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Indonesia and the 2011 ASEAN Chairmanship: Priorities and Prospects

Background

As of 1 January 2011, Indonesia assumed the chairmanship of the Association of South East Asian Nations (ASEAN). With the growing importance of Southeast Asia in the global arena, hopes are high that Indonesia will seize the opportunity to push for concrete improvements toward the establishment of the ASEAN Community in 2015, as well as to promote democratic values and respect for human rights in the region. At the start of its chairmanship, Indonesia has proposed three main agendas, namely: to ensure progress in the implementation of ASEAN Community Blueprints; to enhance ASEAN's roles in regional architecture; and to develop an ASEAN community vision in a global community of nations.

The plan proposed is ambitious and it is legitimate to ask whether such a plan could be realistically achieved within one year. Nevertheless, as we go past the half-year mark of Indonesia's Chairmanship, it is important to take stock of progress that has been made towards the establishment of the ASEAN Community, particularly in the areas of economic, political and security integration, as well as to identify problems and challenges that still need to be addressed. For this purpose, this policy brief will first look at the progress that has been made towards the establishment of an ASEAN Economic Community (AEC) and an ASEAN Political and Security Community (APSC) and the challenges that still need to be addressed in the future, followed by recommendations. The second part will look at the issue of ASEAN beyond 2015, in order to assess the issues that potentially need to be tackled by ASEAN member countries following the successful establishment of an ASEAN Community in 2015.

Progress towards the Establishment of ASEAN Community

The idea of an ASEAN Community originated as early as 1997 with the establishment of the ASEAN Vision 2020, which places emphasis on the establishment of ASEAN as "a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies." This vision has since then crystallized and gave birth to the establishment of an ASEAN Community by 2015, which will be based on three pillars, namely: ASEAN Political-Security

Community (APSC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC).

The roadmap for the establishment of the Community is described in the Cha-am/Hua Hin Declaration on the Roadmap for the ASEAN Community (2009-2015), which consisted of three Blueprints for the establishment of the APSC, AEC and ASCC, in addition to the Initiative for ASEAN Integration (IAI) Strategic Framework and IAI Work Plan 2 (2009-2015).

The ASEAN Economic Community (AEC)

The blueprint for the establishment of the ASEAN Economic Community consists of four implementation periods. In order to track the progress of the AEC, a score-card mechanism was developed to monitor the implementation of measures listed in the AEC blueprint. The first implementation period has just been completed and according to the first AEC scorecard which was published in 2010, ASEAN had achieved 75.5% of its total targets for that period. The rest of the 25% was mainly due to the non-implemented measures involving the ratification of economic agreements related to trade in goods, investment, transportation and cosmetics.

ASEAN member countries are now faced with some serious challenges to achieving progress in the second implementation period. The first is related to the ratification of economic agreements by member countries. ASEAN member countries not only need to quickly ratify standing economic agreements, beyond that, they must also work out a way to transpose these regional commitments into national obligations. Most often, gaps exist between commitments at the regional level and policies at the national and even local levels.

Another major challenge is the inclusion and active participation of the business community in ASEAN countries. The business sector, which stands to benefit the most from the ASEAN economic integration process, should be more actively involved in the integration process. However, most ASEAN businesses view the AEC with caution. This is partly caused by the disappointment in the slow pace of the implementation of AEC, and also due to the lack of awareness of ASEAN agreements among the business community.

A final issue that needs to be addressed with regard to the implementation of the AEC blueprint is the issue of a language barrier. New and less developed member countries in particular are struggling with the use of English language in formal ASEAN documents. This consequently leads to problems since the governments of these countries need to ratify and adopt ASEAN agreements at the national level.

Of course when we discuss about the process of ASEAN economic integration, we also need to discuss the position of ASEAN in the regional economic architecture. Over the decades, the global economic architecture has undergone several significant changes. Prior to the global economic crisis, the global economic architecture was overseen by the G7/G8

processes. However this structure failed to reflect the rise of economic and political power of emerging markets, particularly in Asia, namely, China and India and therefore lacked legitimacy. Following the global economic crisis, major powers moved quickly to upgrade the G20 Finance Minister system into a summit meeting of the Heads of Governments and States, effectively transforming it into the premier forum for international economic cooperation.

The question now is what kind of global economic architecture will we have in the future and what will be the role of ASEAN within it. Taking into consideration developments in various regions around the world, there seems to be a tendency towards the establishment of regional economic institutions (Arab Monetary Fund, Latin American Reserve Fund, European Systemic Risk Board, and European Monetary Fund) to complement global institutions. Several advantages behind the shift towards a more decentralized global economic architecture have led to the proliferation of these regional economic institutions. Firstly, public goods relevant to a region would be supplied by a regional entity. Secondly, regional major powers are more willing to take the lead in regional bodies before global ones.

