2 Mapping ASEAN Integration

Introduction

Every decade can be defined and distinguished by epochal events. The fall of the Berlin Wall in 1989, the dissolution of the Soviet Union in 1991, the 1994 Mexican crisis, the 1997 Asian financial crisis, the 1998 Russian crisis, the 2001 Internet bubble, and the 2008 Great Recession are arguably the pivotal events that have characterized the political and economic landscape of their respective periods (Reinhart & Rogoff, 2009; Guillen & Esteban Garcia-Canal, 2013; Booth, 2014). Moreover, during these past twenty years, the rise of emerging markets, notably the BRIC countries (Brazil, Russia, China, and India) has significantly shifted the epicenter of global commerce from developed markets to emerging and developing countries, providing new imperatives for strategy, business, and practice. Even so, narratives about emerging markets in Asia tend to highlight the market potential of China and India and deemphasize the resurgence of Southeast Asia.

This lack of attention to Southeast Asia is no accident but is rooted in its history. Specifically, the concept of a Southeast Asia region is a contested one among scholars (Lieberman, 1995; Acharya & Rajah, 1999; Evers, 1999; Acharya, 2012). Apart from their geographical proximity, spatial concentration, uneven economic development, varying sociocultural characteristics, and identity as colonies of Western powers, there was little to bind the countries together as a region (Acharya, 2012; Roberts, 2012). In fact, if there is any unifying characteristic, it is the diversity of the countries in the region (Acharya, 2012). Even so, it is questionable whether sheer diversity, as exemplified in differences in geography, sociocultural elements, and economic development, is a coalescing factor of consequence for regional identity (Acharya, 2012:10). After all, it is argued that if regional identity is marked by diversity and differences, how can this advance any momentum toward integration?

Accordingly, a contemporary thread proposes a definition based on social constructivism that goes beyond geographic/sociocultural/
economic attributes of a region. Constructivism includes mental and ideological constructs that evoke unity ("imagined communities" or "regions created by simply imagining them in existence") (see Acharya, 2012: 22-23) and political commitment, or outright declarations of integration (Katzenstein, 2005; Chachavalpongpun, 2006), as the new defining elements. An even more recent proposal by Roberts (2012) raises the standard in situating cooperation and institutionalization as the binding elements of a security community. In this case, collective security against external factors is regarded as the defining factor in any regional integration.

In this context, ASEAN is a formal enactment of a proposed regional bloc underpinned by shared and binding economic, sociocultural, and institutional activities. ASEAN seeks to obviate differences and diversity in favor of purposeful interaction and engagement. The extent to which ASEAN becomes a truly regional bloc will depend largely on the successful accomplishment of these binding activities. In this chapter, we discuss historical events leading to the formation of ASEAN. But to what extent might these proclamations be supported by previous historical decisions? In response, the core argument of this chapter is that the histories of economic, political, and institutional development are tightly coupled and intertwined. One cannot be completely understood without the others. Moreover, their effects are systemic and consequential. As such, historical events earmark precipitating decisions that have some bearing on both the current and the future shape of ASEAN. Even so, this chapter should be read principally as a background to ensuing chapters, not as a comprehensive discourse on what regionalism is or might be. This latter issue is discussed in authoritative works on this subject cited in this chapter (Acharya, 2012; Das, 2012; Roberts, 2012).

ASEAN: The Legacy of Colonial Past

With the exception of Thailand, all other members of ASEAN were subjected to colonial rule. Without question, the territorial boundaries and competitive landscape of present-day Southeast Asia bear testimony to decades of colonial or imperialistic rule. Colonialization was famously enacted when the Treaty of Tordesillas in 1494 formally divided the world outside Europe to be explored by Portugal and Spain. Earlier, Christopher Columbus had sailed forth and laid claim to the Americas.

1 For a comprehensive account of the histories of each ASEAN country, refer to Lim (2004) and Osborne (2013).
Following this treaty, a series of seafaring expeditions intensified, ushering in the Age of Exploration, which was punctuated by the voyages of Vasco de Gama, who discovered a direct sea route to India, Ferdinand Magellan, who was first to circumnavigate the world, and Hernando Cortez, who encountered and successfully occupied the Aztec world. Eventually, the Dutch, British, French, and a host of European countries joined the fray. In storied narratives, the objectives of such exploration was to open up new trade routes, secure much-needed spices and supplies that were unavailable in Europe, and evangelize the Christian faith (Chanda, 2007). But, in actual events, there was a dark side to exploration when initial motivations for trade and exchange gave way to plunder and conquests (Isbister, 2006). The age of colonial occupation and imperialism had set in.

John Isbister, in *Promises Not Kept: Poverty and the Betrayal of Third World Development*, argues outright:

Imperialism let loose the social forces that generated the poverty that is the current common denominator of third world countries. It created the national boundaries of most third world countries. It provided their national languages. It was the source of the ideologies that drive many of the political movements of the third world. It laid out the trade patterns and transportation networks that frame third world economies. It called forth the plantations, the mines, and the primary local crafts and manufactures. It pulled millions into urban slums and posed opportunities for new elites to accumulate wealth and power. The imperialists brought with them public health measures that lowered mortality and caused unprecedented population explosion in the third world. (2006: 66)

The extent to which this assertion applies to Southeast Asia and countries that comprise ASEAN is varied and complex, ranging from arms-length trading relations to oppressive subjugation, but there is no denial that colonialization was both disruptive and transformative. Its far-reaching ramifications extend to the volatility of ASEAN economies and the nuances of political commitment that can influence the future dynamics of ASEAN regional integration.

In the case of Brunei, the country experienced the full spectrum from simple trading relations with the Portuguese to military skirmishes with Spain and eventual occupation by the British from 1888 to 1984.³ Cambodia started off as a protectorate of France that culminated in French Indochina, which gained independence during World War II. With the establishment of the Dutch East India Company in 1602, the Dutch occupied Indonesia up to the time of World War II, specifically in 1945.

³ See Lim (2004: 8–11). This section also draws from various Wikipedia accounts on each of the ten countries.
The Antecedents of ASEAN Integration

when Indonesia formally declared independence. Long a protectorate of France, Laos became an independent country in 1953. Following the unification of various countries into the Pagan Empire, Myanmar (Burma) became a province of India under British rule in 1824, but became independent in 1948. The Portuguese, Dutch, and British took turns occupying Malaysia, but not before the passage of Muslims and the adoption of Islam had taken root. The Philippines traces its early colonial roots to Spain with the arrival of Ferdinand Magellan in 1521, and the country remained under Spanish rule up until 1898, when the Americans defeated Spain and occupied the country until 1945, when it declared formal independence as a sovereign nation. Singapore emerged as a trading outpost under the auspices of British Sir Stamford Raffles in 1818 and was a part of the Federation of Malaysia before racial tensions led to the country’s expulsion in 1965. Vietnam was under the French up until 1954, when the country was demarcated into the North and the South, with North Vietnam effectively defeating the French and the United States in 1973. Thailand was the only country that did not experience colonial rule because European powers felt it necessary to keep the country neutral in colonial affinity in anticipation of future wars and disagreements (Lim, 2004).

