as well as their governance, are a model for other economies. The high living standards and uninterrupted growth for the last quarter century, especially in Australia, have been managed by a set of macroeconomic policies and institutions which allow the economies to adjust flexibly to engagement with Asia. The rapid depreciation of the exchange rate kept Australia's economy from recession during the Asian financial crisis and as the Chinese-led global commodity boom ended in the 2010s.

The web of regional linkages between Australia, New Zealand, and East Asia are immense and will need to be leveraged and strengthened to manage the large changes in the structure of regional and global power.

The ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA) is an important lynchpin for furthering trade and investment but also for economic cooperation between Australia, New Zealand, and ASEAN partners. It is complemented by other bilateral agreements between individual ASEAN states. Australia and New Zealand are both part of the Asia-Pacific Economic Cooperation (APEC), the Regional Comprehensive Economic Partnership (RCEP), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP or TPP-11), and the ASEAN Regional Forum (ARF), as well as a web of other bilateral agreements throughout East Asia. Australia is also a member of the G20 alongside Indonesia, the Plus Three Northeast Asian countries, and India.

Australia and New Zealand are a middle and small power amongst much larger countries in Asia. Influence is most effective, or even only possible, through multilateral processes. A priority is to strengthen the connection between regional and global forums.

The economic cooperation provision in AANZFTA is a valuable avenue of capacity building. That provision is a vehicle for policy and institutional reform, exporting good governance principles and practices. That framework should be extended and made central in future agreements, including the RCEP. The capacity building provision is an important avenue for Australia, New Zealand, and the other +6 members to contribute to ASEAN and broader economic integration. It is underappreciated, but the economic cooperation agenda is a framework for political cooperation. Experience sharing in domestic policies and institution building can help avoid populist backlashes against globalisation and keep markets open. Beyond what is achieved in similar processes in APEC, the RCEP cooperation agenda can help to deliver on the negotiated commitments made in the RCEP as well as multilateralising those commitments.

The web of free trade agreements between Australia and ASEAN members, as well as New Zealand and ASEAN members, is extensive. New agreements amongst and beyond those countries will need to complement the existing arrangements and contribute to openness and reform to be important for the integration process.

As middle-to-small powers, Australia and New Zealand are best able to project interests and achieve economic diplomacy objectives when working with other middle powers in the region to shape the behaviour and norms of larger powers. Australia's engagement with Asia has been most effective when shared interests and objectives have been pursued in cooperation. That is evident in the realisation of the APEC process and the pursuit of mega regional trade agreements.

Australia hosted an ASEAN summit in 2018 that cemented Australia's commitment to ASEAN centrality to manage broader regional affairs. Australia and New Zealand's economic and political security depend on a stable East Asia with a coherent ASEAN at the centre. They are also major contributors to Asian economic and political security.



Strengthened Centrality of ASEAN and Collective Leadership in East Asia: China's Role

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Introduction

The Association of Southeast Asian Nations (ASEAN) is the most successful case of regional cooperation in Asia. Starting with five countries in Southeast Asia, ASEAN now comprises all 10 countries in the region,² and has moved from a dialogue framework based on goodwill to an ASEAN Community based on a legal foundation (the ASEAN Charter).

ASEAN's valuable experiences over the past 50 years can be summarised simply as (i) insisting on the 'ASEAN Way', (ii) focusing on peace and development, and (iii) maintaining centrality in the regional networks. ASEAN's striking past achievements include peace building, which has turned a conflicted region into a peaceful one; and economic development, which has changed a backward region into a new emerging

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² Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Viet Nam, the Lao People's Democratic Republic, Myanmar, and Cambodia.

economic region. ASEAN has played a key role in establishing networks for dialogue and cooperation, including 'ASEAN+1' (China, Japan, the Republic of Korea, India, Australia, or New Zealand [separately]); 'ASEAN+3' (China, Japan, and the Republic of Korea [CJK]); 'ASEAN+6' (CJK, Australia, New Zealand, and India); 'ASEAN+8' (CJK, Australia, New Zealand, the United States [US], and the Russian Federation); and the ASEAN Forum.

Maintaining ASEAN's centrality is crucial because it enhances ASEAN's unity and progress. ASEAN's centrality is also beneficial to East Asia as only ASEAN is accepted by all other parties. ASEAN, with its successful experience of community building, will play a leading role in community building for East Asia. No other large power can play such a leading role.

In the face of new challenges and uncertainty, ASEAN's own community and network building for East Asia are especially important. Through ASEAN's central role, East Asia can make a collective effort to support globalisation against unilateralism and protectionism, and generate new momentum for regional economic development and progress for cooperative security. As the Trump administration insists on an 'America first' doctrine, what East Asia needs is not an equivalent approach against the US, but more collective efforts to build a more open and integrated market and multilateral architecture.

China and ASEAN have established a stable and close relationship both on a bilateral level with all ASEAN members, and on a collective level with ASEAN. While handling complex bilateral relations with each country, China has prioritised the development of a strategic partnership with ASEAN, ranging from a free trade agreement (FTA), to a Declaration on the Code of Conduct of Parties in the South China Sea, and a Code of Conduct. China's rise presents both challenges and opportunities for China's neighbours.³ As China is a fast-growing big power, its neighbours

³ Whether China can regain the respect of its neighbours that it had during the 'Middle Kingdom' remains to be seen. This will be a difficult balancing act for China, which is demonstrating that it is back as a major power after the century of humiliation on the one hand, and wishes to be regarded as an important but peaceful neighbour on the other (Shen, 2012).

are naturally concerned with China's strategy and behaviour.⁴ In ASEAN and East Asia, there is particular concern over the strategic competition between China and the US, although China has clearly stated that it will not compete for hegemony with the US.

China has announced that it is not following the example of the old powers, who either used force to invade other countries or otherwise competed for dominance. By keeping its rise peaceful, China can achieve a 'win-win' situation with East Asia that is good for both China and the region. Disputes amongst nations, including territorial disputes should be solved peaceably. Traditional Chinese culture reveres 'peace and harmony', commends 'defusing' contradictions, and pursues the results of 'reconciliation'. China is keeping its political system consistent with China's character, but it cannot live alone, and shares comprehensive interests with others. Chinese leaders have called for the building of a community with a shared future. This community building complies with the principles of 'amity, sincerity, mutual benefit, and inclusiveness' (Xi, 2013).⁵ Truly realising this 'community dream' will depend on the will and wisdom of China and its partners.

In the past, China and ASEAN worked together to build a stable and cooperative partnership based on mutual respect and trust. This is beneficial not just to China and ASEAN, but also to the region as a whole as it helps to nurture a desire to build a community with a shared future. China has no intention to rebuild a 'Middle Kingdom order' dominated by itself, but instead hopes to build a community to share its future with others. Building a community in East Asia will require collective effort and a 'shared leadership' with all partners, not led by ASEAN or China alone. Such a 'shared leadership' must be based on the initiatives and actions of all partners.

⁴ As commented by Shambaugh (2005: 41), 'Although China's posture of late has been largely reassuring to the region, its past behavior has not always been so. Long memories, residual concerns, and irredentist issues remain...and as a consequence several states appear to be practicing various types of "hedging" strategies.'

⁵ The call to build a community with a shared future shows the real direction of China's foreign policy towards its neighbors (Liu, 2014: 3).

Looking Forward: ASEAN 2040

The building of the ASEAN Community is the core marker of progress for ASEAN. The building process began in 2003 when the leaders of 10 ASEAN Member States (AMSs) agreed on the agenda at the Ninth ASEAN Summit. A big step forward occurred at the 12th ASEAN Summit in 2007 when leaders announced their intention to establish the ASEAN Community by 2015. The ASEAN Charter, which codifies ASEAN norms, rules, and values, as well as clear targets, came into force in 2008 to serve as the legal foundation for the building of the ASEAN Community.⁶

The building of the ASEAN Community reflects ASEAN's wisdom and innovativeness. Taking into consideration the conditions of the AMSs, the ASEAN Community is designed as an institutional identity comprising three pillars: (i) the ASEAN Political-Security Community, (ii) the ASEAN Economic Community (AEC), and (iii) the ASEAN Socio-Cultural Community. Each pillar has its own blueprint and roadmap. The building of the ASEAN Community is promoted by forward-looking visions and concerted actions. While celebrating the establishment of the ASEAN Community in 2015, leaders adopted the ASEAN Community Vision 2025, which provided a clear picture for a more advanced community. According to the vision, by 2025 the community shall be 'a rules-based, people-oriented, people-centered ASEAN of "One Vision, One Identity, One Community"' (ASEAN, 2015). ASEAN continually emphasises its nature 'as an outward-looking region within a global community of nations, while maintaining ASEAN centrality' (ASEAN, 2015). In adopting an outward-looking approach, ASEAN employs two strategies: (i) insisting on opening itself to the outside world while encouraging its members to develop their own external relations, and (ii) strengthening ASEAN's role as a representative identity for its members to develop cooperative networks with other countries and organisations.

⁶ The Charter was a milestone because it provides 'a legal personality for ASEAN...codifying ASEAN's norms, rules and values and serving as a legally binding contract for ASEAN member states'. Critics charge that, compared to the European Union constitution negotiated in Europe, the Charter is wanting. However, in drafting the Charter, the high-level task force never deemed it necessary to look at the European Union as a benchmark (Fuji, 2017).

However, this vision requires effective actions, and there are many challenges ahead in the quest to realise its goals. For example, the incredible economic, political, religious, cultural, and linguistic diversity amongst the AMSs creates barriers to unity and community building. The 'ASEAN Way' is anchored on consultation and consensus amongst all AMSs. There are worries that ASEAN may not respond effectively to meet these challenges as the consensus can only be based on the 'lowest common denominator', and each member has veto power to oppose, postpone, or derail decisions and actions on urgent or critical problems (Morada, 2017: 23). As a 'shared identity', not a governing organisation, while enhancing the role of collective governance, ASEAN will continue to ensure its members' sovereign rights and benefits. It is argued that, despite ASEAN's promises, the 'internal' relevance of the community to each of its members remains far secondary to national politics and policy priorities within each AMS (Tay, 2018: 49). The challenge is to be bold enough to condition minds to create a new and reformed ASEAN by agreeing to forge a new consensus (Fuzi, 2017).

The building of the AEC lies at the core of the vision of the ASEAN Community. In a changing regional and international environment, ensuring the economic dynamics of ASEAN is essential for building the AEC. ASEAN has achieved great success in its economic development by opening up and integrating in the regional and global market. The 2008 financial and economic crisis significantly changed the economic growth environment, from booming up to cooling down. Furthermore, President Trump's 'America first' approach and protective trade policy have had a negative effect on globalisation and harmed international supply chains. As ASEAN's economy is highly integrated with global and regional market networks, it must respond immediately and effectively to rebuild economic dynamics through both internal reforms and external cooperation.

In the past, ASEAN has demonstrated considerable ability to adjust and redefine its role in the face of complex relations and conditions. The challenge it is currently facing is that of the increase in US–China strategic competition, as ASEAN must avoid becoming an arena for big power rivalry (Baviera and Maramis, 2017: 5). Some have argued that ASEAN's best option is maintaining its posture of neutrality with respect to big

power competitions, which has made ASEAN a more effective partner for all concerned powers than it would have otherwise been (Baviera and Maramis, 2017). However, maintaining neutrality is not enough—instead, ASEAN should be more active in containing the rising competition and play a critical role in leading dialogue and cooperation. Due to its collective identity, only ASEAN can play such a role, and it should do so both for itself and for the region.

ASEAN's future lies in the process of both its vision and its actions (Pangestu, 2017). Although it may be difficult to know precisely what ASEAN will look like in 2040, towards 2040 ASEAN will undergo a nonstop process that will achieve increasingly more progress. Generally, if ASEAN 2025 is seen as a milestone for the development of a more efficient and credible ASEAN, then ASEAN 2040 should see the redoubling of efforts towards all aspects of the ASEAN goals.

The Centrality of the Association of Southeast Asian Nations

Centrality is a key principle of ASEAN's own future development as well as its extra-regional interactions. As ASEAN's primary identity is that of a representative of its members' interests, it places itself at the centre of the region's dynamics and thereby draws its members together. On the other hand, ASEAN as a group identifies itself as core player in managing the region's external relations. To maintain its centrality, ASEAN works to remain a leader of progress and plays a driving role in creating and developing networks for dialogue and cooperation. Thus, 'ASEAN [has become] known as a norm entrepreneur, a driver of the consultative, confidence building processes' (Tay, 2018: 48).

Moreover, by maintaining its centrality, ASEAN aims to preserve security by creating a balance of power to avoid any single power acquiring dominance in regional affairs. As ASEAN's primary concerns are to keep peace in the region, ensure a good environment for its development, and avoid competition for dominance in regional affairs, ASEAN's role as a central player has been welcomed and supported by its members.⁷

ASEAN's remarkable role as a central player is well demonstrated by the '10+' networks that it has initiated and leads, including both dialogue partnerships like the ASEAN Forum and negotiation agreements like the '10+1' FTAs and the Regional Comprehensive Economic Partnership (RCEP). These networks reflect ASEAN's successful experimentation in dealing with regional affairs (Gu, 2014: 64–66).

East Asia needs ASEAN to play a central role in ensuring the region's economic dynamism and peace as opposed to hegemonism, unilateralism, and protectionism. Compared with other players, only ASEAN as a united group aiming at amity and cooperation can play such a central role in engaging and building bridges amongst all parties for dialogue and cooperation, as ASEAN is required to address the concerns of all of its members.⁸

Towards 2040, ASEAN is expected to play a stronger central role, not just in setting agendas and convening dialogues, but also in taking action and making rules.⁹ Moving forward, ASEAN must continue to work proactively to ensure its centrality, and make sure that external countries see value in ASEAN taking the lead (Tsjeng and Ho, 2018). However, the question remains how best to achieve these goals.¹⁰

7 What ASEAN needs is not a power centre, but a 'functioning center', through which ASEAN can ensure its core interests and strengthen its position (Wang, 2013: 53).

8 According to Merz (2018), 'ASEAN's modest size and power carry advantages, leaving it uniquely positioned to mediate and foster cooperation amongst the great powers. Its nonthreatening nature and historical legacy of non-alignment allows ASEAN to serve as an arbiter of what is legitimate in the region's geopolitics'.

9 Tay (2018) argued that the old behavioural practices characterised by informality and flexibility may no longer be appropriate.

10 According to Valencia (2018), 'One reason for ASEAN's failure to maintain "centrality" in regional security is its great cultural and political diversity. It really never was and perhaps never could be a unified political/security body under the pressure of great power competition'.

Collective Leadership in East Asia

Despite the region's great diversity and complexity, East Asia has had great success in economic development and peace building. In the past, political differences stemming from different backgrounds and national characters were sources of confrontation, but they can now coexist peacefully. Despite significant gaps in levels of economic development and income, all of the member economies have experienced high growth with remarkable progress and improvement in people's welfare. There are also ongoing disputes regarding territory and maritime areas, as well as increasing competition between the big powers; however, all sides have respected the use of dialogue, consultation, and cooperation, as opposed to confrontation and the use of force.

East Asia has achieved great success in realising peace and development supported by multi-layered networks, mostly based on a '10+' structure that ranges from 'track I' and 'track II' dialogue forums to negotiated agreements. Politically, the networks bring all related partners together for dialogue and consultation, which helps to improve relations as the parties come together to discuss their shared interests. Economically, the networks create an open and integrated market environment for trade, investment, and other economic activities. For example, the RCEP, which is currently under negotiation, will create a large market of 16 countries.

ASEAN has played a central role in building networks for dialogue and cooperation in East Asia; however, the progress of regional cooperation is based on collective inputs and a 'shared leadership' for shared interests. Although ASEAN's central leadership role is highly respected, ASEAN's ability and capacity to drive all initiatives and agendas is limited. Instead, as East Asian cooperation is characterised by multi-layered frameworks, progress is made by different institutions and drivers. In the context of a 'shared leadership', this means that no country, even a big power or a group such as ASEAN, can be a sole leader with the power to dominate regional affairs.¹¹ East Asia needs collective efforts and collective

¹¹ As pointed out by the World Bank managing director and former Indonesian finance minister, Sri Mulyani, if the region is to embrace its new role in the world and demonstrate its newly-acquired economic heft, 'it needs to ensure that the rules of the game are developed within countries, across the region – and the world – rather than unilaterally by one leader, one nation or one group of regional powers' (Drysdale, 2015).

leadership, meaning that all parties can participate equally and share the benefits of cooperation. Collective efforts were clearly emphasised from the beginning of East Asian cooperation.¹² In the face of a competition of big powers, a country or group like ASEAN does not need to choose one side over the other. Instead, ASEAN stands in a crucial position to build networks to bring all parties together to engage in dialogue, cooperate, and reduce tensions.