Given the current tendencies in the global environment, the question is what can ASEAN do to respond to current trends while maintaining its centrality in the region? The first step to address the increasing demand for decentralized economic institutions has been taken through the establishment of various new regional economic mechanisms (the AEC, the ASEAN+3 Macroeconomic Surveillance Office, the Chiang Mai Initiative, the Asian Financial Stability Board), multiple Asia-wide free trade agreements (ASEAN+1 FTAs, including ASEAN+ Korea in 2007, ASEAN+ Japan in 2009, and ASEAN+ China, ASEAN+ India, and ASEAN+ Australia and New Zealand in 2010). The next step in this direction would be the development of an East Asian Comprehensive Economic Partnership Agreement (CEPEA) and East Asian FTA and moving beyond ASEAN Connectivity to Asia-wide Connectivity.

A further role ASEAN can play in the current global environment is to facilitate a synergy between regional mechanisms and global ones. For example, global financial safety nets currently being developed by the IMF (for example, the Flexible Credit Line and the Precautionary Credit Line) should be complementary to the Chiang Mai Initiative, and various regional trade agreements should not impede progress in the WTO. Lastly, ASEAN should also strive to make its voice heard more in the G20 meetings.

Recommendations for the Establishment of the AEC

Taking into consideration the challenges elaborated above, the following recommendations are proposed to support the establishment of an envisioned AEC by 2015:

- 1 Speed up the process of ratification of economic agreements among ASEAN member countries, and the adoption of regional economic commitments into national obligations and related policies at the local level. In order to avoid gaps in policy,

commitments and policies developed at the national and local levels should focus on the core elements of the agreed economic agreements at the regional level.

- 2 In order to support the first recommendation, a joint effort must be made to increase the capacity of policy makers in the new and lesser developed member countries, particularly in the mastery of the English language, as it is widely used in formal ASEAN documents and agreements.
- 3 Socialization of the AEC blueprint, timeline and related ASEAN agreements to the business community in order to address the current information gap between the two parties and to promote more active participation of the business community in the ASEAN economic integration process.
- 4 ASEAN must focus on the development of Small and Medium Enterprises (SMEs) and their integration into the AEC building process taking into consideration that SMEs form the backbone of the economy in many ASEAN member countries being both a source of income and also employment.
- 5 Ensure that regional and global economic institutions complement each other, while ensuring ASEAN attains a position of regional centrality in various regional forums, particularly the G20 Summit. The latter could be achieved through lobbying for regular participation of ASEAN Chair at the G20 Summit, and through pre-meetings with EAS group (ASEAN+6) or expanded ASEAN+3 to consolidate members' views prior to the G20 Summit.

The ASEAN Political Security Community (APSC)

As in the case for the establishment of the two other pillars of the ASEAN Community, the roadmap towards the establishment of the APSC has been determined in the APSC blueprint. If we look at the historical background behind the establishment of ASEAN, the institution was not merely established as a response towards the Cold War geopolitics in Southeast Asia at that time. ASEAN was also born out of its original founding members' need to determine the region's future on their own terms. As such, and given the different social, political and economic backgrounds of its member countries, the APSC is an important project, as it aims at the creation of a rules-based community with shared-values and norms.

While no score-card mechanism has been devised for the APSC, there has been some progress towards the development of the APSC, including the establishment of ASEAN Intergovernmental Commission on Human Rights (AICHR) and the signing of a Mutual Legal Assistance Treaty in Criminal Matters among the member countries. Another important milestone is that although ASEAN remains a collection of sovereign states, there is now a more common understanding among ASEAN countries toward key principles – such as democracy, good governance and respect for human rights, as well as greater sense of responsibility to the region vis-à-vis national interests.

Nevertheless ASEAN still faces many challenges in the political and security arena. There are three major challenges that ASEAN must address simultaneously, namely: consolidating the community building process, building the regional security architecture, and developing engagement with the global community. Given the transnational nature of contemporary security issues, ASEAN must develop mechanisms that can deal effectively with existing challenges. ASEAN's ability to respond to strategic-political issues will determine the degree of success of the APSC. However, efforts in one area must not undermine efforts in other areas. Therefore, the efforts to build the regional security architecture should not hamper the process of ASEAN's community building, and likewise, ASEAN's engagement with the global community must not undermine efforts to resolve its regional challenges.