As indicated earlier, colonialism has been both disruptive and transformational. The disruption and transformation of geographical and territorial boundaries, ethnicity and languages, indigenous cultural ethos, and economic landscape, as articulated by Isbister (2006) and other analysts, can be considered first-order effects. Even so, these effects have extended to eventual changes in Southeast Asia following colonial rule. On the political front, it is not difficult to ignore the influence of European legacies on the ensuing cultures of ASEAN nations. The warring factions of communists and noncommunist rules were a staple in the development of Cambodia, Malaysia, Laos, Vietnam, and Indonesia – all of which led to tensions, uncertainties, and temporary alliances. Indonesia’s policy of konfrontasi cast suspicions and unrest in the development of the Federation of Malaysia. The Philippines’ claim to Sabah stemmed from the country’s refusal to recognize Britain’s partition in 1962. Tensions were heightened with fears of a communist bloc led by Vietnam, with occasional intrusions by China. Vietnam’s invasion of Cambodia and the concerns relating to Myanmar’s membership exacerbated uncertainties about the future of ASEAN. In fact, the fear of communism was one of many driving forces that propelled the idea of ASEAN (Lim, 2004; Acharya, 2012).

From a cultural perspective, it is difficult to ignore the influence of Britain on Myanmar, Brunei, Malaysia, and Singapore; the Spanish
legacy of Catholicism in the Philippines; the effects of French rule on Vietnam and Laos; language displacement in the Philippines and Vietnam; and the secular ideologies of the Dutch in Indonesia (Lim, 2004; Acharya, 2012). Even with the departure of the colonialists, and the upsurge of nationalism that led to the independence of several countries within ASEAN after World War II, the adverse consequences of prior colonialism were reflected in territorial disputes and intramural skirmishes. These events following colonial rule – actions and policies by Asia’s local politicians and leaders – can be understood as second-order effects of colonialism.

**Historical Assumptions and Premises Underlying Colonialism**

In all, one pervasive legacy is economic, specifically decades of resource extraction that effectively transformed the system of agriculture in Southeast Asia. Consistent with similar patterns of colonialization in the rest of the world, the impact of colonialism was deeply etched in European ideologies, notably the doctrines of free trade and specialization (Lim, 2004; Isbister, 2006:87).

In the context of colonialism, specialization was understood in terms of resource extraction of spices and materials that were either imported by trade or expropriated by force from the native colonies (Isbister, 2006:87-88). Most colonizers had little or no regard for the well-being of local laborers who were drawn off their indigenous habitats in order to extract spices and materials for their colonizers (Bown, 2010). Nor were the colonizers particularly sensitive to the extent to which extraction marginalized the richness of agrarian fields. For most colonizers, the developing world was the source of important inputs to a fledgling manufacturing sector that was becoming prominent in Europe, particularly England, on the eve of the First Industrial Revolution (Acharya, 2012:118-119).

In a much acclaimed thesis titled “World Systems Theory” (1974, 1980, 2004), Marxist sociologist Immanuel Wallerstein approaches colonialism from the perspective of Dependency Theory. He argues that there is no such thing as the first, second, or third world, but one “world system” comprised of a systemic configuration of exchanges, dependency, and transactions. The organizing logic is based on the “dichotomy of capital and labor” and the endless “accumulation of capital” by capitalists. The capitalists, in this sense, refer to colonialists who extracted resources from peripheral countries (the third world) to bolster the manufacturing capability of the core countries (developed economies, primarily from
Europe). Extraction was by no means limited to the expropriation of natural resources but also constituted work arrangements, such as the encomienda and hacendado, that curtailed the basic sustenance (food) production for natives by decreeing that they had to spend a significant portion of their work attending to extraction of crops and minerals for export to the core countries (Isbister, 2006). Such far-reaching effects are manifested in the current state of agriculture and industrialization, as we will discuss in the next section.

Post-Colonial Era Secondary Effects

The modernist construction of the region of Southeast Asia can be traced to the appointment of Lord Louis Mountbatten as Supreme Commander of the South East Asia Military Command in 1943 as the Allies sought to reorganize their military operations in that part of the world (Deutch, Burrell, & Kann, 1957, cited by Roberts, 2012:34). At the time, the countries were regarded as a region but simply because of their geographic proximity and contiguity in an overall military context. Actually, these countries were exceedingly diverse not only in terms of culture, political regimes, religion, demography, institutions, and tradition but also in their affinity to the Allies or to Japan/Germany, partly as a consequence of their colonial past.

Over time, the Southeast Asia label morphed from a fledgling and nascent mosaic to a forged collectivity of common aspirations, ranging from an aspirant “security community” to an “economic union.” Even so, scholars have disputed claims that ASEAN currently meets the requirements of a security community (Roberts, 2012), and it is agreed that even with impressive gains in regional economic integration, ASEAN will hardly be functionally equivalent to the European Union (Inama & Sim, 2015). As such, how might we appraise the potential of regional integration for ASEAN in light of its current state of economic development?

The aftermath of World War II ushered in the end of European, Japanese, and American colonialism and a surge of nationalism, a mix of deepening distrust of former colonizers along with security treatises with some of them, and polarizing elements resulting from the emerging Cold War period (Acharya, 2012). This subject is developed at length by Acharya (2012), and elements of his argument are presented herein for perspective. Released from the yoke of colonialism, the newly independent countries in the region unleashed fervent nationalistic ideals that reflected their country’s needs and aspirations. Even so, such aspirations did not reach regionalist goals, as “Southeast Asian leaders (tended) to use regionalism as a tool of partisan ideology rather than of collective
identity” (Acharya, 2012: 106). The decolonization process, in fact, created fissures among the countries on the appropriate alignment with former colonizers on security and economic issues. Thailand (although not colonized) and the Philippines secured security with the United States and proceeded to adopt free-market economic policies that contrasted with those of Vietnam, Cambodia, Laos, and Myanmar, which leaned more toward socialist/communist stances (Acharya, 2012).

In summary, while the topic of regionalism was occasionally invoked, if not used as a crucible of advocacy by some countries, its meaning was often obscured by partisan elements, self-serving nationalistic sentiments, and differing assumptions about economic development (Acharya, 2012). Eventually, such differences and notably the lessons borne by the Vietnam War led to a common realization that the key to a prosperous region, if not to the well-being of each country in the region, was economic growth and development. This was premised by a more widely acclaimed belief that the threat to the region was less a matter of external intervention, one that held steadily in the Cold War era, than one of internal strife instigated by extremism and separatists, regardless of ideology, that could only be rectified over time by economic transformation (Acharya, 2012).

The Founding of ASEAN

Earlier, we discussed the historical background that distinguished between primary effects, or the consequences of the colonial legacy, and secondary effects, or the aftermath of post-war independence that engendered a newfound wave of nationalism that was couched in the previous Japanese occupation and kindled by the emerging fissures between the U.S.-led pro-democracy free market and the Soviet-led socialist and communist blocs, now popularly referred to as the Cold War.