China's Role

China is committed to peaceful development as a key part of its overall strategy, as 'a harmonious and stable domestic environment and a peaceful and stable international environment' are preconditions for China to focus on development and realise the dream of 'China's renaissance'. As President Xi Jinping remarked, 'to pursue peaceful development in keeping with the development trend of the times and China's fundamental interest is a strategic choice made by our party' (Xi, 2014: 271).

It is very important for China to develop cooperative and harmonious relationships with its neighbours. The relations between China and its neighbours already bear many features of a new relationship, some of the most notable of which are the enhanced sharing of interests and the establishment of mechanisms of subregional dialogue and cooperation embodying a convergence of interests. In particular, China has become the constructive factor in this change in the nature of its relationships. China has managed to create a new order based on joint efforts and a shared leadership, as opposed to the old 'China-centred order'.

As a rising power, China is trying hard to make a positive contribution and play a new role. The 'One Belt, One Road Initiative' (BRI) put forward by China is a good case for understanding what kind of role

¹² As stated in the Joint Statement (1999), 'mindful of the challenges and opportunities in the new millennium, as well as the growing regional interdependence in the age of globalization and information', they agreed 'to promote dialogue and to deepen and consolidate collective efforts with a view to advancing mutual understanding, trust, good neighbourliness and friendly relations, peace, stability and prosperity in East Asia and the world'.

China intends to play.¹³ However, the BRI requires a collective effort as its success depends on mobilising resources not only from China, but also from the rest of the world. To explore a new model of win–win cooperation, the BRI’s doctrine is ‘joint consultation, joint construction, and joint benefit’, which welcomes collective inputs. Furthermore, the BRI is only one East Asian cooperative agenda. It is not intended to dominate or replace the other initiatives and efforts; instead, it promotes connections with other initiatives.

China respects the collective wisdom of the Southeast Asian countries for moving towards the ASEAN Community, and supports ASEAN playing a leading role in East Asia networking activities (such as the RCEP, East Asia Community, ASEAN Forum, and Asia–Europe Meeting). As for China–ASEAN relations, aside from managing complex bilateral relations, one indication of significant progress is the building of institutions with ASEAN following its ‘ASEAN Way’ approach. China and ASEAN agreed to negotiate an FTA in 2000 and completed the full agreement in 2010, which facilitated economic relations to a remarkable extent. China and ASEAN have also worked together to handle the issues of the South China Sea in a gradual way. In the Declaration on the Code of Conduct of Parties in the South China Sea, which they signed in 2002, they committed to solve disputes peacefully. In 2003, China joined the Treaty of Amity and Cooperation in Southeast Asia (TAC) and established a strategic partnership for peace and prosperity with ASEAN. China accredited its ambassador to ASEAN in 2008, allowing China to follow a dual-track approach to handle its relations with each member and with ASEAN at the same time.¹⁴ China was the first of ASEAN’s dialogue partners to join the TAC, forge a strategic partnership with ASEAN, sign the Protocol to the Treaty on the Southeast Asia Nuclear Weapon-Free Zone, and propose and negotiate an FTA with ASEAN.¹⁵ It is clear that

¹³ According to Haque, ‘China’s bid to assume global responsibility is amply clear from its endeavors to ensure peace, stability and development of China and the rest of the world. This is evident in China’s efforts and roles in the proposed establishment of Asian Infrastructure Investment Bank, BRICS [Brazil, China, India, the Russian Federation, and South Africa] Bank, SCO [Shanghai Cooperation Organization], Conference on Interaction and Confidence Building Measures in Asia (CICA), etc.’ (Haque, 2014).

¹⁴ In discussing the South China Sea dispute, Wang notes that China supports and advocates the ‘dual-track’ approach, that is, relevant disputes being addressed by countries directly concerned through friendly consultations and negotiations and in a peaceful way; and peace and stability in the South China Sea being jointly maintained by China and ASEAN countries (Wang, 2014).

¹⁵ ASEAN agreed to allow non-ASEAN countries to join the TAC in July 1998. China, the first non-ASEAN country to join, signed the treaty in October 2003.

China firmly supports ASEAN centrality in leading and coordinating regional dialogue and cooperation frameworks (Zhang, 2008). China is confident in trusting ASEAN as a strategic partner to play a strong role in the peaceful resolution of the South China Sea issue. Keeping this issue free from the intervention of outside powers is overwhelmingly important, because if the South China Sea issue is brought into any wider power games, there will be less room left for ASEAN to practice its constructive role in managing disputes.¹⁶ Significant progress has been made in consultation as to a code of conduct, which is a test case for China and ASEAN to build trust and work closely together for regional peace and future cooperation. The rapid improvement of the China–Philippines relationship and amelioration of the crisis due to arbitration shows that confidence and trust are essential for two sides to manage their differences.¹⁷

However, it is important to overcome the trust deficit in the wake of China’s quick rise. To some extent, it is understandable for ASEAN countries to worry about a quickly rising neighbouring power; however, ASEAN must also recognise that China cares about its national interests. Based on common interests in a stable and cooperative regional order, China and ASEAN need to work together closely to handle disputes and continue their comprehensive cooperation agendas.

Economic relations lie at the heart of China–ASEAN relations. China is currently ASEAN’s largest trade partner, and ASEAN is China’s third largest trade partner. However, as geographical neighbours linked by land and sea, China–ASEAN relations go far beyond trade. By signing the FTA, China and ASEAN became a large open economic area. Advancing connectivity, from infrastructure networks to production chains and labour mobility, are creating great potential for future economic development. As China–ASEAN interactions are closely linked to East Asia, these efforts should naturally extend to a large region.

¹⁶ In recent years, larger countries have been playing strategic games in Southeast Asia. See He (2014).

¹⁷ China’s new minister of commerce visited Manila on 8 March 2017; a \$3.7 billion contract for three projects was signed during this visit. President Duterte has promised to attend the BRI summit that will be held in Beijing in May 2019.

As ASEAN is the only regional organisation with a rich experience of community building, it plays a special role in nurturing the community spirit in East Asia. Based on the RCEP, China has a broad strategy to promote economic community building in East Asia.¹⁸ East Asia is becoming a closely integrated economic region based on production networks. The 'East Asia miracle' is relied on as an open and cooperative market environment supported by market-friendly government policy, an open multilateral system, and regional cooperation agendas. However, the 2008 global crisis changed the landscape for East Asian economic growth, and President Trump's 'America first' policy and unilateral actions have forced East Asia to readjust and restructure its 'external trade driven' economic approach. Based on their past success, East Asian countries should work closely to generate intra-regional dynamics. China is undergoing fundamental change and restructuring as both its internal and external environments have changed. Internally, pollution and the rising cost of labour, amongst other things, has forced China to upgrade its economic structure and make more efforts to innovate. Externally, an economic slowdown and protectionism, amongst other things, are pressing China to change its export-led growth strategy and mobilise more domestic potential, including increased domestic consumption. According to China's new strategy, East Asia will become more important to facilitating its restructuring agendas.

Unlike other developed economies, China is not following the traditional practice of transferring old industries to less developed economies. What China really wants is for East Asia to move to an open and integrated economic area that can generate new dynamics. In doing so, China will actively promote collective efforts and support a 'shared leadership'.¹⁹

China has put forward a new type of security concept based on a common and cooperative security architecture. Under this new type of architecture, China has no ambition or ability to build up by itself

¹⁸ The idea of an East Asian Economic Community (EAEC) originates from a proposal made by the East Asia Vision Group in 2001; the second East Asia Vision Group proposed to make 'the realization of an EAEC by 2020' its main pillar for regional cooperation and community building. However, the building of the EAEC still seems to lack momentum (Zhu and Feng, 2016).

¹⁹ Like the Asian Infrastructure Investment Bank, 'One Belt, One Road Initiative', and BRICS [Brazil, the Russian Federation, India, China, and South Africa] New Development Bank, China is trying to develop collective efforts and 'shared leadership', instead of acting alone.

to replace the existing security arrangements. Unlike a traditional security alliance, the new security architecture rests on a cooperative partnership.²⁰

ASEAN has a crucial role to play in building this new type of security in East Asia. The Southeast Asian region used to be characterised by confrontation and wars. ASEAN has become a centrepiece for bringing together the countries in the region step by step to make peace. The principles of the 'ASEAN Way', especially those stipulated in the TAC, have provided a legal foundation for AMSs working together for common and cooperative security. As ASEAN's experience in peace-seeking and peace-building is key for building a new type of security architecture in East Asia, ASEAN's central role in leading the region towards a new security order is highly respected and accepted by the other partners.

China and ASEAN are working hard to build a new type of security regime based on consultation. In general, there are three major issues that must be handled carefully: (i) bilateral disputes, such as over borders, maritime territory, and islands; (ii) strategic issues, such as strategic intentions for regional security, whether on the side of China or ASEAN; and (iii) the involvement of other powers, especially the US and Japan. For China and ASEAN, bilateral security relations are at the best of times based on goodwill and shared interests. At a strategic level, the key issue is trust. ASEAN's primary concern is China's assertive behaviour over disputes and possible dominance in the future, while China's primary concern is ASEAN's 'balance of power' strategy, which may involve inviting the US and other outside powers to engage in the South China Sea issue.²¹ Beyond dialogue and consultation, they must do more to enhance strategic trust, for example, by initiating more cooperative agendas for joint initiatives and actions (Li, 2015). The most problematic issue is third

²⁰ Suspicions exist as to China's intentions. For example, Parameswaran argued, 'When China speaks of a 'new regional security architecture', it does not outline exactly how that squares with ASEAN centrality beyond acknowledging the principle itself, that only plays into fears about Beijing's true intentions' (Parameswaran, 2016).

²¹ Some argue that ASEAN was seeking security protection from the US while developing economic interests with China. This phenomenon was called 'dual structure' in East Asia to depict the relationship that ASEAN and other developing countries have with China and the US. See, for example, Zhou (2013).

party involvement. The US is a major factor as it is a superpower and is allied with many countries in the region. The US does not accept China's call for a new type of security architecture, but views China as a strategic competitor. Japan, an ally of the US, also seems reluctant to accept China's role as a principal security player.²²

Moving from a security order dominated by big powers to a new order based on collective leadership and equal participation is a long process of immense transformation. As the process is still at an early stage and therefore sensitive and vulnerable, it is currently facing certain risks. There is neither complete consensus nor a ready model for this new security architecture. In particular, it is unclear whether the new architecture is based on collective willingness and inputs of all partners or on the balance of power.²³ Mistrust of China remains strong in the face of China's military build-up and assertive claims and actions in the South China Sea.²⁴

The test of China's desire and initiative for a new order lies in China's own behaviour and timeframe. Although China is making efforts to modernise its military, it is committed to solving disputes with others peaceably. Traditional Chinese culture reveres 'peace and harmony', commends 'defusing' contradictions, and pursues the results of 'reconciliation'. As China's confidence rises, it is time for China to display its 'culture of harmony'.²⁵ While recognising the legacy of the existing security structure, China denounces the hegemonic approach of security relations.

²² There are worries that the relative decline of US power in Asia has led to new challenges. In particular, the principles, rules, norms, and methods for managing the international agenda are being questioned (Ryo, 2016).

²³ According to Ryo, the willingness of the US to maintain an active role in East Asia, alongside the behaviour of China and key groupings such as ASEAN, will define the region's future. How these key actors respond to the changing security environment will be crucial in determining the future of the security order in East Asia. Japan today seems to be the strongest supporter in the region for maintaining a US-led order in both the security and economic realms (Ryo, 2016).

²⁴ According to Arase, the rapid growth of China's naval, air, and missile forces may be a source of national pride for China, but it makes China's neighbours feel nervous. He also argues that China's strategy to divide and conquer the ASEAN members to secure its claim to the South China Sea has made ASEAN dysfunctional in its core mission, and has sowed the seeds of discord amongst its members. See Arase (2013).

²⁵ Some Chinese scholars, like Yu Dunkong, a senior fellow at the Chinese Academy of Social Sciences argue that the heart of Chinese culture is 'harmony'; China's calls for harmony are a recurrence of its cultural tradition, which is not just a slogan, but a real commitment. See Yu (2014: 4-5).

What displeases the US is not that China is being confrontational, but rather the trend of a rising China that reshapes its own position as a superpower. The US became a superpower after the Second World War, and its position was further strengthened with the ending of the Cold War. This has led the US to believe that any security architecture without its leadership or dominance is unacceptable. China's rise in an open and peaceful environment reflects its belief in the value of 'a community of a shared future'.²⁶

In sum, China is well aware of ASEAN's importance to China's strategy to build a new type of order for a shared future based on its own initiative and collective efforts. China's perspective on ASEAN has not been affected by the differences and even disputes that have arisen, such as in the case of the South China Sea. As adjacent neighbours, China and ASEAN are linked by geography and interests. To ensure a better future for China and ASEAN, while enabling each side to express its perspectives frankly, it is important to define common goals and shared agendas (Zhang, 2017). To face the challenges that are emerging, it is especially important for China and ASEAN to build a cooperative agenda and mutual trust. If China and ASEAN relations are strong, East Asia will flourish as China and ASEAN constitute an essential part of the collective leadership in East Asia.

Due to the number of new challenges facing the region, the future is characterised by uncertainty and the unknown, and there may be some serious crises ahead. In Chinese culture, the word '*weiji*' (crisis) has two meanings: danger and opportunity. While dealing with danger, it is necessary to seize the opportunity as only this can provide a better future.

²⁶ In the 19th Congress of Chinese Communist Party, Xi Jinping called for the building of a community of shared future for mankind. See Jinping (2017).

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ASEAN–India Relations in 2040: Realising the Full Promise of a Special Partnership

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ASEAN is Central to India’s ‘Act East’ Policy

Connectivity between India and the Association of Southeast Asian Nations (ASEAN) is the imprimatur of India’s foreign policy in East Asia. What began as India’s ‘Look East’ policy in 1991 has assumed policy urgency in the ‘Act East’ policy since Prime Minister Narendra Modi announced renewed impetus at the India–ASEAN Summit in Nay Pyi Taw in 2014.

India–ASEAN connectivity is also how ASEAN leads its discussions with India. It overarches economic, political-security, and other forms of cooperation between ASEAN and India. It has also subsumed historical, cultural, and peoples’ linkages between two mega regions for centuries. The history and culture of India are entwined into the fabric of ASEAN Member States like no other neighbour.

The sea linkages between India and ASEAN are prosperous and peaceful. Land linkage via the northeast of India and Myanmar – once the natural gateway to Southeast Asia – still bears the aftermath of great wars and remain underdeveloped and prone to several risks. Trade and movement of people has continued over centuries and has left an indelible mark on the social, economic, and cultural foundations of Southeast Asian countries. Looking ahead towards 2040, the clue for realising the full promise of India and ASEAN relations lie in partnerships based on complementarity and value addition. If indeed India and ASEAN are to realise their individual, regional, and global potentials by 2040, then trade and economic cooperation between the two must be a core consideration. And yet, the challenge is to find the complementarities and shared assets in this relation which could replicate, if not surpass the richness of the history of India and ASEAN relations.

Contours of India–ASEAN Relations Will be Different from Other Dialogue Partners

The influence of China, Japan and the Republic of Korea on the regional economy is immense. The redoubtable rise of East Asia as the economic centre of the world is still in making and ASEAN’s intricate trade and economic linkages with these economies has made this possible. ASEAN and India will however share a differently textured relationship where trade and economic cooperation will be important, but complemented by multidimensional strengths of the two partners.

Balancing ASEAN–India Trade and Investment Relations

The puzzling lack of depth in India–ASEAN relations is partly because of trade balance in favour of ASEAN, as shown in Table below. ASEAN is an intrinsic part of the production networks in East Asia and has been able to achieve tremendous growth for its people in the past 3 decades. Foreign Direct Investment (FDI) into ASEAN helped to augment the trade strengths. It also experienced corresponding socio-economic progress during the past two and a half decades. Extreme poverty has dramatically declined in a number of ASEAN Member States. Correspondingly, the size of the middle class has expanded remarkably. Other social indicators such

as those on health and education also show substantial improvements. Despite being a large market with a broad industrial base, India could not link up with the manufacturing industries of East Asia due to physical and institutional barriers between India and ASEAN.