A potential flashpoint for ASEAN in the political and security arena is potential border disputes between member countries. The recent Thai-Cambodia border dispute exemplified the inadequacy of ASEAN's current conflict resolution mechanisms. Another potential flashpoint is the South China Sea dispute. It is fair to say that the South China Sea dispute remains the main irritant in ASEAN-Chinese relations. Despite the deepening of economic and diplomatic ties between the two parties, the South China Sea dispute remains a problem that significantly affects ASEAN's climate of relations with China, as the dispute not only affects the climate of relations between China and the disputing Southeast Asian countries, but also the overall climate of relations in the region. We can assume that this will continue in the future due to growing asymmetries of economic and military power, particularly naval power, to China's advantage. If left unchecked, the dispute will create unease in Southeast Asia, especially between China, Vietnam, and the Philippines, and may ultimately lead to the emergence of a security dilemma.

The complexity of the overlapping territorial claims makes it unlikely that an ultimate resolution of disputes can be achieved in the near future. As a result, the next best alternative, and the one that ASEAN has been focusing on is to engage in conflict management or conflict prevention. While ASEAN has often been criticized for sweeping the problem overlapping territorial claims under the carpet and not addressing the core causes of conflict between its members, it has nevertheless proven itself to be capable of improving the climate of relations between its members by offering good offices.

In the context of Indonesia, it is worthy to note that in the early 1990s, Indonesia held a series of South China Sea workshops organized by veteran Indonesian diplomat, Hasjim Djalal. The main lesson learned from the Workshop was the imperative need to move beyond the issue of sovereignty, because sovereignty questions were unlikely to be resolved and addressed successfully. Instead, disputing parties were encouraged to focus on a series of problems that could not be resolved without some form of cooperation, for example, the protection of marine environment, illegal activities at sea, search and rescue operations and improvement of navigational safety in the South China Sea.

Some degree of progress has been achieved with the signing of the ASEAN-China

Declaration on the Conduct of Parties in the South China Sea (DoC) in 2002 and China's accession to ASEAN's Treaty of Amity and Cooperation in 2003. A plan of action was also adopted in November 2004 and a joint working group was established in December 2004 to formulate recommendations on guidelines and the action plan for the implementation of the 2002 DOC and specific cooperative activities in the South China Sea. However, such progress seems to be rendered moot by recent turn of events. Current tensions were generated, in part, after Vietnam and Malaysia submitted their claims for extended continental shelves in the disputed area, following a deadline set by the UN Commission on the Limits of the Continental Shelf in May 2009. China protested against the submission and in return submitted a map of the South China Sea containing nine dotted lines forming a U-shape that cut deeply into the Exclusive Economic Zones of the neighbouring littoral states. The map did not seem to have any basis under the 1982 United Nations Convention on the Law of the Sea (UNCLOS), which China said it respected, and could be interpreted as a claim on all maritime areas that lie within the dotted lines. As such, China's claim not only created anxiety among the claimant states, but also among other Southeast Asian countries. The tension was worsened by the growing asymmetry in military power between the disputing states, complemented by more assertive and nationalistic tendencies.

Given the mounting tension and high potential for conflict in the area, it is then more beneficial to push the disputing parties into negotiating a Code of Conduct that would be dedicated to the prevention of armed conflict in the disputed areas instead. In addressing the 44th ASEAN Foreign Ministers Meeting in Bali on July 19, President Yudhoyono argued that a Code of Conduct regulating actions in the South China Sea would be a significant statement of intent by ASEAN and China to the world that "the future of the South China Sea is a predictable, manageable and optimistic one". A useful starting point to realizing such outcomes has been taken with ASEAN and Chinese officials concurring to a set of guidelines for cooperation. Yet, are these guidelines specific enough? The reason being, finalizing such guidelines will lay the groundwork for embarking upon the critical phase of specifying the key components constituting a Code of Conduct. Without the guidelines, the DoC remains merely a statement of intent. It is the Code of Conduct that will demonstrate unequivocally what the parties are actually prepared to commit themselves to accomplishing thereby adding substance to the DoC's pronouncements.

Two concerns however must be ensured. First, the Code of Conduct will not be a mere political statement without any real mechanisms to prevent disputes from occurring. Second, disputing parties must demonstrate their willingness to keep nationalism in check. The governments and the military in particular must refrain from overplaying the nationalism card with their respective domestic audiences.