The Japanese occupation, as brutal as it was, stoked some sense of consciousness and unity for a previously disparate region in its proclamation of an East Asia Co-Prosperity Base (Beeson, 2009; Acharya, 2012). The intense rivalry between the United States and the Soviet Union had cast a dark shadow, notably with the outbreak of the 1950 Korean War and the Vietnam War (1955–1975), as well as the fear of China’s intransigence toward its highly vulnerable neighbors. Moreover, the United States had eschewed a blanket security policy such as NATO had adopted in Europe, and instead opted for bilateral military agreements with military bases in selected countries, which had the consequence, intentionally or otherwise, of realigning the countries in terms of ideology (Beeson, 2009).
A floundering movement toward some form of regional security against communist aggression took the form of the Southeast Asia Treaty Organization (SEATO) in 1954 that included the United States. Moreover, regional outbreaks, such as the territorial dispute between the Philippines and Malaysia regarding Sabah and the conflict between Indonesia and Malaysia on the formation of the Federation of Malaya, accentuated the urgency for some type of alliance based on security groupings. These groupings included the Association for Southeast Asia in 1961 (Malaysia, the Philippines, and Thailand) and MAPHILINDO (Malaysia, the Philippines, and Indonesia) in 1963. In all, while these “experiments” in regional security arrangements did not result in successes, they did pave the way for the establishment of ASEAN in 1967 (see Box 2.1 at the conclusion of this chapter).

While it is widely acknowledged that ASEAN was initially a product of security concerns, specifically the threat of communism, the union represented a confluence of several precipitating events described earlier. It is likewise noted that there was a period of inactivity lasting close to a decade following this inaugural meeting in 1967. The resuscitation of ASEAN was ignited by the Vietnam War, and its inclusive policy, oriented toward non-interference and consensus building (called the ASEAN Way), led to the membership of other countries in the region (see Exhibit 2.1). Even so, the full maturation of ASEAN from a loose coalition of countries with differing views of regionalism to a stronger collectivity committed to regional economic development did not occur until later, and this was shaped by some important events. Nowhere was
this as particularly accentuated as in the aftermath of the 1997 Asian Crisis, a subject we turn to in the next section.

The 1997 Asian Financial Crisis – Aftermath

For most observers, the interlocutors in the region were blindsided by events that precipitated the Asian financial crisis. As with most crises, the events that led to it were inauspicious: the roots of the crisis can be traced to significantly large financial (capital) flows that had poured into the region, presumably for investment purposes (Goldstein, 1998). In this context, the success of Asian countries, specifically their reputation as manufacturing powerhouses, had also sowed the seeds of an imminent downfall. Specifically, the spectacular growth of Japan and South Korea had earned them accolades, prompting overzealous pundits to prematurely declare the twenty-first century to be an “Asian Century.”

With enormous financial inflows, financial bubbles were being built underneath the thin veneer of prosperous real estate and other types of asset valuations. What had shifted was a flawed transformation of Asia from a production and manufacturing behemoth to a Western-type financial system bereft of supportive financial infrastructures (Delhaise, 1998).

The crisis started in the real estate sector with the fall of the Thai baht following an unsuccessful attempt by the government to issue its foreign currency reserves to support its fixed exchange rate. This failure raised alarm signals that had investors taking capital out of the region, activities that further weakened currencies and led to subsequent asset deflation (Delhaise, 1998; Goldstein, 1998). The paranoia that followed resembled a “contagion effect” that spread throughout the region and extended further to Russia and Brazil. It is estimated that Indonesia lost 80 percent of its value, followed by lesser but likewise consequential slumps in Malaysia, the Philippines, South Korea, Hong Kong, and Singapore (Lim, 2004). Similarly, Vietnam, Laos, and Cambodia lost opportunities in foreign direct investment (Lim, 2004; Acharya, 2012). Overall growth rates had dropped precipitously to –7.5 percent in 1998, accentuating what the World Bank called “the biggest setback for poverty reduction in East Asia for several decades” (Acharya, 2012: 243).

Even more notable were sharp differences among the countries in reaction to the crisis that afflicted them. South Korea reluctantly conceded to the World Bank’s reform programs, as did Thailand and Indonesia, while Malaysia defiantly rejected what Prime Minister Mahatir Mohammed considered misdirected medicine, given his firm conviction that Western
developed countries were primarily responsible for the crisis. The ensuing events led to the departure of Indonesian President Suharto in the wake of widespread riots.

Currently, it is acknowledged that the crisis undermined regional integration, the region’s international stature, and most certainly the confidence of ASEAN countries in forging a stronger collective identity (Lim, 2004). Eventually, some of the countries in East Asia, notably China, would counter by building up foreign reserves as buffer to defend its currency against future crises. Even so, the paradox of learning is that while the crisis undermined the region’s ability to protect itself from significant external globalizing forces, it also solidified a resolve to improve national economic performance through a greater urgency for inter-regional cooperation, such as was exemplified in ASEAN. Now thirty years removed from the financial crisis, we turn attention to the current economic development and performance of each ASEAN country.

**ASEAN Economies**

In this section, we discuss three aspects of economic development that apply to the ten ASEAN economies. Some of these aspects originate from colonialism, although they are certainly not determined by such legacy. Other aspects are constituted in the years following colonial rule, in which a wide variation in political regimes and economic development has taken place. The three aspects are (1) the economic divide in development between clusters of ASEAN countries, (2) the convergence and divergence of trade among ASEAN countries, and (3) the disparities in institutional development among ASEAN countries. Although the three aspects are intertwined in practice, they are discussed separately in order to underscore our core arguments.

*The Economic Divide*

Any casual stroll through the major capitals of ASEAN countries will invariably reveal a sharp disparity in development. In many cases, an observer will see cohabitation of richly adorned hotels, residences, and official buildings alongside clusters of shabby and makeshift habitats and impoverished surroundings. Such differences are not confined to any given country, but there is a clear demarcation of economic development across the ASEAN countries. An overview of national economies for Southeast Asia (2013) is provided in Exhibit 2.2.

Much like in the European Union, although not nearly as severe in terms of consequences, the uneven level of economic development
Mapping ASEAN Integration

constitutes one principal challenge to ASEAN. Because ASEAN countries are diverse in terms of factor endowments, any type of regional integration is not likely to improve individual economies in the short run (Lim, 2004:41). The ASEAN economic charter appears to be cognizant of this condition in recognizing the evolving progression of each individual country without political interference from other members. This approach toward non-interference with a commitment to consultation is popularly known as the “ASEAN Way” – an issue that we revisit in Chapter 11. Moreover, there is a distinction between the ASEAN 6 (Singapore, Malaysia, Thailand, the Philippines, Indonesia, and Vietnam) and the CLMV (Cambodia, Laos, Myanmar, and formerly, Vietnam) blocs.

Economic development is closely related to rates of growth of GDP and related indicators for the region (Exhibit 2.3). In terms of countries, Singapore and Brunei have GDPS that compare favorably with advanced economies. Thailand, Indonesia, Malaysia, and the Philippines have shown impressive gains in recent years (see Exhibit 2.4).