Table: India–ASEAN Trade in Goods, 2005–2017
(\$ billion)

Country	Exports to Selected ASEAN Countries				Imports from Selected ASEAN Countries			
	2005	2010	2016	2017	2005	2010	2016	2017
Indonesia	1.1	3.1	2.9	4.0	2.9	9.9	10.1	14.1
Malaysia	1.1	2.5	4.0	6.3	3.9	6.5	7.7	8.0
Philippines	0.3	0.6	1.5	1.8	0.1	0.4	0.3	0.5
Singapore	4.1	9.2	5.9	0.7	5.9	13.4	10.0	11.0
Thailand	1.3	2.3	2.6	3.9	1.5	4.4	5.2	6.5
Viet Nam	0.0	1.8	2.7	3.9	0.0	1.0	2.7	3.8
Total ASEAN	8.0	19.6	20.8	21.7	15.1	37.1	37.6	45.2
% Change	-	145.0	6.1	4.3	-	145.7	1.3	20.2

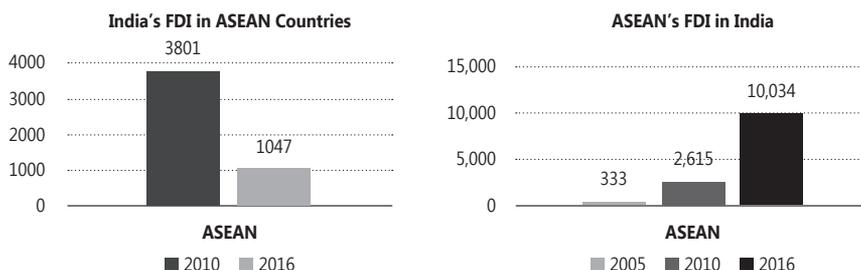
ASEAN = Association of Southeast Asian Nations.

Source: ASEAN Stats (2018).

The pace of growth in trade between ASEAN and India in the past decade is an important pointer for India ASEAN relations ahead. Trade witnessed an exponential growth after 2005, when tariff reduction and trade liberalisation were being introduced gradually, but assuredly in India. This was also the time when ASEAN–India Free Trade Agreement (AIFTA) inspired the confidence amongst partners and businesses. The sharp drop in trade in past 5 years is partly explained by thickening of borders, slowdown in demand, and diminished complementarities between the two regions. India and ASEAN should work jointly on restoring their confidence in intra-regional trade. Besides trade, FDI between India and ASEAN suffers from similar asymmetry. ASEAN’s foreign direct investment (FDI) in India has shown a remarkable increase since 2005, although India’s FDI in ASEAN has shrunk during the same period. (Figure). The status of trade and FDI makes a case for India to find avenues for trade and investment compatibility with ASEAN and to create conditions for investment and participation in the production centres of ASEAN, which facilitated the remarkable economic growth of Southeast Asia. Several

reports and studies suggest that ASEAN–India trade and investment will require greater facilitation measures and regulatory cooperation on both sides. India’s role in Regional Cooperation and Economic Partnership negotiations will therefore become an important indicator, even a lighthouse towards deeper trade relations with ASEAN.

Figure: India–ASEAN Foreign Direct Investment
(\$ million)



ASEAN = Association of Southeast Asian Nations, FDI = foreign direct investment.

Source: ASEAN Stats (2018).

India–ASEAN Relations will Underpin Trans-Regional Strength of Asia

India–ASEAN relations can be the foundation of the East Asia Architecture in 2040. As ASEAN will be looking at a wider expanse of its relations in Asia and beyond, preserving ASEAN’s centrality in the emergent architecture will be greatly facilitated by India–ASEAN relations. India has consistently supported ASEAN’s centrality in all regional constructs. However, the region faces multidimensional challenges, and also opportunities in the next decade. If India and ASEAN are to jointly address these, India–ASEAN connectivity must embed new ideas, new processes and partnerships, and new frontiers of development.

Maritime Linkages and Institutional Partnerships

The Indian Ocean is the common asset of the East Asia Summit (EAS) region. It will also be the pathway for ASEAN, and the region as a whole for, its greater connectivity with other economic regions such as Africa and Europe. With the Indian Ocean being viewed as the pathway

for all economic and security activities, countries that share common institutional strength will shape the future of the region.

Leading up to 2040, the maritime narrative must receive significant attention, as major countries in ASEAN such as Indonesia, Singapore, and Viet Nam rewrite their bilateral relations with India. In each of these cases, maritime connectivity and cooperation is at the top of the list. The Indian Ocean is the lifeline of trade and economics, and even socio-cultural connectivity between India and ASEAN. It has now become closely intertwined with political and security concerns as both India and ASEAN strive for an inclusive and rule-based order in the sea.

For seamless progress towards 2040, it is then important that both sides invest in infrastructure along sea lanes and cooperate closely over institutions, governance, and conduct of maritime linkages in the Indian Ocean. India–Indonesia relations are especially noteworthy here, as India’s Sagar Mala policy and Indonesia’s Global Maritime Axis find confluence in their objectives.

Projects such as the Mekong–India Economic Corridor and the Asia–Africa Growth Corridor should be seriously considered by both sides as India and ASEAN are central to such connectivity plans over land and sea.

It will be a missed opportunity for both sides if the missing links in the land connectivity are not put in place by 2040. The Northeast region (NER) of India and Myanmar will require special attention and action from both sides, much earlier than 2040. A good start has been made by India by putting in place the plan to extend and connect its Trilateral Highway with transport linkage to Cambodia, the Lao People’s Democratic Republic, and Viet Nam. Linking of the Trilateral Highway with the Master Plan on ASEAN Connectivity has been mandated by the ASEAN–India Summit since 2010. Building with a sense of urgency for this connectivity will be important for both sides. India and ASEAN can draw liberally from several plans and projects such as the Comprehensive Asia Development Plan, the Mekong–India Economic Corridor, the Master Plan on ASEAN

Connectivity. The will for creating enduring partnership will be the real test of both sides while moving towards 2040.

India's connectivity with ASEAN, and its impact on regional architecture, will also be influenced by the contours of relations with specific ASEAN countries. In maritime affairs, India–Indonesia relations will be of special value. Indonesia has redoubtable maritime strength, and the maritime connectivity between its islands can be very important for maritime connectivity in the Indian Ocean region as a whole. The Global Maritime Axis programme for inter-island connectivity, port infrastructure, and maritime security fits favourably in the maritime connectivity component of India's Act East policy, where India is working on deepening its cooperation with ASEAN and East Asia.

Infrastructure linkages with close partners such as Thailand, Viet Nam, and Myanmar will be especially important for ASEAN as a whole. India's business and people-to-people linkages with these countries will underpin the greater demand for maritime and infrastructure linkages with these ASEAN states.

India's natural friends in the Indian Ocean region are shaping its friendships and alignments. This will have a bearing on ASEAN's relations with India in the next decade.

Connecting the Growth Centres in India and ASEAN

India–ASEAN relations can intensify and diversify their economic relations when growth nodes of ASEAN fly over Delhi and connect directly with growth centres in India. As ASEAN deepens its production systems, the manufacturing links are better established if ASEAN develops business and productions linkages with important centres of production in India such as Bharuch, Ludhiana, Pimpri, Kochi, Chennai, Vishakhapatnam, Jamshedpur (to name a few). ASEAN and India have a thriving services economy and both require diversity in their respective services economy. Singapore, Kuala Lumpur, and Manila are better served when connected

with businesses in Bangalore, Pune, Hyderabad, and Delhi NCR. Agricultural value chains will be enhanced when Viet Nam, Indonesia, and Malaysia are directly linked with plantation centres in the South of India. New Delhi and Jakarta should be instrumental only in facilitating the connectivity and complementarity between sectoral growth centres of India and ASEAN, respectively.

Complementarity will Make for Enduring Partnership

As noted above, India and ASEAN have more to their partnership than trade and economic cooperation. This partnership seeks new frontiers when going into the next decade. The ASEAN region has experienced tremendous growth in past 3 decades. And yet, ASEAN is in quest for improving the quality of its growth. Human resource development, education, and research and development have been identified as the basic need for ASEAN countries to take it into the next decades. India's tremendous strength in education, especially science and engineering, should be opened for the use of ASEAN youth. India also has tremendous strength in medical learning and teaching. If both engineering and medical streams of education are facilitated for ASEAN, it will lead to enduring relations between India and ASEAN. Similar facilitation in and sharing of scientific and technical knowhow, research and development, institutions of excellence will bring out the unique contours of India ASEAN relations, which have always centred around enhanced people to people relations.

Blue Economy and Sustainable Development

India and ASEAN have had the singular foresight to put the strength of their partnership to develop, sustain, and protect the Blue Economy along the Indian Ocean. The Indian Ocean is a common asset for both India and ASEAN and is the lifeline of all economic and strategic movements along what is known as the southern route. India and ASEAN have the responsibility to ensure that the activities around Blue Economy are bound by rules, remain sustainable and inclusive, and address the developmental needs of the region. The Blue Economy is viewed as the next generation of trade and economic cooperation, which calls for rule-

based cooperation and partnerships. Developing a secure, sustainable, and inclusive Blue Economy will bring in other dialogue partners. The India–ASEAN partnership will set the regional agenda for the Blue Economy.

ASEAN and India have already initiated an institutional dialogue on the Blue Economy. Deepening of this cooperation will be the pathway to sustainable development in 2040.

India and ASEAN will Define Regional Partnership for SDGs and Climate Action

India and ASEAN have to play a very special role in realising the maritime related sustainable development goals (SDGs). The health of Asia and the Pacific's oceans has deteriorated since 2015, highlighting the need to strengthen measures to conserve and sustainably use ocean, sea, and marine resources (Goal 14). Sustainable use of terrestrial ecosystems, the protection of forest areas, and the reduction in degradation of natural habitats also have weakened since 2015. Progress towards climate action and sustainable cities and communities has been limited.

Asia faces unique difficulties in measuring progress on climate action and life below water since no indicators are available. National statistical systems in India and ASEAN must cooperate to adopt new sources of data and establish new partnerships to expand the scope of official statistics. India and ASEAN have an important contribution to make in SDG statistical systems, especially for climate action (Goal 13) and life below water (Goal 14). This is also an opportunity to deepen India–ASEAN connectivity through a collective effort in developing common SDG indicators and calibrated measurement systems that can address the diverse levels of development in India and ASEAN.

The region also requires cooperation for other important but data-poor SDGs such as reduced inequalities (Goal 10), sustainable cities and communities (Goal 11), responsible consumption and production (Goal 12), and peace, justice, and strong institutions (Goal 16). India and ASEAN

have the opportunity to forge their respective expertise to ensure that SDG indicators are available for regional progress assessment. SDGs require cooperation across borders, under conditions of mutual trust and common ambition. India and ASEAN relations are best placed to realise the SDGs for the region.

The commitments submitted by ASEAN member countries for climate action show their increasing interest in enhanced cooperation for achieving climate change goals collectively through a multilateral response and for raising ambition in the future. India and ASEAN can use their connectivity mechanisms to explore further opportunities for cooperation on addressing climate change under the ambit of the Paris Agreement. Designing connectivity and cooperation activities to foster and promote capacities for fulfilling the Intended Nationally Determined Commitments (INDCs) will be the new frontiers of this relationship, where India and ASEAN together give back to the global need for climate action.

ASEAN Centrality will Ensure an Inclusive, Prosperous, and Secure Indo-Pacific

As East Asia continues to rise as the economic centre of the world, connectivity and cooperation with this region will be important for all global partners in 2040. The United States and European Union have set their economic and political interests in the emerging landscape in East Asia. Free and Open Indo Pacific (FOIP) or Indo-Pacific are different connotation of peace, stability and security in the region. Several connectivity programmes, such as the MPAC, India-ASEAN connectivity, Asia-Africa connectivity (Asia Africa Growth Corridor), and the Belt and Road Initiative (BRI) will contribute to realising the prosperity of and stability in the Indo-Pacific. India has unequivocally placed ASEAN at the centre of Indo-Pacific and India-ASEAN connectivity, which will be an important mechanism for ASEAN's connectivity with West Asia, Africa, and Europe.

India and ASEAN can strengthen the institutions and processes in the Indo-Pacific by putting people and their prosperity at the core, make good governance and accountability the drivers, and commit to the goals

of sustainable development and Global Governance. The India–ASEAN partnership will extend beyond national boundaries where national, regional, and global development priorities conjoin naturally.

ASEAN–India Relations: Finding their Full Bloom in Next Decade

India–ASEAN relations, and ASEAN’s position in 2040, are under examination at a time when the fundamentals of the global economy and security are under stress. A recent rebound in growth and global trade have not been able to lower the threat of strong national borders, new trade barriers, and slowing growth. Much required connectivity projects and institutions are funding and creating infrastructure, but their competing interests are prone to erode the trust component in global and regional relations.

India–ASEAN connectivity, if truly materialised through infrastructure and maritime linkages, would be the hub of free and open movement of people, goods, and capital in Asia and between Asia, Africa, and Europe, both over land and the ocean. It will also be central to Asia–Africa and Asia–Europe connectivity.

Gary Hawke, in his seminal essay on East Asian integration (ERIA, 2012), wrote that ‘International economic integration depends on genuine commitment to agreed objectives and processes of reporting progress and peer review. Economic integration is facilitated when leaders and societies have mutual trust, and that is most likely when strategic tensions are minimal.’

India has enjoyed close economic and social connectivity with ASEAN. It also has decades old development cooperation and trade linkages with Africa, West Asia, and Europe. Though ASEAN does not have a unified foreign policy for influencing global or trans-regional relations, it can leverage its historical and trusted relations with India for greater connectivity in the region. Building on their historical relations to explore

new frontiers of cooperation, the report card for 2040 will mark the blossoming of the India–ASEAN partnership.

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Strengthened ASEAN Centrality and East Asia Collective Leadership: Role of Japan – ASEAN Centrality and ASEAN–Japan Cooperation as Development of Heart-to-Heart Diplomacy

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Discussion Points

- How and as what kind of a partner has Japan regarded the Association of Southeast Asian Nations (ASEAN) countries and vice versa?
- How can ASEAN play an important role in the Asia-Pacific region under the concept of ASEAN centrality in cooperation with Japan?
- How can ASEAN and Japan continue reciprocal cooperation and strengthen ASEAN centrality towards 2040?

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1. Introduction

Although 'centrality' is a relatively new political economy concept for ASEAN, it is a major issue for multinational frameworks. This technical term first appeared in the ASEAN Charter, the official document and the constitution of ASEAN.² The chair's statement of the ASEAN Summit held in Hanoi, Viet Nam, on 28 October 2010 also explicitly mentioned ASEAN centrality.³ The concept of ASEAN centrality signifies that ASEAN needs to play a central role in multinational frameworks of the Asia-Pacific region (sometimes analogous to 'the institutional hub', 'fulcrum', or 'ASEAN in a driving seat'). In other words, this concept has been recognised as a 'primary driving force' to consolidate a framework, together with the cooperation of external partners, in evolving regional architecture and ASEAN integration. ASEAN centrality is a product of both ASEAN and external players (Acharya, 2017).

When it comes to the viewpoint of Japan, which has built a close relationship with ASEAN and is still a major power in the Asia-Pacific region, the strategic importance of ASEAN is characterised by three factors: (i) geographical factors (sea lines of security); (ii) political economic factors (strong economic cooperation using not only official development assistance (ODA) and foreign direct investment (FDI) but also down-to-earth political cooperation); and (iii) changing strategic environments surrounding East Asia (the rise of China, the new rebalance policy of the United States, etc.) (Shoji, 2014).

With respect to building relationships between ASEAN and other countries and regions, Ravenhill (2010) argued that free trade agreements (FTAs) with dialogue partners stemmed from the 'political domino effect' rather than the potential economic effect. On the basis of East Asian regionalism, to reflect the primacy of political motivations in concluding

² One of the main purposes of the ASEAN Charter is 'To maintain the centrality and the proactive role of ASEAN as the primary driving force in its relations and cooperation with its external partners in a regional architecture that is open, transparent, and inclusive' (Article 1.15). It also emphasises 'the centrality of ASEAN in external political, economic, social and cultural relations while remaining actively engaged, outward looking, inclusive, and non-discriminatory' (Article 2.2 (m)).