Recommendations for the Establishment of the APSC

Taking into consideration the challenges elaborated above, the following recommendations are proposed to support the establishment of the envisioned APSC by 2015:

1. Unlike the AEC which developed a score-card mechanism to track the implementation of measures enlisted in the AEC blueprint, there is currently no way to carry out similar measurement for the APSC. While devising a similar score-card for the APSC might be problematic, due to the fact that it would be more complicated given the difficulties to draw measurements and timelines regarding key points of the APSC Blueprint, it is important to track the implementation of the APSC blueprint and to socialize them in order to build confidence and trust among the member countries, not only among the policy makers and diplomatic circles, but also at the community level.
2. Despite progress in the establishment of the AICHR, several important tasks remain to be resolved in order to have a functioning body. The AICHR's Five-Year Work Plan has already been established, although it still needs to be properly socialized to the public. Another pressing issue is the establishment of the Rules of Procedure for the AICHR, which may regulate on how the AICHR can receive inputs from the civil society and also perhaps to 'investigate' serious violations of human rights in the region.
3. In line with the ultimate goal of establishing an ASEAN Community, ASEAN must strive to transform its image from a diplomatic community into a people-centered community. In order to do this, ASEAN needs to establish mechanisms that would allow better engagement in all the Community pillars with civil society elements within ASEAN countries.
4. Regarding the issue of the South China Sea, ASEAN countries must present a united front to convince the Chinese government to upgrade the existing joint working group into a senior officials meeting and to start the process of drafting the Code of Conduct.

ASEAN Beyond 2015

While ASEAN seems to be on course to establish the ASEAN Community by 2015, an important agenda that has been raised by Indonesia in its current chairmanship is to start thinking about the medium-term focus of ASEAN, in other words to start thinking about ASEAN beyond 2015.

One important issue related to this agenda that has received a lot of attention from policy makers and academics alike is to make sure that ASEAN's centrality would not be undermined by the new dynamics or power shift in East Asia. Within this framework, Indonesia has been pushing other member countries to acknowledge the need for a common ASEAN platform that would provide the foundation so that ASEAN can actually speak with greater coherence in responding to global issues.

However, there are a number of issues that need to be discussed by ASEAN countries before ASEAN can have such common platform. First, ASEAN countries need to continue the

current debate among member states with regard to ASEAN's positioning in the new emerging regional architecture, especially within the context of the rise of China and great power competition that is now occurring in the region. In general, ASEAN countries acknowledge the need to actively engage both the United States and China through a multilateral framework. Due to the lack of active military balancing, regional analysts have called the efforts along this line as soft balancing, while others have used the term hedging. The Indonesian Foreign Ministry uses the term dynamic equilibrium. Whatever the term used, it is a process through which middle power states like the ASEAN countries can play a proactive role in the region by engaging both China and the United States, as well as other major powers in the region, in order to mitigate the potential for conflict and to encourage them to have a greater stake in the region's social, economic and political stability.

Within this framework, it is therefore important for ASEAN to take into careful consideration the benefit of Asia-wide forums such as the East Asia Summit. If ASEAN truly wants to maintain its centrality in the region, it must have a clear position and road map for the Summit in order to maintain its position within the larger regional architecture in East Asia.

The second issue that ASEAN needs to consider relates to the formulation of a common platform particularly in defining its relationship with the United Nations (UN). Presently, steps toward achieving this objective have been taken through the drafting of the ASEAN-UN comprehensive partnership.

A third issue is that ASEAN countries need to start discussing the possibility of taking collective action on global issues, such as trade, finance, climate change and human rights. The strengthening of ASEAN's capacity to act collectively is inexorably linked with the ASEAN Community building processes and the consolidation of ASEAN itself. However, in the ASEAN context, there is a danger that such process may very well lead ASEAN into following the path of its most conservative member. Therefore, flexible mechanisms need to be built into the deliberation process, with for example the possibility for member state to opt-out of certain actions – as in the case of European Union – so as not to impede the overall progress of ASEAN.

The latter brings us to a key issue that ASEAN needs to consider as a priority as part of their beyond 2015 agenda, namely the strengthening of the ASEAN Secretariat. The need to strengthen the Secretariat has been consistently articulated both in 2006 and again in 2007 when the ASEAN Partnership Group (APG) incorporated this aspiration within the ASEAN Charter. There have been a number of suggestions starting from the contribution of member states to the type of the structure needed in the ASEAN Secretariat with the hope that the ASEAN Secretariat by the 2015 will be able to adequately support ASEAN to play a greater role in the global community of nations.