ASEAN countries are noteworthy, in general, in terms of their large populations (see Exhibit 2.2). A popular belief is that economic growth

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</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>417,784</td>
<td>5,770</td>
<td>16,117.5</td>
<td>29,987</td>
<td>39,679</td>
<td>73,775.0</td>
<td>3.0%</td>
<td>78.2%</td>
<td>895.00</td>
<td>–0.2</td>
</tr>
<tr>
<td>Cambodia</td>
<td>15,135,169</td>
<td>181,040</td>
<td>15,511.1</td>
<td>46,027</td>
<td>1,047</td>
<td>3,081.8</td>
<td>5.4%</td>
<td>57.2%</td>
<td>1,345.04</td>
<td>3.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>249,865,631</td>
<td>1,910,930</td>
<td>860,849.5</td>
<td>2,388,997</td>
<td>3,467</td>
<td>9,467.1</td>
<td>5.8%</td>
<td>24.6%</td>
<td>23,344.32</td>
<td>6.4</td>
</tr>
<tr>
<td>Laos</td>
<td>6,769,727</td>
<td>236,800</td>
<td>10,283.2</td>
<td>32,644</td>
<td>1,505</td>
<td>4,531.6</td>
<td>8.4%</td>
<td>36.0%</td>
<td>426.67</td>
<td>4.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>29,716,965</td>
<td>330,800</td>
<td>693,535</td>
<td>10,420</td>
<td>23,089.0</td>
<td>88.6%</td>
<td>4.2%</td>
<td>11,582.68</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>Myanmar</td>
<td>53,259,018</td>
<td>676,590</td>
<td>54,661.2</td>
<td>221,479¹</td>
<td>916</td>
<td>3,464.4</td>
<td>5.9%*</td>
<td>2,254.60</td>
<td>5.9</td>
<td></td>
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<tr>
<td>Philippines</td>
<td>89,393,574</td>
<td>300,000</td>
<td>643,088</td>
<td>2,707</td>
<td>6,403.8</td>
<td>5.4%</td>
<td>31.6%</td>
<td>3,663.92</td>
<td>4.1</td>
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<tr>
<td>Singapore</td>
<td>5,399,200</td>
<td>716</td>
<td>297,941.3</td>
<td>425,259</td>
<td>55,182</td>
<td>78,761.9</td>
<td>5.4%</td>
<td>195.4%</td>
<td>63,772.32</td>
<td>1.0</td>
</tr>
<tr>
<td>Thailand</td>
<td>67,010,502</td>
<td>513,120</td>
<td>387,573.8</td>
<td>964,518</td>
<td>5,678</td>
<td>14,131.6</td>
<td>3.2%</td>
<td>73.0%</td>
<td>12,649.75</td>
<td>1.9</td>
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<td>Viet Nam</td>
<td>89,708,900</td>
<td>330,951</td>
<td>171,219.3</td>
<td>474,958</td>
<td>1,909</td>
<td>5,314.7</td>
<td>5.4%</td>
<td>75.6%</td>
<td>8,900.00</td>
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<tr>
<td>ASEAN</td>
<td>615,676,470</td>
<td>4,486,717</td>
<td>2,395,252.5</td>
<td>5,920,492</td>
<td>3,837</td>
<td>9,389.8</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Note: All figures are as of the year 2013 unless otherwise indicated.
Sources: World Bank
1ASEAN Statistics Publications (ASEAN Secretariat, 2014)
2AEC Chartbook 2014 (ASEAN Secretariat, 2014)
3Asian Development Bank (ADB) Basic Statistics 2015
4International Monetary Fund (IMF) World Economic Outlook
* IMF estimate

Exhibit 2.2 Southeast Asia: Overall Picture
The Antecedents of ASEAN Integration

Recent economic indicators

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>GDP at current prices</td>
<td>1,538.2</td>
<td>1,898.1</td>
<td>2,204.6</td>
<td>2,333.7</td>
<td>2,395.3</td>
</tr>
<tr>
<td>(in billion US$)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>GDP PPP (in billion</td>
<td>4,419.1</td>
<td>4,803.7</td>
<td>5,140.1</td>
<td>5,553.8</td>
<td>5,920.5</td>
</tr>
<tr>
<td>international $)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita (in US$)</td>
<td>2,610.1</td>
<td>3,161.9</td>
<td>3,619.1</td>
<td>3,781.3</td>
<td>3,837.0</td>
</tr>
<tr>
<td>GDP per capita PPP</td>
<td>4,901</td>
<td>5,221</td>
<td>5,520</td>
<td>5,869</td>
<td>9,616</td>
</tr>
<tr>
<td>(in international $)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth of GDP (% change</td>
<td>2.0</td>
<td>7.6</td>
<td>4.9</td>
<td>5.9</td>
<td>5.2</td>
</tr>
<tr>
<td>yoy)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Current account balance</td>
<td>7.0</td>
<td>6.1</td>
<td>5.4</td>
<td>2.7</td>
<td>2.2</td>
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<tr>
<td>(% GDP)</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Inflation (% per year)</td>
<td>2.7</td>
<td>4.1</td>
<td>5.5</td>
<td>3.8</td>
<td>4.2</td>
</tr>
</tbody>
</table>

ASEAN’s principal export destinations (2013)

1. China                  12.0%
2. EU-28                   9.8%
3. Japan                  9.7%
4. United States of America 9.0%
5. Hong Kong (SAR of China) 6.5%

ASEAN’s principal import sources (2013)

1. China                  16.0%
2. EU-28                   9.8%
3. Japan                  9.5%
4. United States of America 7.4%
5. Republic of Korea      6.6%

Sources: ASEAN Statistics Publications (ASEAN Secretariat, 2014)
AEC Chartbook 2014 (ASEAN Secretariat, 2014)
*Calculated using data from World Bank and IMF World Economic Outlook Database (April 2015)

Exhibit 2.3 A Promising Region

Gross Domestic Product (GDP) per capita at current prices in ASEAN member states

Exhibit 2.4 A Mixed Bag
Mapping ASEAN Integration

Net inflows of foreign direct investment (FDI) to ASEAN, 2009–2013

is more likely spurred by a larger population because of its greater potential for marketing and development (Lim, 2004:3–4). However, although population growth might foreshadow development, this goal is not likely to occur without thoughtful measures to reduce poverty and income inequality (Lim, 2004:15–16). If poverty persists, then economic growth could be stunted with even more possibility of economic decline.

Foreign direct investment (FDI) is generally considered to improve a recipient’s welfare to the extent that capital spurs domestic business, enhances local managerial skills and capabilities, increases labor productivity, and leaves a significant residue of financial resources to the recipient (Lim, 2004: 137–138). In the case of ASEAN, a good portion of FDI emanates from the EU and Japan, and Singapore is the favored recipient (Exhibit 2.5). This is not altogether surprising in light of Singapore’s liberal policies on foreign investment that can be contrasted with more restrictive policies by other ASEAN member countries (Lim, 2004:137).

Convergence and Divergence of Trade

In classical and neoclassical economics, it is widely accepted that trade is beneficial for all participating countries, particularly if the basis of trade is rooted in specialization and comparative advantage. Because a common market is one of the cornerstones of the ASEAN Economic Community, trade is not simply discretionary but an imperative. In this

Exhibit 2.5 Cumulative FDI Net Inflow to ASEAN

FDI inflows from EU-28 and Japan accounted for about 36 percent of the total FDI inflows in ASEAN. Singapore received more than 50 percent of the FDI inflows in the regions, followed by Indonesia (with 15.6 percent), Malaysia (with 9.2 percent), Thailand (with 8.6 percent), and Viet Nam (with 8.4 percent).

Notes: Data for 2012–2013 are preliminary figures. Lao PDR’s data on ‘by source country’ are not yet available; intra-/extra-ASEAN breakdowns for 2012 were estimated by the ASEAN Secretariat.