³ The statement stressed the importance of enhancing and maintaining ASEAN centrality in the evolving regional architecture.

intergovernmental agreements, ASEAN centrality was formed as a result of this complex architecture of FTAs. On the other hand, Japan is one of the countries that vied to conclude FTAs with ASEAN and its member states (AMS), in competition with the Republic of Korea (hereafter, Korea) and China, to establish FTA networks (table) Yamakage (2016) showed that Japan changed its perception of ASEAN in view of diplomacy. Instead of being a mere target of cooperation, ASEAN has become a significant partner in the implementation of regional collaboration policies that encompass the framework of ASEAN and Japan as well as the broader regional framework beyond ASEAN.

Table 1: EPAs/FTAs Concluded with Japan

Country/Region	Commenced	Signed	Entered into Force	Note
Singapore	January 2001	January 2002	November 2002	Amendment in September 2007
Mexico	November 2002	September 2004	April 2005	Amendment in April 2012
Malaysia	January 2004	December 2005	July 2006	
Chile	February 2006	March 2007	September 2007	
Thailand	February 2004	April 2007	November 2007	
Philippines	February 2004	September 2006	December 2008	
Indonesia	July 2005	August 2007	July 2008	
Brunei Darussalam	June 2006	June 2007	July 2008	
AJCEP	January 2007	March and April 2008	December 2008	Substantial conclusion of Chapters on Trade in Services, Movement of Natural Persons, and Investment in November 2017.
Switzerland	May 2007	February 2009	September 2009	
Viet Nam	January 2007	December 2008	October 2009	
India	January 2007	February 2011	August 2011	
Peru	May 2009	May 2011	March 2012	
Australia	April 2007	July 2014	January 2015	
Mongolia	June 2012	February 2015	June 2016	
EU	April 2013	July 2018		
TPP	July 2013	February 2016		
CPTPP	May 2017	March 2018	December 2018	

AJCEP = ASEAN—Japan Comprehensive Economic Partnership,

CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership, EPA = economic partnership agreement, EU = European Union, FTA = free trade agreement, TPP = Trans-Pacific Partnership.

Source: Compiled by the authors.

This paper patches together these fragmented discussions of previous researchers in reviewing the history of Japan's economic and industrial cooperation with ASEAN. We emphasise the importance of continuing and renewing the reciprocal industrial cooperation between ASEAN and Japan, mainly in terms of the role Japan should play in ensuring and strengthening ASEAN centrality in the regional architecture. The implicit assumption we make is that ASEAN's economic strength and vibrancy are at the heart of its ASEAN centrality. We argue that the key to the robust relationship for both parties is 'socio-economic industrial cooperation', escalated from existing mere 'industrial cooperation', in which Japan has an advantage in addressing increasingly complicated and difficult socio-economic problems such as aging societies. It is hoped that such cooperation, based on Japan's experience, will contribute to bolstering ASEAN centrality associated with conventional heart-to-heart diplomacy.⁴

This paper is organised as follows. Section 2 examines the history of the ASEAN–Japan relationship by dividing it into four periods. Section 3 presents what these two parties need to do to enhance the relationship and strengthen ASEAN centrality towards 2040. Section 4 concludes.

2. Examination of the ASEAN–Japan Relationship

Our paper attempts to review the history of ASEAN centrality – from its advent, the increase in awareness, to the recent decline – with a focus on the ASEAN–Japan relationship. To understand the transition of the concept, we divide ASEAN's history into four periods from the establishment of ASEAN to the present. We show that economic cooperation provided by Japan has fostered the power of ASEAN as a political body and consolidated ASEAN's centrality in the architecture of the Asia-Pacific region.

⁴ Japan established so-called heart-to-heart diplomacy built on relations of trust by reflecting on World War II when it restarted the relationship with ASEAN. For more details, see subsection 2.1.

In examining the ASEAN–Japan relationship, this paper discusses the transition in Japan’s attitude toward ASEAN: (1) the inception of the heart-to-heart relationship and intercommunication between ASEAN and Japan (creation phase of ASEAN: 1960s–1980s); (2) the development of the alliance between the two parties, focusing on industrial cooperation from Japan after the Cold War (early phase of the ASEAN Economic Community (AEC): 1980s–1990s); (3) emphasis on a mega-regional community in the context of China’s emergence (peak and deterioration in ASEAN centrality: 1990s–2010s); and (4) the challenge of ASEAN centrality after the establishment of the AEC (new phase of ASEAN centrality: 2010s). Through a historical overview, we present agenda items to enhance the relationship towards 2040, mainly from the perspective of industrial cooperation, which has been the largest contribution of Japan to the consolidation of ASEAN centrality.

2.1. Creation Phase of ASEAN (1960s–1970s)

Immediately after the establishment of ASEAN in 1967, Japan started expanding its trade, investment, and aid provision to AMS – contributing significantly to ASEAN’s economic development. Japan established the yen-loan finance system (the Overseas Economic Cooperation Fund) in 1961 as a tool to provide long-term credit to developing countries in a different manner from post-war reparation. Despite its explicit objective to advance economic cooperation through stable provision of finance, the fund had an implicit intention to increase manufacturing exports, especially of the chemical plant industry, and to strengthen the global competitiveness of these Japanese industries through ‘tied loans’.⁵ Nonetheless, this is how Japan rapidly built a close relationship with ASEAN in the early development stage.

The ultimate objective of establishing ASEAN as a group of small and medium-sized nations was to avoid unnecessary regional conflicts carried out amongst large nations in terms of security interests.⁶ Taking into

⁵ In general, a government provides a tied loan to a foreign borrower in return for the promise that the borrower will purchase goods and services from the lender’s country using such loan.

⁶ This concept of security interests was reflected in formulating the 1971 Zone of Peace, Freedom and Neutrality and the 1976 Treaty of Amity and Cooperation in Southeast Asia.

consideration this founding principle of ASEAN and reflecting on World War II, Japan's initial relationship with ASEAN put particular emphasis on 'heart-to-heart' intercommunication so as not to impair ASEAN's regional autonomy. This was demonstrated by the careful diplomacy of the former Japanese Prime Minister Kakuei Tanaka. Nikai (2017) recounted the anti-Japanese riots that took place when Prime Minister Tanaka visited Indonesia in 1974, and states that the strong opposition expressed by AMS signalled an opportunity to reconsider the relationship and promote better understanding of Japan amongst the people of ASEAN.

In March 1977, the first formal relationship between ASEAN and Japan was formed at the 1st ASEAN–Japan Forum, which built on the ASEAN–Japan Rubber Forum, to discuss a variety of economic issues. Subsequently, in August 1977, former Prime Minister Takeo Fukuda was invited to the Japan–ASEAN summit on the sidelines of the 2nd ASEAN Summit. There he proposed financial support (\$100 million) to the ASEAN Industrial Complementation project to promote ASEAN regional economic cooperation which had been launched in 1976. He also delivered a speech in Manila on the last day of his visit to ASEAN, known as the 'Fukuda Doctrine', which became a fundamental part of Japan's foreign policy towards ASEAN.⁷ In 1978, Japan obtained the status of dialogue partner with ASEAN.

2.2. Early Phase of the ASEAN Economic Community (1980s–1990s)

The most significant change in ASEAN in this period was a transformation of its collective industrial strategy from the 'import-substitution heavy chemical industry' to the 'foreign capital dependence and export-oriented industry' after experiencing a crucial fail in the former industrial strategy.⁸ ASEAN intended to achieve industrialisation by attracting FDI from multinational firms, including Japanese ones, to special economic

⁷ The Fukuda Doctrine advocates the three principles of Japan's foreign policy: (1) Japan rejects the role of a military power; (2) Japan increases mutual confidence and trust; and (3) Japan is an equal partner of dependence, i.e. mutual dependence.

⁸ The 3rd ASEAN Summit held in Manila in 1987 formally authorised the collective strategy of foreign capital dependence and export-oriented industry.

zones. In line with this strategy shift, Japan aimed to change the target of economic cooperation – particularly to nurture the local private sector and overseas expansion of Japanese firms that tried to set up production bases directly in AMS such as Malaysia and Thailand. Rapid appreciation of the Japanese yen, caused by the Plaza Accord in 1985, accelerated this change on Japan’s side.⁹

In addition to the establishment of the ASEAN–Japan Development Fund in 1987, conspicuous economic cooperation that was developed and deepened during this period includes the Brand to Brand Complementation (BBC) and ASEAN Industrial Cooperation (AICO) schemes. Mitsubishi Motors Cooperation proposed the BBC scheme to ASEAN to take advantage of scale economies and regional trade within ASEAN.¹⁰ This scheme was epoch-making in greatly helping Japanese firms, especially automobile and electric appliance firms, to produce manufacturing parts collectively in one country; it also enhanced the trade and mobilisation of such parts under the same brands, and thus met ASEAN’s expectations to set up domestic production bases. The AICO scheme, based on BBC, provided an opportunity for multinational firms to carry out trade with tariff rates of less than 5% within the region to promote effective division of production bases and facilitate complementation of manufacturing parts before the start of the ASEAN Free Trade Area (AFTA).¹¹

The Cold War ended in 1989 and was followed by a large wave of regionalism (which means a slowdown of multinationalism) (Baldwin, 1993).¹² In this context, ASEAN aimed to transform itself from a superficial association in the international arena to a substantially integrated regional economy. Soon after ASEAN’s decision, this transformation came to fruition in the successful establishment of the AFTA at the 4th ASEAN

⁹ Japan experienced a severe trade war with the United States and the European Economic Community. The trade environment surrounding Japan was another reason for the change in its attitude towards ASEAN.

¹⁰ The memorandum of the BBC scheme was signed amongst economic ministers at the 20th ASEAN Economic Ministers Meeting in October 1988.

¹¹ The AICO scheme was proposed at the 5th ASEAN Summit in December 1995, signed as the Basic Agreement on the ASEAN Industrial Cooperation Scheme at the informal ASEAN Economic Ministers Meeting in April 1996, and became effective in November 1996.

¹² For instance, preferential trade agreements reflected regionalism (Mansfield and Milner, 1999).

Summit in 1992 by leveraging existing trade schemes such as the BBC. In retrospect, the AFTA is essentially the starting point of ASEAN economic integration, in which we can observe the elimination of almost all tariffs for intra-ASEAN trade.

In the 1990s, ASEAN aspired to expand its economic integration to connect with global production networks and supply chains outside the region. In 1992, ASEAN and Japan started the ASEAN Economic Ministers–Ministry of International Trade and Industry of Japan (AEM–MITI) Ministers Meeting, which has been held every year since then. MITI of Japan organised the AEM–MITI Economic and Industrial Cooperation Committee to support ASEAN’s industrial policies in a timely manner (Maeda, 2005).¹³ The committee held regular vice-ministerial-level consultations that required intensive efforts with respect to technological development, supporting industries, trade, and environment; and to promote the dissemination of Japanese knowledge and skills to local firms and capacity building of human resources in the manufacturing industries. The Cambodia, Lao People’s Democratic Republic, Myanmar Working Group (CLM–WG) was also established under the AEM–MITI to facilitate a market economy for newly acceding ASEAN countries and to coordinate the division of production in the region in each industrial sector. These industrial policies, implemented by ASEAN and Japan, helped form production bases and thick supporting industries for Japanese overseas firms in the region (particularly in developing AMS).

In conjunction with deliberate support for manufacturing industrial development, Japan played a significant role in forming an infrastructure foundation in a number of AMS. One conspicuous example is the development of the East–West Economic Corridor in the Mekong region. There, Japan’s support ranged from conceptualising and conducting a (pre)feasibility study of the economic corridor to constructing physical infrastructure (via Japan International Cooperation Agency), including roads, bridges, seaports, airports, and electricity facilities. Another contribution is Japan’s involvement with industrial estates such as the

¹³ One of the authors (Nishimura) engaged in establishing this framework when he was head of the Bangkok office of the Japan Overseas Development Corporation (now the Association for Overseas Technical Cooperation and Sustainable Partnerships).

Eastern Seaboard Industrial Estate in Thailand, established in 1996, where many Japanese manufacturing firms brought automobile and machinery production infrastructure. This helped Thailand to realise export-oriented industrialisation.

ASEAN and Japan sought to form a new regional economic partnership in the Asia-Pacific region, without depending solely on the United States and European countries. In this regard, it is worthwhile noting that the 1st ASEAN Plus Three (China, Japan, and Korea) Meeting was held in 1997 on the initiative of Japan, and it has become a regular meeting every year since then. Although the Asian financial crisis inflicted serious economic damage on ASEAN, Japan not only provided financial support amounting \$80 billion to AMS (New Miyazawa Initiative) but also took leadership of the Chiang Mai Initiative for monetary cooperation in the ASEAN Plus Three framework. Regional economic cooperation was also extended to the Asia-Pacific Economic Cooperation and the Asia–Europe Meeting, which affected the existing ASEAN–Japan relations in the 2000s.

Lastly, the remarkable thing about this period is Japan’s diplomatic support for ASEAN and AMS that encountered economic difficulties. For instance, the Philippines faced economic problems such as current account imbalances in the late 1980s. The International Monetary Fund (IMF) intended to impose very tight conditionality on its macroeconomic policies to reduce inflationary pressures and current account imbalances. The Government of the Philippines asked Japan to help convince the IMF board to impose more reasonable conditionality. Attaching importance to ‘developmentalism’¹⁴ in ASEAN, Japan ardently lobbied the IMF for the approval of tempered conditionality which was presented to the Philippines.¹⁵ Moreover, Japanese ODA achieved a 100% rate of untied loans in 1996 as a result of the ODA policy change to ‘Japan in the world’ (Ministry of Foreign Affairs of Japan, 1997).

¹⁴ The concept of developmentalism is ‘based on a notion that some economic activities are more conducive to growth and generalized welfare than others’ (Reinert, 2010: 3).

¹⁵ This example of Japan’s support to the Philippines was suggested by Ponciano Intal, Jr., senior economist of ERIA.

2.3. Peak and Deterioration in ASEAN Centrality (2000s)

The beginning of the 21st century was a period when ASEAN drastically shifted its direction in forming the AEC. In 2003, ASEAN announced the Declaration of ASEAN Concord II (Bali Concord II) which enshrined the establishment of the ASEAN Community, including the AEC, by 2020. Amongst other things, the AEC aimed to 'create a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments and a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities' by 2020 (ASEAN Secretariat, 1997). To help achieve this development goal, the ASEAN–Japan Plan of Action signified support for further economic integration, such as the Initiative for ASEAN Integration, Mekong region development, and industrial human resource development.¹⁶

The ASEAN–Japan Comprehensive Economic Partnership (AJCEP) Agreement, which includes CLMV countries newly acceded to ASEAN, went into force in August 2008, following economic partnership agreements (EPAs) with Singapore, Malaysia, Thailand, Brunei Darussalam, and Indonesia (table).¹⁷ The AJCEP was the first EPA that Japan concluded with multiple countries, and enhanced the economic relationship with all AMS. China and Korea had signed FTAs with ASEAN in November 2002 and December 2005, respectively, before Japan concluded the AJCEP. In other words, a variety of multi-layered and multifaceted economic partnerships and institutional arrangements, other than initiatives and frameworks led by Japan, gradually emerged focused on the ASEAN platform.

ASEAN was intended to provide institutional common platforms involving large external powers such as the United States and China as well as Japan. In particular, China has become a fast-growing power in East Asia in the 21st century. Economically, China reformed its old-fashioned

¹⁶ The Tokyo Declaration for the Dynamic and Enduring ASEAN–Japan Partnership in the New Millennium was also published at the ASEAN–Japan Special Summit in Tokyo to reconfirm fostering close and cooperative relations.