The last issue that ASEAN should consider beyond 2015 is increasing the general public's awareness of ASEAN and improving their sense of ownership in ASEAN. There is a worrying trend today, particularly among the younger generation, that ASEAN has become

obsolete, a waste of their country's time and money. While policy makers in Indonesia enthused about the importance of ASEAN as the country's important cornerstone in foreign policy, many Indonesian students and academics have also called upon the country to distance themselves from ASEAN with equal fervour. Indonesia is not alone in this sense. Studies indicate that knowledge on ASEAN and the popularity of ASEAN is highest among the young generation of the new member states. High school students in Thailand, one of the founding members of ASEAN, came in last in terms of knowledge about ASEAN. A younger generation in Thailand also increasingly relate to countries outside the region when identifying their interests. The situation is somewhat comparable to Europe, where the European Union gains less support in France or Germany. However, this issue becomes a critical issue to be addressed. After all, without its people, the envisioned ASEAN Community will be nothing more than pure political rhetoric.

About the Report

This policy report by the Indonesia Programme of the S. Rajaratnam School of International Studies (RSIS) at Nanyang Technological University (NTU) was based on the proceedings of a one-day seminar entitled, “Indonesia and the 2011 ASEAN Chairmanship: Priorities and Prospects”. The seminar was held on 4 May 2011 at the Traders Hotel, Singapore, and was jointly organized by RSIS, the Asia Foundation (TAF) and the Center for Strategic and International Studies (CSIS), Jakarta. Eight speakers from Indonesia, Singapore, Malaysia, Thailand and Vietnam were invited to speak at the event. They were: Ms Sanchita Basu Das (Lead Researcher, Economic Affairs ASEAN Studies Centre, Institute of Southeast Asian Studies, Singapore), Dr Pradumna Rana (Associate Professor, RSIS, NTU, Singapore), Ambassador Hazairin Pohan (Ministry of Foreign Affairs, Indonesia), Dr Suriya Chindawongse (Minister Counsellor, Department of ASEAN Affairs, Ministry of Foreign Affairs, Thailand), Mr Tran Viet Thai (Assistant Director General and Director, Center for Regional and Foreign Policy Studies, Diplomatic Academy of Vietnam), Dr Rizal Sukma (Executive Director, Center for Strategic and International Studies, Indonesia), Dato’ Ku Jaafar Ku Shaari (Director General, Institute of Diplomacy and Foreign Relations, Ministry of Foreign Affairs, Malaysia), and Dr Ralf Emmers (Associate Professor, Acting Head of the Centre for Non-Traditional Security Studies, RSIS, NTU, Singapore).

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About the Organizers

The S. Rajaratnam School of International Studies (RSIS) was officially inaugurated on 1 January 2007. Before that, it was known as the Institute of Defence and Strategic Studies (IDSS), which was established ten years earlier on 30 July 1996. Like its predecessor, RSIS was established as an autonomous entity within Nanyang Technological University (NTU). RSIS' aim is to be a leading research institution and professional graduate school in the Asia-Pacific. To accomplish this mission, RSIS provides a rigorous professional graduate education in international affairs with a strong practical and area emphasis; conducts policy-relevant research in national security, defence and strategic studies, international political economy, diplomacy and international relations; and collaborates with like-minded schools of international affairs to form a global network of excellence.

The Indonesia Programme is one of nine active research programmes under the umbrella of IDSS. The Programme studies current developments and a wide range of key issues in the archipelago, including political Islam, military and security affairs, foreign policy and regional relations, as well as national and local politics – especially in the Riau region. Through various research, networking, and teaching activities, the Programme has not only provided a platform for networking between the Singapore policy community and the emerging political elites in Indonesia, but it has also tried to further deepen mutual understanding and closer friendship between the two neighbours.

The Asia Foundation is a non-profit, non-governmental organization committed to the development of a peaceful, prosperous, just, and open Asia-Pacific region. The Foundation supports Asian initiatives to improve governance, law, and civil society; women's empowerment; economic reform and development; sustainable development and the environment; and international relations. Drawing on nearly 60 years of experience in Asia, the Foundation collaborates with private and public partners to support leadership and institutional development, exchanges, and policy research. With 18 offices throughout Asia, an office in Washington, DC, and its headquarters in San Francisco, the Foundation addresses these issues on both a country and regional level. In 2010, the Foundation provided more than \$98 million in programme support and distributed nearly one million books and journals valued at over \$42 million.

The Centre for Strategic and International Studies (CSIS) in Jakarta is an independent, non-profit organization focusing on policy-oriented studies on domestic and international issues. It was established in 1971 with a mission to contribute to improved policy making through policy-oriented research, dialogue, and public debate. CSIS research and studies are channelled in various forms as independent input to government, universities and research institutions, civil society organizations, media, and business. In the wider Asia-Pacific region, CSIS is also actively involved with regional and international networks of track-two institutions and think-tanks that interact with intergovernmental activities. The institution also has a longstanding commitment to public education through a variety of avenues,

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