Source of data: ASEAN FDI Database

Adapted from the AEC Chartbook 2014
section, we discuss the propensity of ASEAN countries to trade and the extent to which intra-ASEAN trade has been commended thus far.

In Exhibit 2.6, we present the trend of ASEAN trade in goods. What is noteworthy is that extra- or inter-ASEAN trade between ASEAN and other countries far outpaces intra-ASEAN trade, or those within the ASEAN region itself. In Exhibit 2.7, we present specific information on intra- and inter-ASEAN trade per member country. A significant amount of intra-ASEAN trade is between Singapore and Malaysia – an issue we revisit in Chapter 11. It is not surprising that there is a clear divide between the ASEAN 5 (Thailand, Singapore, Malaysia, Indonesia, and the Philippines) that trade more extensively and the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). In Exhibit 2.8, statistics on intra-ASEAN trade are provided for priority areas, notably electronics and to a lesser extent, automobiles.

In Exhibits 2.9 and 2.10, statistics on ASEAN merchandise trade are presented for each member-country. Perhaps unsurprisingly, Singapore leads in merchandise exports, although Thailand, Malaysia, Indonesia, and Vietnam have made impressive gains recently. Compared to commercial merchandise that is visible by transport logistics and computed

In 2013, the region’s total trade moderated at US$2,512, slightly higher than the previous year’s level of US$2,476 billion. Extra-ASEAN trade continued to account for three-fourths of ASEAN’s total trade.

Source of data: ASEAN Trade Database

Adapted from the AEC Chartbook 2014

© ASEAN Secretariat
### Exhibit 2.7 Summary of Intra-ASEAN and Extra-ASEAN Trade (2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Intra-ASEAN trade</th>
<th></th>
<th>Extra-ASEAN trade</th>
<th></th>
<th>Total trade (in million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value (in million US$)</td>
<td>Share to total trade (%)</td>
<td>Value (in million US$)</td>
<td>Share to total trade (%)</td>
<td></td>
</tr>
<tr>
<td>Brunei</td>
<td>4,488.0</td>
<td>29.8</td>
<td>10,569.2</td>
<td>70.2</td>
<td>15,057.2</td>
</tr>
<tr>
<td>Cambodia</td>
<td>4,119.1</td>
<td>22.5</td>
<td>14,205.0</td>
<td>77.5</td>
<td>18,324.2</td>
</tr>
<tr>
<td>Indonesia</td>
<td>94,661.8</td>
<td>25.6</td>
<td>274,518.7</td>
<td>74.4</td>
<td>369,180.5</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>3,729.3</td>
<td>63.4</td>
<td>2,155.6</td>
<td>36.6</td>
<td>5,884.9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>119,032.2</td>
<td>27.4</td>
<td>315,196.5</td>
<td>72.6</td>
<td>434,228.7</td>
</tr>
<tr>
<td>Myanmar</td>
<td>9,869.0</td>
<td>42.1</td>
<td>13,576.5</td>
<td>57.9</td>
<td>23,445.4</td>
</tr>
<tr>
<td>Philippines</td>
<td>22,786.2</td>
<td>19.1</td>
<td>96,322.7</td>
<td>80.9</td>
<td>119,108.9</td>
</tr>
<tr>
<td>Singapore</td>
<td>206,672.3</td>
<td>26.4</td>
<td>576,593.2</td>
<td>73.6</td>
<td>783,265.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>103,686.6</td>
<td>21.7</td>
<td>374,578.7</td>
<td>78.3</td>
<td>478,247.3</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>39,531.9</td>
<td>14.9</td>
<td>225,242.1</td>
<td>85.1</td>
<td>264,774.0</td>
</tr>
<tr>
<td>ASEAN</td>
<td>608,558.3</td>
<td>24.2</td>
<td>1,902,958.2</td>
<td>75.8</td>
<td>2,511,516.5</td>
</tr>
</tbody>
</table>

Source: ASEAN Statistics (ASEAN Secretariat, 2014)

### Exhibit 2.8 Intra-ASEAN Trade in Priority Areas

In 2013, intra-ASEAN exports of electronic products were valued at US$48.9 billion, slightly higher than the year-ago level of US$48.6 billion. The share of electronic products in intra-ASEAN exports has declined from 39 percent in 2003 to 15 percent in 2013.

Source of data: ASEAN Trade Database

Adapted from the AEC Chartbook 2014 © ASEAN Secretariat
accordingly, commercial services are less defined (Lim, 2004). Generally, services include and transportation (land, air, and sea), travel (acquired goods for lodging, health, education, and others), and commercial services (communication services, construction, insurance, financial transactions, and business-related services) (see Lim, 2004: 166; also see AEC Chartbook, ASEAN Secretariat, 2014). In Exhibit 2.11, trade statistics are presented for the ASEAN region. In assessing trade services by each

<table>
<thead>
<tr>
<th>Exports (% of GDP)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>71.7</td>
<td>67.1</td>
<td>72.0</td>
<td>74.7</td>
<td>76.7</td>
<td>66.6</td>
</tr>
<tr>
<td>Cambodia</td>
<td>45.5</td>
<td>40.3</td>
<td>45.7</td>
<td>52.3</td>
<td>55.8</td>
<td>61.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>27.4</td>
<td>22.2</td>
<td>22.3</td>
<td>23.7</td>
<td>21.5</td>
<td>19.8</td>
</tr>
<tr>
<td>Laos</td>
<td>20.7</td>
<td>18.8</td>
<td>25.9</td>
<td>27.2</td>
<td>25.0</td>
<td>23.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>86.4</td>
<td>77.7</td>
<td>80.2</td>
<td>78.9</td>
<td>74.7</td>
<td>71.5</td>
</tr>
<tr>
<td>Myanmar</td>
<td>26.8</td>
<td>20.2</td>
<td>20.9</td>
<td>16.7</td>
<td>14.9</td>
<td>17.7</td>
</tr>
<tr>
<td>Philippines</td>
<td>28.2</td>
<td>22.8</td>
<td>25.8</td>
<td>21.6</td>
<td>20.8</td>
<td>21.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>177.4</td>
<td>142.9</td>
<td>151.9</td>
<td>154.2</td>
<td>147.7</td>
<td>143.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>61.3</td>
<td>54.5</td>
<td>57.2</td>
<td>61.0</td>
<td>59.4</td>
<td>57.5</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>63.2</td>
<td>53.9</td>
<td>62.3</td>
<td>71.5</td>
<td>73.5</td>
<td>80.5</td>
</tr>
</tbody>
</table>

Source: UNESCAP Statistical Yearbook for Asia and the Pacific 2014

Exhibit 2.9 Imports and Exports of Merchandise in ASEAN, 2008–2013

Exhibit 2.10 Imports and Exports of Merchandise in ASEAN (% of GDP), 2008–2013
ASEAN member-country, with the exception of Singapore, trade in services is much lower relative to merchandise among ASEAN countries (Exhibit 2.12).

To the extent that ASEAN countries engage in trade, what is the nature of their exports across the world? Historically, as a result of their colonial legacy, the primary exports tended toward key commodities (Lim, 2004;...
Acharya, 2012). As discussed earlier in the chapter, the colonial rulers viewed their colonies, inclusive of Southeast Asia, as sources of raw materials for their consumption and industrialization (Isbister, 2006; Acharya, 2012). Up until the 1980s, this pattern of trade appears to be upheld, and we revisit this issue in Chapter 11 to discuss broader implications for ASEAN.