¹⁷ The EPA between Viet Nam and Japan went into force in October 2009.

economic and industrial system into a more market-oriented economy (i.e. socialist market economy) and eroded the position of ASEAN as the 'factory of the world'. To address the rise of China and maximise the growth opportunity, ASEAN was forced to establish larger regional economic partnership frameworks that encompass both Japan and China, for example, the ASEAN Plus Three Summit, the East Asia Summit, and the Regional Comprehensive Economic Partnership (RCEP). These frameworks were successfully established as planned by ASEAN to maintain the strength of ASEAN centrality. Japan also stressed the concept of values such as democracy, freedom, and liberalised trade through these frameworks and tried to take the balance of power in East Asia. However, the Chinese market became more attractive than ASEAN for Japanese firms which aimed at overseas expansion. Therefore, Japanese investors increased FDI in China during this period and shifted their interests from ASEAN to China. The severe shock that ASEAN experienced from the 2007/2008 global financial crisis after the 1997 Asian financial crisis aggravated such investors' disinterest (Ambashi, 2017). In contrast to the continued close political relations between ASEAN and Japan, Japanese firms' interests in ASEAN dropped off. The rise of China caused changes in the regional order both economically and politically in East Asia, which could be a threat to ASEAN centrality.

As the power balance of East Asia changed with the lower position of Japan in the region, Japanese policies for ASEAN were also dramatically modified. After the achievement of the 100 percent untied ODA loans in 1996, a series of tied schemes were established one after another and the ratio of tied ODA loans gradually increased during the 2000s. In other words, Japan was forced to change its image from 'Japan in the world' to an 'acknowledged country providing visible support'.

2.4. New Phase of ASEAN Centrality (2010s–)

The biggest event during this period was the establishment of the ASEAN Community with the three pillars, including the AEC, at the end of 2015 ahead of the original schedule. Previously, led by Prime Minister Shinzo Abe, Japan re-emphasised the relationship with ASEAN. Japan announced the Five New Principles for Japanese Diplomacy (Abe Doctrine) in 2013, the third principle of which is '...is pursuing free, open, interconnected

economies as part of Japan's diplomacy. We must secure the power of networking by bringing our national economies closer together through flows of trade and investment, people, and goods' (Abe, 2013), with a view to supporting the realisation of the AEC. In addition, Japan expressed its new plan to provide ODA loans focusing on infrastructure development, which reinforces ASEAN connectivity. In this regard, an additional contribution of \$100 million to the Japan–ASEAN Integration Fund (JAIF) was also made public as JAIF 2.0.¹⁸

In line with the Japanese government, Japanese firms have rediscovered the attractiveness of the ASEAN market since 2010. Some significant factors seem to encourage investors to refocus on ASEAN. These include efforts to build the AEC; the low wages of ASEAN compared with China; the economic partnership network with a core of ASEAN; the large-scale market with increasing middle classes; and the rise of Cambodia, the Lao PDR, Myanmar, and Viet Nam (CLMV) (Ambashi, 2017). Japanese firms expect further upgrading of the AEC – particularly in terms of investment and service liberalisation, elimination of non-tariff barriers and measures, and harmonisation of rules and regulations – to take advantage of a production base networked with global value chains. Hence, ASEAN needs to increase the attractiveness of its whole region as an investment destination by participating in and playing an essential part in global value chains to become a major economic power in the world.

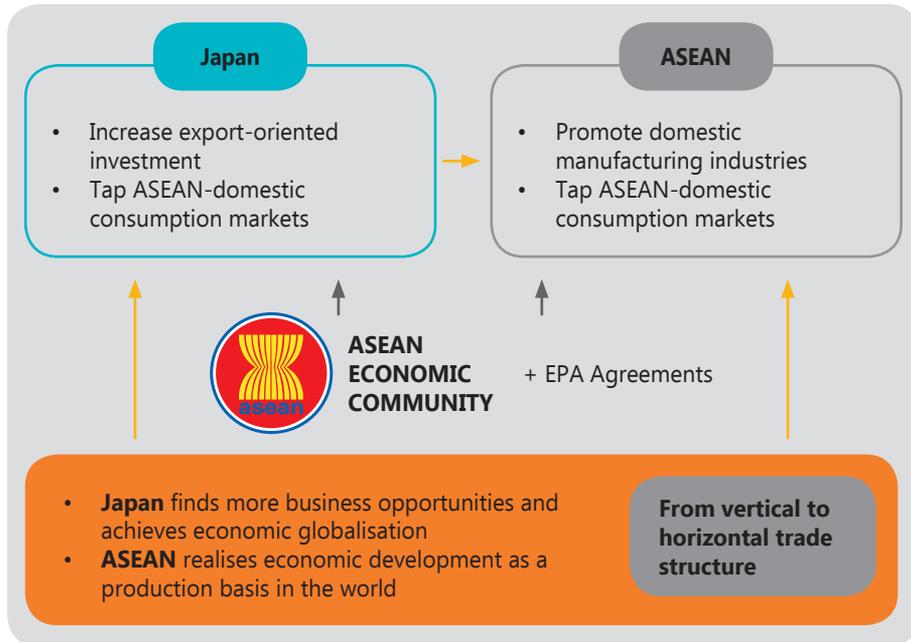
ASEAN has options to complement ASEAN centrality: the AEC Blueprint 2025 (ASEAN Secretariat, 2015), the RCEP, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). From the viewpoint of Japan, it is desirable that the RCEP be concluded immediately, maintaining the liberalisation level as high as possible, to secure the Asia-Pacific region against recent trade protectionism. Moreover, while further expansion of the CPTPP to AMS such as Indonesia, Thailand, and the Philippines may undermine ASEAN centrality (some countries would find it difficult to accept a high degree of discipline in the CPTPP), it may be able to provoke improvement of the AEC toward the CPTPP level. Japan hoped for such an effect on ASEAN, regarding the CPTPP, because it has a strategy of laying down trade and investment rules of the Asia-Pacific region based on the CPTPP.

3. What Relationship Should ASEAN and Japan Establish Towards 2040?

From the discussions so far, the ASEAN–Japan relationship has been evolving principally in industrial cooperation dynamics, to enhance ASEAN economic integration through support for the AEC, FTA networks, infrastructure, connectivity, institutional arrangements, technological development, local supporting industries, and capacity building of human resources. This kind of industrial support from Japan has led to a great contribution in consolidating ASEAN centrality.

The figure depicts ASEAN–Japan economic relations. While Japan has increased export-oriented investments in ASEAN as a manufacturing production base and has recently tapped domestic service markets with many wealthy middle-class consumers, ASEAN has benefited by promoting domestic industries, increasing exports of manufacturing products, and upgrading industrial structures. Along with the progress of economic development in ASEAN, the vertical trade structure in the 1960s–1980s has gradually altered into a horizontal one where manufacturing products and parts are frequently traded between ASEAN and Japan. This reciprocal economic relationship has been facilitated by the AEC and EPAs with dialogue partners including Japan. Consequently, Japan finds more business opportunities in ASEAN and achieves economic globalisation to survive global competition, while ASEAN realises robust economic development as a production base in the world.

Figure: ASEAN–Japan Economic Relationship



ASEAN = Association of Southeast Asian Nations, EPA = economic partnership agreement.

Source: Compiled by the authors.

The next step in advancing ASEAN–Japan relations needs to be in line with the continued, concerted efforts for industrial cooperation. ASEAN has a serious concern that some operations), may fall into the ‘middle-income trap’ where their income stagnates at the middle level before becoming advanced economies. In addition, in its AEC Blueprint 2025, ASEAN highlights the importance of promoting ‘Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialisation’ (ASEAN Secretariat, 2015: B4). This reflects that innovation is regarded as a significant policy target of ASEAN, instead of mere a science and technology policy, to improve productivity and strengthen competitiveness in global marketplaces through the commercialisation of technologies and upgrading industries equipped with advanced technologies. To address these significant challenges, the key must continue to be industrial cooperation that includes human resources development, industrial clusters, entrepreneurship, and technology transfer.

However, if we look at ASEAN in 2040, we recommend that existing industrial cooperation should be developed with a more futuristic flavour into 'socio-economic industrial cooperation' so that ASEAN can challenge not only further industrial development but also increasingly emerging socio-economic problems regarding quality of life, city amenities, environment, aging societies, etc. Since Japan has been tackling these complex and difficult problems for a long time as a 'developed country facing such issues', socio-economic industrial cooperation based on Japanese new technologies is likely to greatly help ASEAN address its challenges.

By leveraging its manufacturing advantage, the Japanese government, public research institutes, universities, and the private sector have been developing new technologies aiming to step into practical use of them. Promising new technologies include (1) the internet of things, (2) big data, (3) artificial intelligence, and (4) robotics, as indicated in another chapter.¹⁹ These new technologies are expected to clarify hidden socio-economic problems, create new demand with high value added, and provide promising unique solutions to challenges ASEAN faces. Representative hopeful industries are observed in bio-industries (e.g. drug development using affluent natural resources), Fintech (e.g. e-payments in e-commerce), a health care system for an aging society (e.g. nursing homes for elderly people), educational services (e.g. EdTech), automated driving systems (e.g. alignment driving of freight cargo), and robots for infrastructure development (e.g. disaster recovery). These industries are also expected to be promoted in combination with large, highly diverse ASEAN consumer markets.

The other recommendation towards ASEAN 2040 is that cooperation needs to be a more two-way flow, while the existing industrial relationship in the form of industrial cooperation is mostly channelled from Japan to ASEAN. This industrial relationship needs to be modified to include more flow from ASEAN to Japan, if these parties desire to obtain more benefits from the relationship. ASEAN's economic

¹⁹ For more details of these technologies, see 'Harnessing New Technologies for Social and Economic Progress towards ASEAN 2040' by Hidetoshi Nishimura, Masahito Ambashi, Fusanori Iwasaki, and Mitsuhiro Maeda.

development provides opportunities for ASEAN to contribute to Japan, which is suffering longstanding economic stagnation as well as an aging population and labour shortage. To this end, Japan may need to do more in terms of liberalising and opening its markets, harmonising regulations and rules with global ones, attracting skilled human capital, creating demand such as tourists' inbound consumption, and increasing investments from ASEAN in Japanese domestic markets.

Japan is revising its foreign human capital (immigration) policy partly to address the labour shortage problem. While Japan already invites professional workers in some limited fields, e.g. clinical nurses and care workers from Indonesia, the Philippines, and Viet Nam in accordance with the EPAs, the Japanese government has just launched discussions about how more immigrant workers can be introduced to the Japanese labour market. In association with the above-mentioned socio-industrial cooperation, we also strongly recommend that Japan provide ASEAN people who work in Japan with the necessary know-how and skills of new technologies and encourage them to apply such technologies locally to their home-country markets in cooperation with Japanese overseas companies. In this sense, it is therefore important to attract young ASEAN students studying in Japan and encourage them to work in Japan after graduation.

4. Concluding Remarks

This paper examines the role played by Japan in strengthening ASEAN centrality and East Asian collective leadership by reviewing the history of ASEAN–Japan relations since the 1960s. It emphasises that the industrial cooperation provided by Japan to ASEAN is an essential foundation for the relationship. As evidence of this, Japanese firms could enhance their production networks developed in ASEAN through positive cooperation, while ASEAN could successfully achieve industrialisation through nurturing local manufacturing industries and firms as a significant production base. Japan's industrial cooperation, which resulted in the AEC and EPA networks in the region, made a critical contribution to strengthening ASEAN centrality and its leadership in East Asia. However, industrial cooperation should be modified to socio-economic industrial cooperation to address emerging social challenges that ASEAN encounters. This new type of industrial cooperation between ASEAN

and Japan might be a catalyst to push forward ASEAN centrality and its collective leadership to a higher dimension.

The ASEAN–China relation has been deepened as China becomes a major economic power. In contrast, the ASEAN–Japan relationship has weakened compared with the past when Japan was the most important partner in East Asia. Yet, the ASEAN–Japan economic, industrial, social, and political relationship is still one of the substantial core relationships for ASEAN to manage a fine balance in economic and political aspects in the region amid dramatic structural changes in the global environment. In 2040, ASEAN and Japan are expected to have a strong and resilient relationship to help East Asia become central, economically and politically, in the world.

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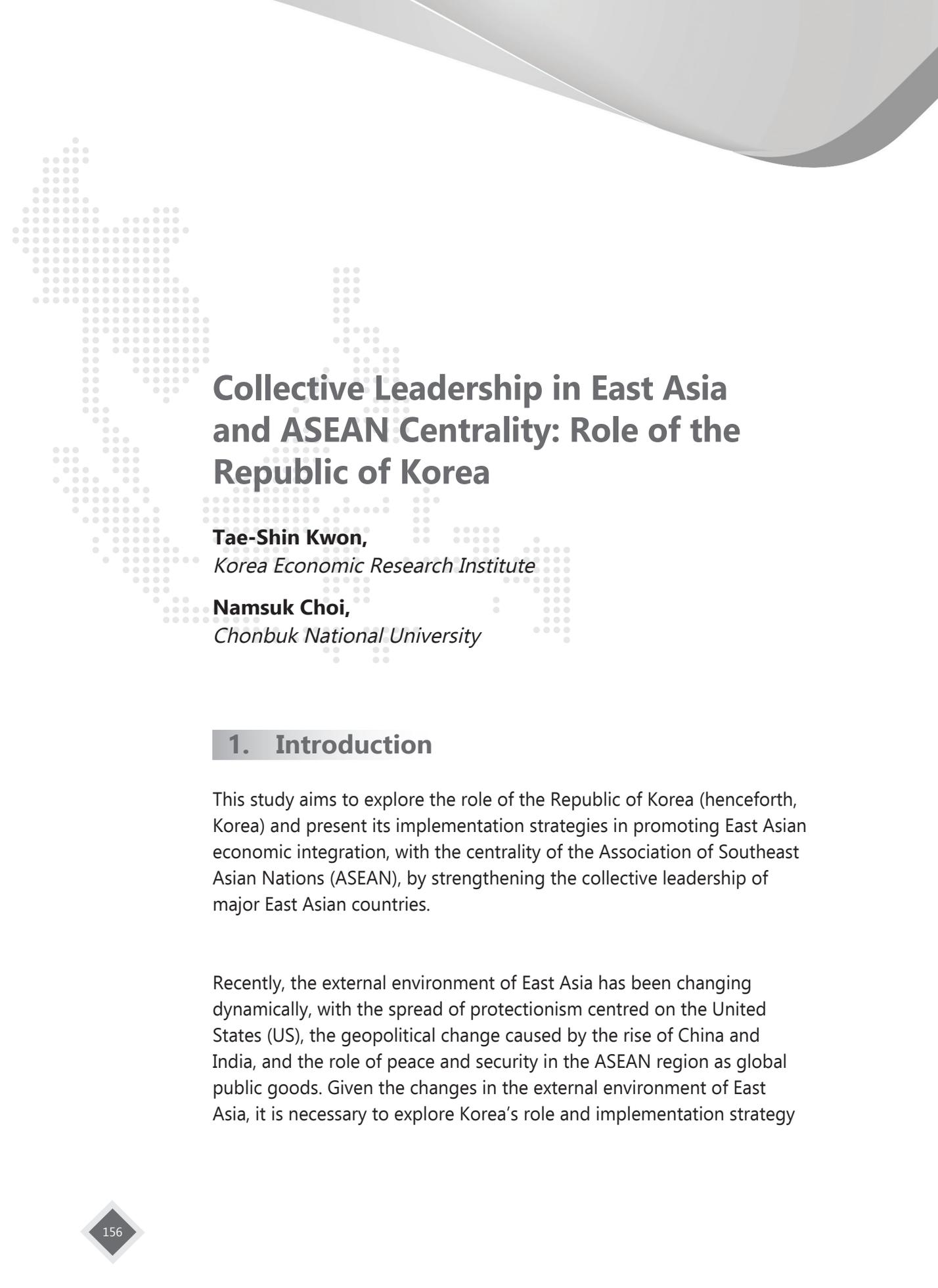
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Collective Leadership in East Asia and ASEAN Centrality: Role of the Republic of Korea

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1. Introduction

This study aims to explore the role of the Republic of Korea (henceforth, Korea) and present its implementation strategies in promoting East Asian economic integration, with the centrality of the Association of Southeast Asian Nations (ASEAN), by strengthening the collective leadership of major East Asian countries.

Recently, the external environment of East Asia has been changing dynamically, with the spread of protectionism centred on the United States (US), the geopolitical change caused by the rise of China and India, and the role of peace and security in the ASEAN region as global public goods. Given the changes in the external environment of East Asia, it is necessary to explore Korea's role and implementation strategy

for promoting trade and investment, cultural and people-to-people exchanges between Korea and ASEAN, and the East Asian economic community.¹

ASEAN aims to build a peaceful, stable, and resilient community based on the centrality of ASEAN and to establish ASEAN as an outward-oriented region within the global community. Expanding the ASEAN community into the East Asian community requires the collective leadership and cooperation of Korea, China, and Japan. ASEAN envisages a highly connected, integrated economy that narrows the development gap.