Moving forward into the 2000s up to the present, there is a discernible shift in the types of exports, with semiconductors, integrated circuits, electronic valves, and tubes becoming more prominent in Malaysia, the Philippines, Singapore, and Thailand (Exhibit 2.13). For some scholars, this is indicative of progress by these countries in their own industrialization and shift away from agricultural products (Lim, 2004: 168–69).

Even so, a closer examination of the nature of integrated circuits, for example, discloses a strategy by major importers (mostly semiconductor and computer firms in the United States and other developed countries) to situate more labor-intensive elements of the value chain in ASEAN countries and others (Taiwan, China). Lower-cost workers are employed to attend to meticulous pin assembly in ASEAN countries with the ultimate goal of completing the final stages in the United States (and elsewhere), in which higher value added and profits are reaped. When finished products are reimported back to ASEAN countries, the latter do not truly capitalize on the full value and purported contributions of their labor input.
As business process outsourcing (mostly call centers) has shifted from India to the Philippines and, to a smaller extent, Malaysia, a similar pattern exists where higher value added and profits are still retained by major multinationals from developed countries. Moreover, as in the case of the Philippines, in particular, the gains from outsourcing are generally confined to local firms and their attendant labor pool. However, recent developments in knowledge process outsourcing, which include higher value-added services like market intelligence, business analytics, and legal services, may soon change the dynamics for countries linked to the global value chain (Cattaneo, Gereffi, & Staritz, 2010). Nonetheless, the jury is still out on whether genuine “trickle-down effects” can adequately improve income inequality and overall economic prosperity. In all, there are implications for the establishment of regional value networks that rank among the key objectives of ASEAN – a discussion that we defer to Chapter 11.

Disparities in Institutional Development

As previewed in Chapter 1, economist Douglass North won the 1993 Nobel Award (shared with William Fogel) for his pioneering work on the role of institutions in economic development. In a widely acclaimed paper (1991), North defined institutions as “humanly devised constraints that structure political, economic and social interactions.” In his formulation, institutions are of two types: formal (constitutions, laws, property rights) and informal (cultural norms and beliefs relating to “sanctions, taboos, customs, traditions, and code of conduct”). Institutions serve the purpose of creating stability within any society in that they reduce uncertainty and lower transaction costs. However, they can likewise be debilitating if they deter the development of an effective market system of exchange.

Although there has been a spate of studies based on or inspired by North’s work, the recent work of management theorists Tarun Khanna and Palepu extended North’s thesis to the context of emerging and developing countries. In their formulation, the absence of market-inducing mechanisms, such as the role of major intermediaries, creates “institutional voids” that can stifle economic development. In their work, such voids are defined very generally, extending to simple brokerage relations to wider institutions such as educational systems, openness in the media and major communication structures, and political stability.

As applied to ASEAN, two such institutions are important: the level of education, inclusive of the talent pool (or gap), and overall human development. Termed human and social capital, such institutions underscore the importance of the long-term development of technical and social skills that meet the requirements of competition at a global level.

Educational statistics for different ASEAN countries are provided in Exhibit 2.14. The patterns vary, although it is widely regarded that there is a correlation between combined primary, secondary and tertiary education levels with the level of economic development (Lim, 2004). There has been marked improvement in enrollment for most ASEAN countries, as well as favorable literacy rates. The nations with more advanced progressions compare favorably with highly developed countries. Of course, educational levels are not sufficient per se; the type of education and the extent to which education specifically supports the technical, social, and economic requisites of economic development are the core arguments (Lim, 2004: 50–52). To be fair, such requirements apply to developed countries as well as to ASEAN.

In regard to institutional development, there is a broad array of possible measures to address this as it reflects on ASEAN. Even so, we will elect to provide an overall measure in this chapter, and discuss specific institutional voids as they apply to the ASEAN champions later in the book. Specifically, the United Nations Development Programme has developed and published over the years a Human Development Index.
The Human Development Index (HDI) is “a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.” Specifically, it assesses life expectancy, an educational component, expected years of schooling, standard of living through gross national income per capita, and other related indices. Data for ASEAN are presented in Exhibit 2.15.

### Exhibit 2.15 Human Development Index (ASEAN)

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI Index</th>
<th>Rank</th>
<th>HE</th>
<th>ED</th>
<th>IN</th>
<th>IE</th>
<th>GI</th>
<th>PV</th>
<th>EM</th>
<th>LS</th>
<th>TR</th>
<th>MB</th>
<th>EN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>0.852</td>
<td>30</td>
<td>78.55</td>
<td>8.68</td>
<td>70,883.48</td>
<td>n.a.</td>
<td>n.a.</td>
<td>68.1</td>
<td>n.a.</td>
<td>112.54</td>
<td>0.8</td>
<td>22.87</td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>0.584</td>
<td>136</td>
<td>71.92</td>
<td>5.77</td>
<td>2,805.43</td>
<td>0.440</td>
<td>0.505</td>
<td>46.79</td>
<td>85.8</td>
<td>3.9</td>
<td>113.58</td>
<td>–2.3</td>
<td>0.29</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.684</td>
<td>108</td>
<td>70.83</td>
<td>7.51</td>
<td>8,970.35</td>
<td>0.553</td>
<td>0.500</td>
<td>5.90</td>
<td>70.7</td>
<td>5.4</td>
<td>50.07</td>
<td>–0.6</td>
<td>1.80</td>
</tr>
<tr>
<td>Laos</td>
<td>0.569</td>
<td>139</td>
<td>68.31</td>
<td>4.58</td>
<td>4,351.27</td>
<td>0.430</td>
<td>0.534</td>
<td>36.82</td>
<td>85.0</td>
<td>4.9</td>
<td>82.27</td>
<td>–2.2</td>
<td>0.29</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.773</td>
<td>62</td>
<td>75.02</td>
<td>9.53</td>
<td>21,823.93</td>
<td>n.a.</td>
<td>0.210</td>
<td>n.a.</td>
<td>65.5</td>
<td>5.9</td>
<td>163.01</td>
<td>3.1</td>
<td>7.67</td>
</tr>
<tr>
<td>Myanmar</td>
<td>0.524</td>
<td>150</td>
<td>65.18</td>
<td>3.95</td>
<td>3,998.06</td>
<td>n.a.</td>
<td>0.430</td>
<td>n.a.</td>
<td>83.1</td>
<td>4.4</td>
<td>n.a.</td>
<td>–0.4</td>
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<td>0.660</td>
<td>117</td>
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<td>6,381.44</td>
<td>0.540</td>
<td>0.406</td>
<td>7.26</td>
<td>69.3</td>
<td>5.0</td>
<td>64.79</td>
<td>–1.4</td>
<td>0.87</td>
</tr>
<tr>
<td>Singapore</td>
<td>0.901</td>
<td>9</td>
<td>82.32</td>
<td>10.20</td>
<td>72,371.23</td>
<td>n.a.</td>
<td>0.090</td>
<td>n.a.</td>
<td>72.5</td>
<td>6.5</td>
<td>379.14</td>
<td>15.0</td>
<td>2.66</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.722</td>
<td>89</td>
<td>74.40</td>
<td>7.32</td>
<td>13,364.30</td>
<td>0.573</td>
<td>0.364</td>
<td>1.01</td>
<td>77.0</td>
<td>6.3</td>
<td>148.83</td>
<td>0.3</td>
<td>4.45</td>
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<td>Viet Nam</td>
<td>0.638</td>
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<td>75.95</td>
<td>5.49</td>
<td>4,892.41</td>
<td>0.543</td>
<td>0.322</td>
<td>6.45</td>
<td>80.9</td>
<td>5.5</td>
<td>179.98</td>
<td>–0.4</td>
<td>1.73</td>
</tr>
</tbody>
</table>

**Source:** United Nations Development Programme Human Development Report 2014

### Conclusions

Any region is a product of events that are recorded in institutional histories. Southeast Asia, as a region, has been transformed from prewar colonial occupations to postwar nationalism inhibiting differing visions of regionalism. It is beyond the scope of this chapter to determine the extent to which regional integration, as conceived by scholars of this subject matter, has progressed. Yet the history of struggles in defining a collective identity has led to the founding of ASEAN, which promises collective benefits from economic, political and cultural union when its goals are fully realized (see Box 2.1).

Scholars doubt whether ASEAN has reached the potential of becoming a security community or the standard of genuine regional integration (Roberts, 2012). The extent to which economic progress can be a
purveyor of eventual political integration is a question for which the jury is still out. As with any initiative toward integration, however, progress is best described in terms of a moving and evolving target. The degree to which stated goals have already been met, and the challenges of overcoming the remaining obstacles to integration, are discussed in our next chapter.

Box 2.1. The Founding of ASEAN

On August 8, 1967, five leaders – the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore, and Thailand – sat down together in the main hall of the Department of Foreign Affairs building in Bangkok, Thailand, and signed a document. By virtue of that document, the Association of Southeast Asian Nations (ASEAN) was born. The five Foreign Ministers who signed it – Adam Malik of Indonesia, Narciso R. Ramos of the Philippines, Tun Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and Thanat Khoman of Thailand – would subsequently be hailed as the founding fathers of probably the most successful inter-governmental organization in the developing world today. And the document that they signed would be known as the ASEAN Declaration.

It was a short, simply worded document containing just five articles. It declared the establishment of an Association for Regional Cooperation among the Countries of Southeast Asia to be known as the Association of Southeast Asian Nations (ASEAN) and spelled out the aims and purposes of that association. These aims and purposes addressed cooperation in the economic, social, cultural, technical, educational, and other fields, as well as the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter. It stipulated that the association would be open for participation to all states in the Southeast Asian region subscribing to its aims, principles, and purposes. It proclaimed ASEAN as representing “the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure prosperity, peace, and freedom for their peoples.”

It was while Thailand was brokering reconciliation among Indonesia, the Philippines, and Malaysia over certain disputes that it dawned on the four countries that the moment for regional cooperation had come – or the future of the region would remain uncertain. Recalls one of the two surviving protagonists of that historic process, Thanat
Khoman of Thailand: “At the banquet marking the reconciliation between the three disputants, I broached the idea of forming another organization for regional cooperation with Adam Malik. Malik agreed without hesitation but asked for time to talk with his government and also to normalize relations with Malaysia now that the confrontation was over. Meanwhile, the Thai Foreign Office prepared a draft charter of the new institution. Within a few months, everything was ready. I therefore invited the two former members of the Association for Southeast Asia (ASA), Malaysia and the Philippines, and Indonesia, a key member, to a meeting in Bangkok. In addition, Singapore sent S. Rajaratnam, then Foreign Minister, to see me about joining the new set-up. Although the new organization was planned to comprise only the ASA members plus Indonesia, Singapore’s request was favorably considered.”

And so in early August 1967, the five Foreign Ministers spent four days in the relative isolation of a beach resort in Bang Saen, a coastal town less than a hundred kilometers southeast of Bangkok. There they negotiated over that document in a decidedly informal manner, which they would later delight in describing as “sports-shirt diplomacy.” Yet it was by no means an easy process: Each man brought into the deliberations a historical and political perspective that had no resemblance to that of any of the others. But with goodwill and good humor as often as they huddled at the negotiating table, they finessed their way through their differences as they lined up their shots on the golf course and traded wisecracks on one another’s game, a style of deliberation that would eventually become the ASEAN ministerial tradition.

Now, with the rigors of negotiations and the informalities of Bang Saen behind them, with their signatures neatly attached to the ASEAN Declaration, also known as the Bangkok Declaration, it was time for some formalities. The first to speak was the Philippine Secretary of Foreign Affairs, Narciso Ramos, a one-time journalist and long-time legislator who had given up a chance to be Speaker of the Philippine Congress to serve as one of his country’s first diplomats. He was then 66 years old and his only son, the future President Fidel V. Ramos, was serving with the Philippine Civic Action Group in embattled Vietnam. He recalled the tediousness of the negotiations that preceded the signing of the Declaration as having “truly taxed the goodwill, the imagination, the patience and understanding of the five participating Ministers.” That ASEAN was established at all in spite of these difficulties, he said, meant that its foundations had been solidly laid. And he impressed upon the audience of diplomats, officials, and media...
people who had witnessed the signing ceremony that a great sense of urgency had prompted the Ministers to go through all that trouble. He spoke darkly of the forces that were arrayed against the survival of the countries of Southeast Asia in those uncertain and critical times.

“The fragmented economies of Southeast Asia,” he said, “(with) each country pursuing its own limited objectives and dissipating its meager resources in the overlapping or even conflicting endeavors of sister states carry the seeds of weakness in their incapacity for growth and their self-perpetuating dependence on the advanced, industrial nations. ASEAN, therefore, could marshal the still untapped potentials of this rich region through more substantial united action.”

When it was his turn to speak, Adam Malik, Presidium Minister for Political Affairs and Minister for Foreign Affairs of Indonesia, recalled that about a year before, in Bangkok, at the conclusion of the peace talks between Indonesia and Malaysia, he had explored the idea of an organization such as ASEAN with his Malaysian and Thai counterparts. One of the “angry young men” in his country’s struggle for independence two decades earlier, Adam Malik was then 50 years old and one of a Presidium of five led by then General Soeharto that was steering Indonesia from the verge of economic and political chaos. He was the Presidium’s point man in Indonesia’s efforts to mend fences with its neighbors in the wake of an unfortunate policy of confrontation. During the past year, he said, the Ministers had all worked together toward the realization of the ASEAN idea, “making haste slowly, in order to build a new association for regional cooperation.”

Adam Malik went on to describe Indonesia’s vision of a Southeast Asia developing into “a region which can stand on its own feet, strong enough to defend itself against any negative influence from outside the region.” Such a vision, he stressed, was not wishful thinking if the countries of the region effectively cooperated with each other, considering their combined natural resources and manpower. He referred to differences of outlook among the member countries, but those differences, he said, would be overcome through a maximum of goodwill and understanding, faith and realism. Hard work, patience, and perseverance, he added, would also be necessary.