The development gap for Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam (CLMV) should be narrowed so that the economic conditions and development stages of ASEAN are both inclusive and resilient. This requires the major countries in East Asia to share collective leadership. The gap in economic development amongst the ASEAN member countries is not diminishing because it reflects the relatively slow realisation of the ASEAN community vision.

Starting in 1951 with the European Coal and Steel Community, it took almost half a century to achieve the European Union (EU). Economic integration has been taking place since the early 1990s through the North American Free Trade Agreement (revised in 2018 as the United States–Mexico–Canada Agreement) and MERCOSUR in South America. It is desirable to continue towards the completion of the East Asian economic community, centred on ASEAN since 1967, and the East Asian economic community is fully feasible.

To strengthen ASEAN's central role in forming the ASEAN community, there is a need for coordination amongst the leadership of middle powers.² Middle powers have a role to play in the greater East Asia collective leadership, unlike big powers such as the US and China. By strengthening political cohesion based on economic partnership, middle powers like Korea and Australia may create opportunities to demonstrate

¹ This would include China, Hong Kong, Japan, Korea, and Taiwan.

² Korea, Australia, and New Zealand are assumed as middle powers.

collective leadership with the big powers. To realise the ASEAN single market and the economic community centred on ASEAN in the transformational ASEAN community, the East Asia collective leadership of Korea, China, and Japan should be determined on a preceding basis. To this end, this study presents four differentiated roles and three strategies for Korea.

2. Korea's Four Roles for the Formation of the ASEAN Community

To realise the vision of the ASEAN community, the four roles of Korea can be grasped centred on (i) increasing trade; (ii) expanding investment; (iii) expanding cultural, people-to-people, and tourism exchange; and (iv) promoting political security on the Korean Peninsula.

(1) Increasing trade in East Asia to combat trade protectionism

The recent rise in US trade protectionism has fuelled fears that it will spread around the world, causing trade retaliation in the EU and China. Korea is caught between the US and China in the current trade conflict. It should act as a buffer to prevent US–China trade conflicts spreading throughout East Asia. One way is to form a Northeast Asian economic region and try to bring the dependence on North America and the trade scale of the Northeast Asian economic region into balance. For example, Korea could play a role in activating the horizontal global value chain (GVC) of China–Korea–Japan. The existing vertical GVC combines the Chinese labour force, Korean manufacturing technology, and Japanese advanced source technology. A horizontal GVC, based on complementarity with ASEAN, would combine the innovative achievements of the Fourth Industrial Revolution with high value added – increasing the value-added trade volume of the Northeast Asian economic region.

Economic integration in Northeast Asia is promoted by the intra-regional division of labour and should involve a private-led bottom-up approach. International flows of goods, services, and factors of production in the private sector should lead to economic, social, cultural, environmental,

and trade developments. If the governments of China, Japan, and Korea construct institutions to coordinate such flows, Northeast Asia and ASEAN could eventually converge into a single economic region. If such an economic cooperation entity were to embrace the private sector and civil society, this would help overcome the limitations of a government-led institutional approach. Therefore, a pluralistic and comprehensive approach should be used to form a Northeast Asian community.

The East Asian economic community could be formed when the Southeast and Northeast Asian economic regions cooperate. By realising the economic integration of the two Koreas, the Korean Peninsula could become a bridge for Northeast Asian economic relations between China and Japan. The Korean Peninsula is a trade hub connecting East Asia and the Pacific Ocean. In the context of the formation of the Northeast and Southeast Asian economic regions, Korea must act to raise East Asia intra-regional trade dramatically.

(2) Expanding direct investment to promote mutual prosperity with micro, small, and medium-sized enterprises

Korean companies could promote ASEAN investment by targeting countries and sectors not prioritized by China and Japan. To realise a highly integrated and cohesive ASEAN Economic Community (AEC), Korea as a GVC organiser can play a leading role in inducing and promoting ASEAN participation in GVCs.

To promote the business activities of micro, small, and medium-sized enterprises (MSMEs) in the AEC, a global network of multinational enterprises needs to be developed and GVC production processes need to be upgraded. Korea succeeded in export-oriented industrialisation based on the formation of the international division of production through the flying geese theory of economic development in East Asia in the 1970s–1990s. Japan was the lead goose and the other groups of countries followed it in a similar fashion to wild geese flying formations. Every decade from the 1970s to the 1990s, Japan led economic growth – followed by the newly industrialised economies (NIEs: Hong Kong, Korea, Singapore, and Taiwan); then ASEAN countries; and finally

China. By developing a functionally formed vertical production and division network in East Asia to serve as a new engine for economic growth, the production and division network should be upgraded to a complementary international production cooperation structure. Foreign direct investment of Korean multinationals in ASEAN spreads knowledge-based technology that creates high added value, and helps upgrade ASEAN MSMEs to enable them to produce high value-added products beyond agricultural and primary production.

To this end, the investment of multinational corporations should be invigorated in East Asia. Korea's multinationals organised GVCs mainly in Indonesia, Myanmar, and Viet Nam. ASEAN should participate in the GVCs organised by Korea, and Korea should participate in the GVCs organised by ASEAN. Most of all, through the invigoration of multinational enterprises' local business activities, mutual growth should be promoted by cooperating with large ASEAN and Korean firms, as well as SMEs in manufacturing and services.

(3) Expanding cultural, people-to-people, and tourism exchange to connect future generations

Korea must liberalise the movement of human resources by harmonising border-crossing procedures in Korea and ASEAN in the same way as Europe's Schengen Agreement. Cultural exchange should be particularly promoted between ASEAN and Korea, focusing on the younger generation. The ASEAN–Korea youth exchange program and ASEAN Youth Camp are examples of annual youth exchanges based on a Korean initiative.

Korea could institutionalise the temporary movement of skilled workers through visa relaxation for science, technology, engineering, and mathematics (STEM) workers from ASEAN. Technical and vocational education and training could also be used to encourage Korean companies to contribute to the development of ASEAN workers' human capital. Korean companies could also organise internship programmes for ASEAN students and workers.

Korean provinces could establish sisterhood relationships with ASEAN regions and promote the exchange of young people (international students). In 2016, ASEAN students comprised 18% of the total number of international students in Korea, which was very low compared with the 58% share of ASEAN workers in Korea. Korea could contribute to the development of ASEAN human resources through the Korea–ASEAN international student exchange program. Faculty exchange programs could also be promoted.

Table 1: People-to-People Exchanges between Korea and ASEAN

ASEAN Nationals in Korea	Year	ASEAN	World	Share
Marriage migrants	2013	58,552	150,865	39%
	2014	59,242	150,994	39%
	2015	60,890	151,608	40%
	2016	62,492	152,374	41%
Students (D-2 & D-4 visas)	2013	7,702	83,471	9%
	2014	9,574	88,257	11%
	2015	12,445	98,144	13%
	2016	20,742	117,632	18%
ASEAN workers (E visas)	2013	171,937	308,564	56%
	2014	190,417	333,882	57%
	2015	196,534	339,102	58%
	2016	198,899	342,239	58%
Total	2013	319,198	1,576,034	20%
	2014	392,814	1,797,618	22%
	2015	408,239	1,899,519	21%
	2016	440,681	2,049,441	21%

ASEAN = Association of Southeast Asian Nations.

Note: The total is the sum of marriage migrants, students, and workers.

Sources: Government of the Republic of Korea, Ministry of the Interior and Safety; and Korea Immigration Service.

The Korean Wave (Hallyu)³ needs to be used to form a cultural common view between ASEAN and Korea. The success of Hallyu in China and Japan could be applied to ASEAN. To promote unity in diversity, intra-regional cultural identity needs to be created based on a cultural common view. Trade enhancement in the cultural content service sector could be used to create social and cultural communities.

To expand tourism exchange, visa waivers could be applied to East Asian nationals visiting Korea for up to 72 hours or transiting it en route to a third country. Such a visa exemption policy could start between Korea and ASEAN, and be expanded to include other countries in East Asia. A 'One Card–One Asia' project could also be implemented to travel throughout East Asia with a single transportation card. By integrating the East Asian public transport payment system into one standard, one transport payment card could be used for public transport throughout the region. The transit visa exemption and One Card–One Asia project could promote regional tourism and contribute to the formation of cultural consensus in East Asia.

(4) Promoting peace and security on the Korean Peninsula through economic integration of the two countries

Economic integration of the two countries on the Korean Peninsula could mark a paradigmatic shift for the proposed Korea–China–Japan free trade agreement. With the domino effect of economic integration, this could lead to integration of the Northeast Asian market based on inter-Korean economic integration. As a result, ASEAN and Northeast Asia could be formed into a single market.

Inter-Korean economic integration could change the unstable political landscape of Northeast Asia and contribute to peace and stability in the region. An inter-Korean economic community would promote the relaxation of tensions on the Korean Peninsula and establish a foundation for unification. The security confrontation in Northeast Asia appears to be a hegemonic confrontation between the US and China (e.g. the standoff

³ The increasing global popularity of Korean culture since the 1990s.

in the South China Sea). If China, Japan, and the US (the main parties to the conflict) support inter-Korean economic integration, and they and the middle-power nations (Korea and Australia) exercise collective leadership, such an economic integration body could contribute to creating a foundation for peace and stability. Hegemonic confrontations on Northeast Asian security are obstacles to economic integration. However, demand may increase for regional cooperation to resolve the instability caused by the confrontation. Economic integration and peace between the two countries on the Korean Peninsula could help alleviate the hegemonic confrontation between the US and China.

An inter-Korean economic community should be the centre of collective leadership practice to promote the ASEAN Vision 2040. Northeast Asian economic integration should be combined with Southeast Asian economic integration and serve as a catalyst to achieve East Asian economic integration. On the other hand, an inter-Korean economic community could suffer from teething problems and economic and political repercussions, as in the reunification of Germany, for reasons such as political security. To minimise this, countermeasures should be prepared. During the unification of East and West Germany, internal political and economic unrest was generated because of monetary unification, price reform, and real estate property ownership. Lack of understanding of the market economy system in East Germany caused considerable delays. North Korea is more restrictive than East Germany, and the gap between the two countries is greater than that of East and West Germany. Considering these points, two countermeasures could be suggested to minimise political instability in an inter-Korean economic community. First, Korea could help North Korea gradually become familiar with the market economy system by encouraging humanitarian assistance and economic exchange to open the North Korean society. Second, international organisations like the Asian Development Bank, other regional cooperation organisations, and the East Asia Summit (EAS) could support the economic integration of the two countries.

3. Three Major Execution Strategies

As the core partner of ASEAN plus six,⁴ three major execution strategies for implementing the four roles that Korea must fulfil are proposed, focusing on (i) conclusion and effectuation of the Regional Comprehensive Economic Partnership (RCEP) based on Korea–China–Japan collective leadership, (ii) applying the Saemaul Undong Movement to the Greater Mekong Subregion (GMS) development project, and (iii) mutual prosperity of Korean and ASEAN firms.

(1) Conclusion and effectuation of the RCEP based on Korea–China–Japan collective leadership

As a preceding task of the formation of the AEC, Korea should lead the conclusion and effectuation of the RCEP.⁵ Differences in the economic and industrial structure of the 16 member countries should be used as a tool to form a dynamic production and division network. Korea should also play a role in transforming competition and containment between China and Japan into reconciliation and cooperation. The function of the EAS needs to be enhanced. . On the other hand, economic integration based on the idea of a closed economic region, where a country is the centre of the world and the periphery is barbarian, should be avoided. Korea could apply its experience in developing free trade agreements to bring the RCEP to fruition.

Korea should pursue political and security cooperation based on the revitalisation of economic cooperation. The hierarchical order that underestimated China’s neighbouring countries in the past and the notion of the dominance of Japan in other Asian countries have led to the confrontation of hegemony between China and Japan. On the other hand, Korea can propose forming an open community by pursuing unity in diversity. It is possible to reduce the possibility of conflict between China and Japan and foment coordination through collective leadership. Korea could contribute to the creation of an open community by inducing

⁴ Australia, China, India, Japan, Korea, and New Zealand.

⁵ The RCEP is a free trade agreement between ASEAN and the plus six countries (Australia, China, India, Japan, Korea, and New Zealand).

Australia and New Zealand to mediate the possibility of a hegemonic conflict in the Asia-Pacific region as middle power nations.

Korea should pursue differentiated economic cooperation considering the characteristics of the various ASEAN countries. For example, it could strategically strengthen manufacturing capacity in Viet Nam, consolidate key industry cooperation in Indonesia, support building industrial bases in Myanmar, and secure a stepping stone in Malaysia for ASEAN market expansion.

(2) Applying the Saemaul Undong Movement to the GMS development project

The Saemaul Undong Movement is a national movement developed in all villages throughout Korea and is an agricultural and rural policy. It is a mind reform and self-sustaining revolution centred on self-help, and a 'well-living' movement. It restores a 'can-do spirit' such as self-sustainment, self-help, and self-restoration; and builds collective confidence. The result has been an income revolution. The government's financial support for agriculture and rural areas has led to farmers' labour force participation. Farmers donated a portion of the proceeds of their labour to form community funds, which were invested in income-generating projects. Repeated investments have led to the continuous development of the Saemaul Undong Movement and a virtuous cycle.

The Saemaul Undong Movement Project – an important driving force of Korea's economic growth known as the miracle of the Han River – could be applied to the Mekong River development project to implement the 'Mekong River Miracle' project. Korea has implemented a knowledge sharing program in underdeveloped countries as part of its official development assistance. The Saemaul Undong Movement Project could also be applied to the GMS development project, focusing on human capital development for inclusive growth in ASEAN.

Such inclusive and sustainable economic growth may require self-motivated economic development and the use of human resources from

the less developed countries (CLMV) in the region. For self-directed participation and use of human resources in the region, it is necessary to educate the labour force, cultivate the human resources necessary for the region, and rearrange the regional human resources into the required areas.

The second Korea–Mekong Action Plan (Korea, 2017), proposed by Korea in 2017, specifies cooperation goals and projects on the three major visions of the Korea–Mekong Cooperation (ASEAN connectivity enhancement, sustainable development, and people-centred development) and the six priority cooperation areas (infrastructure, information and communication technology, green growth, water development, agriculture and rural development, and human resources development) under this vision. The collective leadership of China, Japan, and the US – centred on Korea – should be created to make a new breakthrough in Mekong River development and achieve the desired results.

The GMS could provide a successful example of inclusive growth in ASEAN, but the benefits of ASEAN regionalisation through the GMS have not been evenly distributed amongst the participating countries. The development gap amongst the partner countries has not improved and is likely to remain intact or deteriorate. The collective leadership of China, Japan, Korea, and the US, participating in the Mekong River development project, can be conducted in harmony and balance by harnessing the expertise of each country in various sectors. For example, along with the hydropower development project of Japan and the highway construction of China, Korea can apply lessons learned from the Saemaul Undong Movement to agricultural, rural, and village development projects in the CLMV countries of the Mekong basin. If ASEAN's underdeveloped countries successfully and self-directedly implement Korean-style Saemaul Movement, it will be a new catalyst for economic development in the Mekong region while maintaining ASEAN's centrality.

The GMS has been mainly conducted by the competent authority, the international financial institution, and the private enterprise. The Saemaul

Undong Movement could be carried out by the CLMV residents as the main body of development.

A partnership between the government, the community, and the market is necessary if the Saemaul Undong Movement is carried out on the Mekong River as part of official development assistance. Continued support is needed from the central government and top officials to foster and support on-site leadership. Various methods and innovations should be utilised. Preventive measures should be taken against community development failures.

The Initiative for ASEAN Integration and the ASEAN Mekong Basin Development Cooperation as well as the World Bank, Asian Development Bank, Organisation for Economic Co-operation and Development, and GMS donors (e.g. Korea, Japan, and Australia) could form panels to guide the miracles of the Mekong River through collective leadership. Information sharing and lack of mutual trust, which were the problems of the past, could be solved through a demonstration of collective leadership and the experience of self-sustaining success of ASEAN countries. In addition, development success cases for the realisation of the common goal of agriculture, rural, and human resources development could also be identified and used as an example for community development. It is possible to promote collective leadership by reflecting the Samael Undong Movement on the agenda of ASEAN Plus Three⁶ or the EAS and by realising Korean proposals in advance. This could lead the project to narrow the development gap by creating success stories like the Saemaul Undong Movement and Korea's economic development.

(3) Mutual prosperity of Korean and ASEAN firms

Korean companies are successfully participating in GVCs and Korea is growing as a GVC organiser. It is necessary to identify cases where Korean companies have applied international best practices and standards, and apply them to ASEAN. In addition, technical assistance and the inflow

⁶ China, Japan, and Korea.

of industrial labour should be promoted to upgrade industrial capacity and productivity for ASEAN's less developed countries (e.g. CLMV). The opportunity to acquire skills through ASEAN industrial employment in Korea needs to be presented. Workers in ASEAN's underdeveloped countries could learn skills in Korea and become skilled workers through industry-academia-partnership activities and return to their home countries. This would enable them to cultivate techniques and cognitive skills to support the core role of GVCs.

Based on the leadership of Korea's innovative global corporations, the global production division network in ASEAN and East Asia could be shaped. To expand trade in services that used as inputs in manufacturing, it is necessary to liberalise the barriers of multinational corporations within the scope of agreement between East Asia and ASEAN countries. The ASEAN start-up ecosystem should be activated by linking large Korean corporations with ASEAN youth venture start-ups. A large Korean company could discover and nurture youth venture businesses in ASEAN and participate in their growth. An accelerator that selects feasible young venture start-ups and supplies the driving force could link the angel investment of large Korean companies with ASEAN venture entrepreneurs. For example, Korean-style accelerators such as the Plug and Play Tech Centre could identify ASEAN youth venture start-ups and build an ASEAN venture start-up ecosystem based on investment by Korean large corporations.

4. Conclusion

This study presents Korea's four major roles and three strategies for the formation of an ASEAN community. Its four roles – increasing trade in East Asia to combat trade protectionism; expanding direct investment to promote mutual prosperity with MSMEs; expanding cultural, people-to-people, and tourism exchange to connect the future generations; and promoting peace and security on the Korean Peninsula through the economic integration of Korea and North Korea – are presented. The three strategies for the four goals are proposed as follows: conclusion and effectuation of the RCEP based on Korea-China-Japan collective leadership; applying the Saemaul Undong Movement to the GMS development project; and mutual prosperity of Korean and ASEAN firms.

Korea is one of the few countries in the world that has succeeded in economic development in one generation. It is the world's 10th largest economy and 5th largest exporting country, having achieved successful economic growth from the same low economic development level as the underdeveloped countries of ASEAN. Thus, Korea can share its experience so that ASEAN can develop along a similar path.

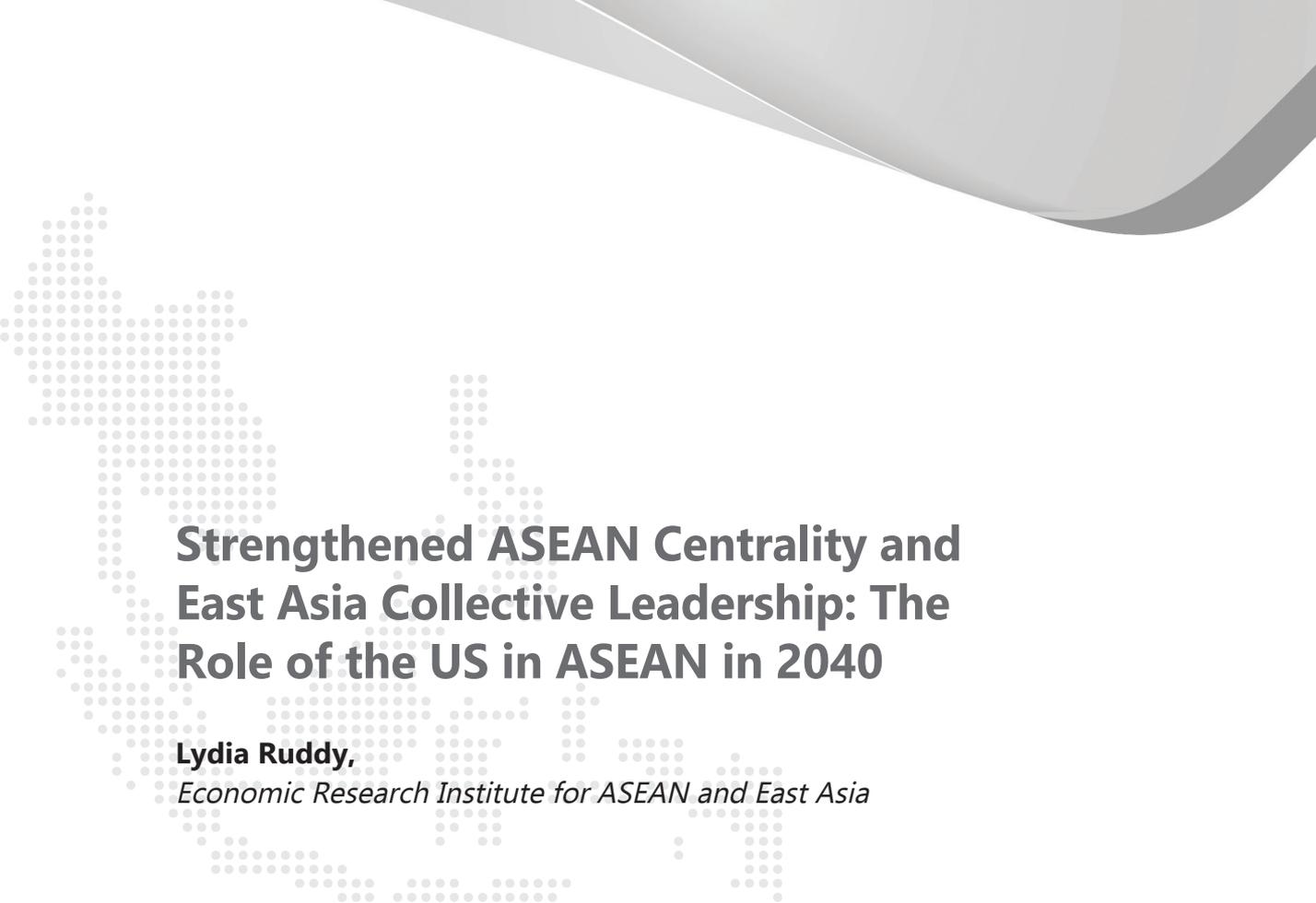
ASEAN can play a key role in the economic integration of East Asia. For example, we can consider the case of flying geese economic growth in East Asia. From the 1970s to the 1990s, Japan, NIEs, and China acted as the lead geese while other groups of countries followed it in a similar fashion to wild geese flying formations, and the East Asian international division of production was developed functionally. Until now, ASEAN has managed to supply industrial raw materials and primary products. However, by 2040, ASEAN could become the centre of the world economy – not based on the comparative advantages of the first industry- and labour-intensive production as in the past, but as ASEAN achieves the fourth industrial revolution, it should move towards high value-added knowledge-based industry. By 2040, Japan, China, and other countries – especially Korea – should practise their collective leadership so that East Asia as a whole can function as a pioneering growth engine for economic integration through ASEAN.

In the political and security sectors, differences in historical perceptions could be a negative factor for local community collective leadership. Korea can induce shared responsibilities for China and Japan that otherwise have different positions. India, Australia, and New Zealand could also be involved. Political solidarity could be pursued based on the proactive completion of economic integration. If functional integration in the private sector and fundamental economic structure is precedented, the collective leadership of Korea, China and Japan could be shared based on economic integration. By realising a collective leadership system in East Asia focused on ASEAN, ASEAN and East Asia could avoid the hegemony of central powers and achieve mutual development and peace in the region. Collective leadership could solve deteriorating trade relations and friction between the US and China by promoting East Asian economic integration around the ASEAN community. Japan and China would receive the ripple effects of the economic understanding achieved

on the Korean Peninsula. This can be achieved through the cooperation of Korea with ASEAN.

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Strengthened ASEAN Centrality and East Asia Collective Leadership: The Role of the US in ASEAN in 2040

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‘The Indo–Pacific Cooperation Concept puts emphasis on several principles, including cooperation, – instead of rivalry, inclusiveness, transparency and openness as well as respect for international law.’
President of Indonesia, Joko Widodo, 13th East Asia Summit, Singapore 2018

‘The United States also seeks an open Indo–Pacific, where commerce and culture flow freely; where the seas and the skies are accessible to all with peaceful aims; where disputes are resolved without conflict or coercion; where nations trade with one another, gathering as much as they give; and where we embrace a future of endless possibility for all who call this region home.’ Vice President of the United States, Mike Pence, APEC CEO Summit, Papua New Guinea, 16 November 2018

The decline of the US-led international order, although arguably having occurred since the end of the Cold War, is without doubt picking up momentum under President Trump. Pax Americana and the Bretton Woods institutions that form its bedrock are increasingly viewed with scepticism, even by the US President. Other countries are progressively taking more prominent roles on the global stage, especially China, with its economy about to surpass that of the US and the active promotion of its overseas development plan – the Belt and Road Initiative (BRI). Asian growth is already one of the main drivers of the world economy; many indicators suggest that, by 2040, Asian economies will have continued expanding, nearing 50% of the global economy (Asian Development Bank, 2011). At the same time, the US, while still relatively strong, will no longer be the largest economy in the world, as China is predicted to surpass US gross domestic product in the 2030s and India may do so soon thereafter, by 2050. The impacts of these global shifts will be felt everywhere, but particularly in Southeast Asia, which is increasingly having to find a balanced position between the two vying super-powers.

While these circumstances have the potential to create substantial instability in Asia (indeed globally), they also present an opportunity for the Association of Southeast Asian Nations (ASEAN) to take on a more global role as a stable and rules-based region that promotes sustainable development and regional integration and that serves as a neutral platform for dialogue between member states as well an impartial arbiter in conflicts between foreign powers. In a 2017 survey of more than 2,300 people representing all 10 countries in ASEAN, about 75% hoped for an ASEAN that is integrated, connected, resilient, and typified by good governance (Economic Research Institute for ASEAN and East Asia (ERIA), 2017). Each of these aspirations is in line with the US evolving orientation towards the Indo-Pacific. Now is the time for ASEAN leaders to 'move boldly', as Ambassador Bilahari Kausikan passionately argued in October 2018: 'Hedging against the long-term uncertainties and taking advantage of whatever opportunities may exist, requires ASEAN to move boldly on the second phase of economic integration which aims at creating a common market and common production platform in Southeast Asia' (Kausikan, 2018: 8).

ASEAN is ready to operate without US support, but prefers to remain engaged with its long-time partner by focusing on shared priorities that are mutually beneficial to both the US and ASEAN. These priorities create the basis for the role the US can play in ASEAN in 2040. This 'Vision 2040' for the role of the US in ASEAN includes three elements. First is the support for a free and open ASEAN with freedom of navigation in the South China Sea as an important global public good. Second, the deepening of the trade and investment relationships between the US and ASEAN. The third is the support for a new regional architecture that is based upon collective leadership in East Asia and ASEAN Centrality, with ASEAN serving as a safe forum for discussion, to maintain the balance of power in the region.

1. Security: The US Supports a Free and Open ASEAN

In 2040, ASEAN will continue to be of significant geopolitical importance to the US and it is in both parties' interests to ensure that the region remains stable and is increasingly guided by rule-based systems that advance all ASEAN Member States (AMS). For decades, the US has made significant contributions towards maintaining peace in the region, and both the US and AMS have benefited. In light of the remarkable growth of many Asian economies, the region is facing a rebalancing of powers. At the same time, it is clear that freedom of navigation in the region, and especially across the South China Sea, must be maintained as an important global asset. At the beginning of 2019, ASEAN is actively maintaining a neutral position between China and the US and at the same time ASEAN welcomes the continued military presence of the US as a strong supporter of the freedom of navigation.

The strength of the US–ASEAN relationship has arguably become even more important with the development of Trump's Free and Open Indo-Pacific Strategy (FOIPS), which the President first mentioned on the sidelines of the Asia–Pacific Economic Cooperation (APEC) meetings in Viet Nam in November of 2017. FOIPS initially met with a mixed response, mostly because there was no elaboration about what the strategy actually involved. In his May 2018 testimony before the US Senate Committee on Foreign Relations, Alex Wong, Deputy Assistant Secretary at the Bureau

of East Asian and Pacific Affairs, US Department of State, elaborated on the meaning of 'free' and 'open' in the context of FOIPS. He emphasised national sovereignty: '...we want the nations of the Indo-Pacific to be free from the coercion of outside power' (Wong, 2018). Wong went on to elaborate on the meaning of 'open' in the context of FOIPS including the importance of open sea lanes (Wong, 2018).

Wong's statements were reinforced by Secretary of State Michael Pompeo at the US-ASEAN Ministerial meeting in August 2018 when he announced a US\$300 million commitment for security cooperation in the region (Indo-Pacific). In his speech to the East Asia Summit (EAS) in November 2018, Vice President Pence stated that in 2018 the US had already spent more than half a billion dollars on security assistance to the Asia Pacific while commenting: 'Let me be clear: China's militarisation and territorial expansion in the South China Sea is illegal and dangerous. It threatens the sovereignty of many nations and endangers the prosperity of the world' (Pence, 2018). On 31 December 2018, the Asia Reassurance Initiative Act of 2018 (ARIA) became law in the United States, providing US\$1.5 billion for 5 years until 2023 to develop a 'long-term strategic vision and a comprehensive, multifaceted, and principled United States Policy for the Indo-Pacific.' (ARIA Title 1, Sec 101) This act emphasises security and rule of law for the whole region. Regarding ASEAN Security, it calls for addressing terrorism and maritime disputes and promotes the adoption of a Code of Conduct for the South China Sea.

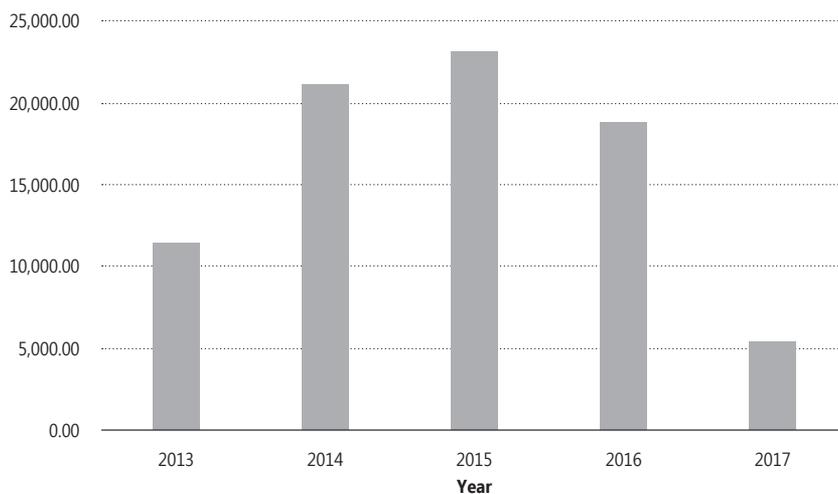
By 2040, ASEAN looks forward to continued US participation in several regional forums including the EAS, the ASEAN Regional Forum, and the ASEAN Defence Ministers' Meeting, amongst others. From the ASEAN perspective, it is important for the US to increase interoperability and move beyond simple military cooperation. The benefits of interoperability were recently highlighted by the cave rescue in Thailand where American military help arrived within 24 hours. This is because the US and Thai government have a high degree of interoperability which might serve as an example for the region as a whole.

Ultimately, ASEAN’s goal, which is in line with apparent US interests, is to maintain a balance of powers in the region while ensuring freedom of navigation and stability between and within all AMS.

2. The US is Invested in ASEAN and Two-way Trade Continues to Grow

The US and ASEAN have mutually benefitted from a strong economic partnership in terms of both investment and trade relations for several decades. ASEAN is the biggest destination for US investment in Asia. In fact, in 2017 AMS received more than three times the amount invested in China, and the US receives more investment from ASEAN than from China and India combined (US–ASEAN Business Council, 2017).

Figure 1: US Investment in ASEAN (US\$ million)



ASEAN = Association of Southeast Asian Nations, US = United States.

Source: Data from ASEANstats Data Portal, Flows of Inward Foreign Direct Investment (FDI) by Host Country and Source Country (in million US\$). <https://data.aseanstats.org/fdi-by-hosts-and-sources> (8 July 2018).