The countries of Southeast Asia should also be willing to take responsibility for whatever happens to them, according to Tun Abdul Razak, the Deputy Prime Minister of Malaysia, who spoke next. In his speech, he conjured a vision of an ASEAN that would include all the countries of Southeast Asia. Tun Abdul Razak was then concurrently his country’s Minister of Defence and Minister of National
Development. It was a time when national survival was the overriding thrust of Malaysia’s relations with other nations, and so as Minister of Defence, he was in charge of his country’s foreign affairs. He stressed that the countries of the region should recognize that unless they assumed their common responsibility to shape their own destiny and to prevent external intervention and interference, Southeast Asia would remain fraught with danger and tension. And unless they took decisive and collective action to prevent the eruption of intra-regional conflicts, the nations of Southeast Asia would remain susceptible to manipulation, one against another.

“We the nations and peoples of Southeast Asia,” Tun Abdul Razak said, “must get together and form by ourselves a new perspective and a new framework for our region. It is important that individually and jointly we should create a deep awareness that we cannot survive for long as independent but isolated peoples unless we also think and act together and unless we prove by deeds that we belong to a family of Southeast Asian nations bound together by ties of friendship and goodwill and imbued with our own ideals and aspirations and determined to shape our own destiny.” He added that “with the establishment of ASEAN, we have taken a firm and a bold step on that road.”

For his part, S. Rajaratnam, a former Minister of Culture of multicultural Singapore who, at that time, served as its first Foreign Minister, noted that two decades of nationalist fervor had not fulfilled the expectations of the people of Southeast Asia for better living standards. If ASEAN were to succeed, he said, then its members would have to marry national thinking with regional thinking.

“We must now think at two levels,” Rajaratnam said. “We must think not only of our national interests but posit them against regional interests: that is a new way of thinking about our problems. And these are two different things and sometimes they can conflict. Secondly, we must also accept the fact, if we are really serious about it, that regional existence means painful adjustments to those practices and thinking in our respective countries. We must make these painful and difficult adjustments. If we are not going to do that, then regionalism remains a utopia.”

S. Rajaratnam expressed the fear, however, that ASEAN would be misunderstood. “We are not against anything,” he said, “not against anybody.” And here he used a term that would have an ominous ring even today: balkanization. In Southeast Asia, as in Europe and any part of the world, he said, outside powers had a vested interest in the balkanization of the region. “We want to ensure,” he said, “a stable
Southeast Asia, not a balkanized Southeast Asia. And those countries who are interested, genuinely interested, in the stability of Southeast Asia, the prosperity of Southeast Asia, and better economic and social conditions, will welcome small countries getting together to pool their collective resources and their collective wisdom to contribute to the peace of the world.”

The goal of ASEAN, then, is to create, not to destroy. The Foreign Minister of Thailand, Thanat Khoman, stressed this when it was his turn to speak. At a time when the Vietnam conflict was raging and American forces seemed forever entrenched in Indochina, he had foreseen their eventual withdrawal from the area and had accordingly applied himself to adjusting Thailand’s foreign policy to a reality that would only become apparent more than half a decade later. He must have had that in mind when, on that occasion, he said that the countries of Southeast Asia had no choice but to adjust to the exigencies of the time, to move toward closer cooperation and even integration. Elaborating on ASEAN objectives, he spoke of “building a new society that will be responsive to the needs of our time and efficiently equipped to bring about, for the enjoyment and the material as well as spiritual advancement of our peoples, conditions of stability and progress. Particularly what millions of men and women in our part of the world want is to erase the old and obsolete concept of domination and subjection of the past and replace it with the new spirit of give and take, of equality and partnership. More than anything else, they want to be master of their own house and to enjoy the inherent right to decide their own destiny…”

While the nations of Southeast Asia prevent attempts to deprive them of their freedom and sovereignty, he said, they must first free themselves from the material impediments of ignorance, disease, and hunger. Each of these nations cannot accomplish that alone, but when they join together and cooperate with those who have the same aspirations, these objectives become easier to attain. Then Thanat Khoman concluded, “What we have decided today is only a small beginning of what we hope will be a long and continuous sequence of accomplishments of which we ourselves, those who will join us later and the generations to come, can be proud. Let it be for Southeast Asia, a potentially rich region, rich in history, in spiritual as well as material resources and indeed for the whole ancient continent of Asia, the light of happiness and well-being that will shine over the uncounted millions of our struggling peoples.”

The Foreign Minister of Thailand closed the inaugural session of the Association of Southeast Asian Nations by presenting each of his
colleagues with a memento. Inscribed on the memento presented to
the Foreign Minister of Indonesia was the citation, “In recognition
of services rendered by His Excellency Adam Malik to the ASEAN
organization, the name of which was suggested by him.”

And that was how ASEAN was conceived, given a name, and born.
It had been barely 14 months since Thanat Khoman brought up the
ASEAN idea in his conversations with his Malaysian and Indonesian
colleagues. In about three more weeks, Indonesia would fully restore
diplomatic relations with Malaysia, and soon after that with Singapore.
That was by no means the end to intra-ASEAN disputes, for soon
the Philippines and Malaysia would have a falling out on the issue
of sovereignty over Sabah. Many disputes between ASEAN countries
persist to this day. But all member countries are deeply committed to
resolving their differences through peaceful means and in the spirit of
mutual accommodation. Every dispute would have its proper season,
but it would not be allowed to get in the way of the task at hand. And
at that time, the essential task was to lay the framework of regional
dialogue and cooperation.

The two-page Bangkok Declaration not only contains the ratio-
nale for the establishment of ASEAN and its specific objectives. It
represents the organization’s modus operandi of building on small
steps and voluntary and informal arrangements toward more bind-
ing and institutionalized agreements. All the founding member states
and the newer members have stood fast to the spirit of the Bangkok
Declaration. Over the years, ASEAN has progressively entered into
several formal and legally binding instruments, such as the 1976
Treaty of Amity and Cooperation in Southeast Asia and the 1995
Treaty on the Southeast Asia Nuclear Weapon-Free Base.

Against the backdrop of conflict in then Indochina, the founding
fathers had the foresight to build a community of and for all Southeast
Asian states. Thus the Bangkok Declaration promulgated that “the
Association is open for participation to all States in the Southeast
Asian region subscribing to the aforementioned aims, principles and
purposes.” ASEAN’s inclusive outlook has paved the way for commu-
nity building not only in Southeast Asia but also in the broader Asia
Pacific region, where several other inter-governmental organizations
now coexist.

The original ASEAN logo presented five brown sheaves of rice
stalks, one for each founding member. Beneath the sheaves is the leg-
end “ASEAN” in blue. These are set on a field of yellow encircled
by a blue border. Brown stands for strength and stability, yellow for
prosperity, and blue for the spirit of cordiality in which ASEAN affairs are conducted. When ASEAN celebrated its 30th anniversary in 1997, the sheaves on the logo had increased to ten — representing all ten countries of Southeast Asia and reflecting the colors of the flags of all of them. In a very real sense, ASEAN and Southeast Asia would then be one and the same, just as the founding fathers had envisioned.

SOURCE: This article is based on the first chapter of ASEAN at 30, a publication of the Association of Southeast Asian Nations in commemoration of its 30th Anniversary on August 8, 1997, written by Jamil Maidan Flores and Jun Abad. Reproduced in full with permission.