According to a US Chamber of Commerce survey, US CEOs are very optimistic about the future of ASEAN and are very supportive of the ASEAN Economic Community; 93% believe the ASEAN Economic Community is important for their future investment plans. According to Vice President Pence, speaking at the EAS in November 2018, US businesses have invested more than US\$1.4 trillion across the Indo-Pacific while upholding the 'highest standards of quality and respect for your sovereignty' (Pence, 2018).

To promote economic engagement with the region, in 2016 the US launched US–ASEAN Connect to provide strategic focus to ongoing and future US economic activities in the region. In the same year, the US and ASEAN ministers signed the ASEAN–US Cooperation in Fostering Transparency and Good Regulatory Practices with the intent of ensuring ASEAN's increasing attractiveness as an investment destination for years to come.

While the projected growth in ASEAN over the next 20 plus years remains high compared with other regions of the world, governance issues will continue to hinder potential US investment if they are not addressed. Transparency and good regulatory practice are thus priorities in order to achieve continuous US investment in the region, and the US should continue to support initiatives that advance these priorities. Both the public and private sectors will be engaged; the public sector mostly through diplomatic and developmental activities and the private sector through investment and trade.

(a) US Investment Grows in Key Sectors: Infrastructure, Manufacturing, Digital, Energy, and Finance

As AMS economies continue to advance to higher stages of development, ASEAN would like to see US investment diversify from the extractive industries to include more manufacturing, infrastructure, digital economy, energy, and finance. In July 2018, Pompeo announced US\$113 million in allocations to 'support foundational areas of the future' in the Indo-Pacific for digital, energy, and infrastructure initiatives (US Department of State, 2018). While this amount may be a bit 'underwhelming' (Daniel

Russel, quoted in Wroughton and Brunnstrom, 2018), it does provide insight into the priority areas for US investment for the overall region, ASEAN included. Pompeo explained that this amount is just a 'down payment' (Wroughton and Psaledakis, 2018) and that the initiatives were meant to spur increased investment from the private sector. Thus, the US\$113 million is anticipated to leverage substantial additional funds in these three sectors.

In fact, US development assistance has undergone a massive overhaul – emphasising the promotion of US private sector investments in developing countries, thus reducing the need for foreign aid. The Better Utilization of Investments Leading to Development (BUILD) Act was signed into law in October 2018, creating the US International Development Finance Corporation (USIDFC) with US\$60 billion of funding to provide loans, grants, and guarantees to US companies that want to invest in developing countries, thus offering a huge potential boost to private investment. The USIDFC even has the right to make equity investments itself.

Ideally, the USIDFC will also support capacity building initiatives that will enable policymakers in the region to enhance national investment climates through addressing governance issues, especially good regulatory practice and harmonisation of rules. The long-term potential for substantial US private investment in ASEAN that could result under this program needs to be taken seriously. Policymakers and the private sector in the US and ASEAN need to work together closely to operationalise this new approach, through public–private partnerships, finance, and training, so that by 2040 current obstacles to investment have been minimised or eliminated.

(b) Trade between ASEAN and the US Remains Strong

Trade between the US and ASEAN is robust and can continue to be strong in 2040. In 2016, ASEAN represented the fourth largest trading partner for the US, with US\$234 billion of trade in goods. In 2015, the US exported more than US\$100 billion worth of goods and services to ASEAN while ASEAN exported just under US\$130 billion to the US

(ASEAN, 2016). ASEAN's large population (639 million in 2016) makes it the third largest market in the world and twice the size of the US (ASEAN UP, 2018). The total gross domestic product of ASEAN reached US\$2.555 trillion in 2016, making it the fifth largest economy after Japan, China, the European Union, and the US. Growth is relatively strong, at 5.1% from 2007 to 2016 (ASEAN, 2017: 43), and is expected to average more than 5% for the decades up to 2050 – thus outpacing Japan and the European Union to become the fourth largest economy in the world after China, India, and the US.

Currently, trade relations follow the ASEAN–US Trade and Investment Framework Arrangement, which serves as a key mechanism to strengthen economic ties between ASEAN and the US, especially in the areas of (i) trade facilitation, (ii) small and medium-sized enterprises development, and (iii) harmonisation of standards. One of ASEAN's priorities from now until 2040 is the promotion of inclusivity, which, in addition to the above three issues, would benefit from improved good regulatory practice, monitoring of non-tariff measures, and expansion of connectivity – all areas where the US can engage as a strong partner.

ASEAN intends to maintain its relative neutrality between China and the United States as the two economic powers search for a new economic equilibrium. Indeed, as stated above, this new dynamic can serve as the impetus for strengthening ASEAN 'centrality'. What is important in terms of the trade relations between ASEAN and the US is that both markets remain open to one another.

3. US and ASEAN in a new international order

'We recognise and support ASEAN Centrality and ASEAN-led mechanisms in the evolving regional architecture. ASEAN and the United States adhere to the rules-based international order that upholds fundamental principles, shared values and norms, and protects the sovereign rights of all States' (US Mission to ASEAN, 2017).

Looking ahead to 2040, ASEAN could be a people-centred region where the benefits of sustainable and inclusive growth are more evenly distributed and the impacts of Industry 4.0 are managed in a manner that optimises equitable development. Stability in the region will become even more important as the global economy becomes more dependent on Asia. Collective leadership is key to maintaining this stability, and ASEAN centrality is at the heart of this collective leadership. Both ASEAN and the US increasingly recognise ASEAN's key role and ASEAN centrality with it. ARIA 2018 states: the 'United States should ... recommit to ASEAN centrality by helping build a strong, stable, politically cohesive, economically integrated, and socially responsible community of nations that has common rules, norms, procedures, and standards which are consistent with international law and the principles of a rules-based Indo-Pacific Community.' (ARIA 2018 Title II, Sec 205 (a) (2)) As the resistance to globalisation continues, ASEAN is starting to ask hard questions about its role in the Indo-Pacific, and even its role on the global stage. In 2019 we expect to see a finalisation of ASEAN's vision of the Indo-Pacific, which will address the former. As a neutral arbiter within the Indo-Pacific, where competition can be rife – sometimes to the point of conflict – ASEAN provides Asia with a safe forum for discussion. That the Trump–Kim meeting was hosted by an AMS in 2018 is the most recent example of the growing importance of this global role.

Underlying the continued good relations between the US and ASEAN is the need for mutual understanding. The US Young Southeast Asian Leaders Initiative (YSEALI) launched in 2013, is the US programme to foster exchange between the US and ASEAN in a manner that builds leadership ability of the youth in Southeast Asia. Increasing commitment to soft power programs like YSEALI would help ensure that the US and ASEAN maintain a strong ties despite the changing global order.

Conclusion

Given the current tensions arising from the China and the US trade war, globalists versus nationalists, and rapid changes in technology – the future cannot be predicted with much preciseness. However, the strong economic ties and a shared belief in a rules-based order that encourages a balance of power in the region, underlies the desire for continuing

strong associations between ASEAN and the US. Key to maintaining this balance is the strengthening of ASEAN centrality while at the same time finding solutions to the challenges that benefit both the nations and the peoples involved.

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Concluding Section: Whither ASEAN Institutions, including ASEAN Secretariat?

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By 2040 ASEAN is expected to realise its goal of a people-oriented, people-centred, rules-based community – a region of one vision, one identity, one community, where no one is left behind.

It will be a region where member states will be fully engaged in enhancing its community building efforts, to the extent that 'I am ASEAN' is uttered in the same breath as 'I am Bruneian', or Cambodian, Indonesian, Laotian, Malaysian, Myanmaris, Filipino, Singaporean, Thai, or Vietnamese.

So how will this be achieved? ASEAN can go from platitudes to reality by addressing this challenge from at least three perspectives: the people perspective, the business perspective, and the political perspective. A key element will be the institutional strength to effectively support the region's goals.

This final section will recapitulate the aspirations of and challenges for the region from these three perspectives and highlight the way forward through institutional reform.

An ASEAN Citizen

'We need more appropriately mandated ASEAN Centres and programmes in all AMS so that there can be more visibility, proximity and joint ventures with like-minded Dialogue Partners and non-ASEAN bodies. NGOs in ASEAN require more resources for their work. Existing bureaucratic processes can be eased up to facilitate availability of funding for such NGOs in people-related activities.'

Amb Ong Keng Yong

'The ASEAN enterprise cannot be the invention of the elites, or a diplomatic feat of a few, but it will have to be an open space for interaction of the majority of peoples... To continue to thrive in the next 50 years, ASEAN will have to be more equitable in its prosperity, egalitarian and democratic in its domestic power relations and cohesive in its posturing towards global challenges.'

Dr Surin Pitsuwan

'Moving forward, the human dimension of ASEAN cooperation and integration to enrich its people from all walks of life will become indispensable to the ASEAN project.'

Amb Le Luong Minh

The challenge is to put ASEAN at the top of the mind of all citizens of the region. This calls for a multi-dimensional approach to make it relevant for schoolchildren, youth, the elderly, people with different abilities, members of civil society, and the media.

It requires a review of how the ASEAN bodies both at the national level and within the ASEAN Secretariat work and support each other; as well as of the substance of the collaboration. The review and substance of the collaboration should cover core aspects of, but not be limited to, education, disaster management, health, consumer and environment protection, and sustainable development. The institutions must support initiatives to engage people in the region and make them feel and think ASEAN.

The Business Community

The challenge for ASEAN is to ensure that the region continues to be an attractive place to do business. This challenge arises from technological advancement and disruptive technologies which impact productivity and innovation, and how business is conducted.

ASEAN bodies that deal with economic matters – such as the Coordinating Committee on the Implementation of the ASEAN Trade in Goods Agreement (CCA), the Coordinating Committee on Services (CCS), the ASEAN Chamber of Commerce and Industry (CCI), as well as the ASEAN sectoral bodies (for transport, standards and conformance, customs, etc.) – need to evolve and change while working to ensure the effective implementation of agreements and commitments. Regulation, processes, and procedures in the region must reinforce the fact that ASEAN is business friendly. In the face of these challenges, empowering the Secretariat so that it can play a more active role in driving and supporting the efforts towards a single and competitive ASEAN market becomes even more compelling.

The Politics

After the ASEAN charter took effect at the end of 2008, huge power shifts in the international environment caused much disruption. ASEAN now finds itself in a highly unpredictable world with major powers competing and intensely engaged in diplomatic and trade ‘wars’.

This makes it more urgent for ASEAN to accelerate the establishment of ASEAN-led regional architecture in both the economic and security spheres. The evolving power dynamics call for ASEAN to review its mechanisms for intra and inter-ASEAN integration, as well as its role in international organisations.

Constructing Regional Architecture

To be a credible regional leader ASEAN needs effective ASEAN bodies, driven by political will.

ASEAN Secretariat

Institutional transformation is necessary. ASEAN leaders have been discussing the need to increase the overall capacities of the Jakarta-based ASEAN Secretariat (ASEC) to cope with emerging challenges, real or imagined. Although various recommendations have been made, changes in the ASEC have been too little and too slow. Going forward, the ASEC must be reinvigorated, if necessary restructured, to increase the effectiveness of cross-cutting planning, coordination, and implementation across the three pillars – economic, political/security, and social/cultural.

The evolving geo-political and economic dynamics call for an effective and efficient ASEC, one that is agile enough to promptly adjust and respond to the changing global environment, and one that can effectively support and advise ASEAN Member States.

As it stands, the ASEC is quite capable of dealing with economic issues. But ASEC’s capacity to engage Dialogue Partners in non-economic areas

needs to be strengthened. Although the ASEAN Regional Forum (ARF) unit was established in 2003 within the ASEC, it needs to be made more effective.

Recently, another unit related to EAS (External Relations Division 1) has been established at the ASEC. More area experts and researchers are urgently needed to follow up on regional and global issues that require strong ASEAN voices and consensus. It is highly likely that EAS will soon evolve into a genuine ASEAN-led regional security organisation. A stronger ASEC would strengthen ASEAN centrality in a multi-polar world.

Promoting seamless ASEAN Community integration

To prepare for community-building, the ASEAN Charter created five new organs to improve ASEC's overall efficiency and coordination: the ASEAN Coordinating Council (Article 8), the ASEAN Political–Security Community Council, the ASEAN Economic Community Council, the ASEAN Socio-Cultural Community Council (Article 9), and the Committee of Permanent Representatives to ASEAN (Article 14). And Article 44 of the ASEAN Charter has a provision for the intensification of cooperation with ASEAN external partners.

These organs are supposed to help ASEAN members to fully implement all rules, procedures, and action plans. To do so, the various councils must synergise with one another. The number of ASEC's professional staff members should be increased and their mandates expanded to facilitate their activities. At this juncture, the ASEC is more in tune with the ASEAN Economic Community because of its growing involvement in economic-related meetings and projects involving ministers and senior officials, and in working groups in preparation of meetings and monitoring implementation of ASEAN commitments.

If ASEAN is to be a leading force in the years ahead, it must assess the relevance of the various ASEAN bodies, in the following areas:

1. Alignment and coordination;
2. Strengthen ASEAN Leadership or ASEAN collective leadership;
3. ASEAN Summits;
4. Ministerial and Councils;
5. Review ASEAN Way of decision-making;
6. Joint Consultative Meeting (JCM);
7. Committee of Permanent Representative;
8. ASEAN Centrality; and
9. Sub-regional groupings.

Promoting ASEAN engagement on global issues

Foreign leaders visiting the ASEC often urge ASEAN leaders to play a more active role in regional and global affairs, such as climate change, disaster management, pandemic diseases, nuclear disarmament, economic development, and United Nations reforms. They also would like to help the ASEC so that ASEAN can participate actively in the global discussions around these matters. New units must be created to liaise with foreign partners in tackling new issues. It is important to note that ASEAN is now a leading discussant in two global issues: sustainable development and nuclear disarmament.

ASEAN is represented in the G20 meeting and specific meetings all year round. ASEAN should make its voice heard on the global stage concerning political and social issues.

To prepare for the new challenges posed by the possible reframing of the Asia–Pacific to Indo–Pacific region, ASEAN must increase consultations at all levels and coordinate closely the region’s views and cooperative projects. As major powers in the Indo–Pacific region have unanimously called for a stronger ASEAN role and voice through their support of ASEAN centrality, ASEAN has to adopt pro-active policies and earn their trust.

The ASEC also has to engage various international organisations and advocacy groups such as the World Bank, the International Monetary

Fund, the African Union, the OSCE, Human Right Watch, and Amnesty International.

Role of ASEAN Secretary-General

With the ASEAN Charter up for a general review, the expansive role of the ASEAN Secretary-General must be re-examined. One major task that requires greater focus is engaging ASEAN civil societies and non-government sectors. The Secretary-General must be given the autonomy to take new initiatives in humanitarian and disaster management without prior consultation with the ASEAN leaders. Since both making ASEAN more people-centred and sustainable will dominate ASEAN's agenda in the years and decades ahead, the Secretary-General must be empowered to engage the public at large.

Conclusion and recommendations

As ASEAN contemplates its vision and aspirations in the light of global, regional, and technological developments, it would be useful to take the narrative to a more granular level and consider what needs to be done. What are the implications for ASEAN bodies and the ASEAN Secretariat? How feasible would it be to have several supranational bodies in ASEAN overseen by an inter-governmental organisation? At the same time, there may be a need to strengthen the national secretariats considering that the ASEAN blueprints and strategic plans require that the ASEAN commitments be embedded in the policies and programmes of each ASEAN Member State.

In light of these, the following would have to be prioritised:

- i. ASEC's organisational structure and governance need to be reviewed. The review should cover all the ASEAN bodies, including the committees across the three pillars. The review should take into consideration two options – an ASEC that is empowered (supranational); or an ASEC that is strengthened with an enhanced role.
- ii. Staffing: regardless of the options, ASEAN needs an ASEC which is managed by professionals and staffed by technocrats.
- iii. Funding: A new funding model for the Secretariat to enable it to recruit the right staff, in the right numbers, and to build the right systems to drive integration. The current funding level of roughly US\$20 million a year is not enough. The Asian Development Bank estimates that, by 2030, the ASEAN Secretariat will need an annual budget of US\$220 million to manage the ASEAN Community effectively. The following are possible options for funding that might be considered:
 - (i) United Nations model – contributions linked to the economic size of countries;
 - (ii) World Trade Organization model – contributions linked to world trade;
 - (iii) Others.