ISSN 1511-3655

THE JOURNAL OF DIPLOMACY AND FOREIGN RELATIONS

Volume 11 Number 1 2010

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PUBLISHER

Institute of Diplomacy and Foreign Relations (IDFR)
Ministry of Foreign Affairs, Malaysia
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ISSN 1511-3655
URL: www.idfr.gov.my

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Same Goals, Different Game Plans, the Integration and Enlargement Processes of the EU and the ASEAN[1]

By John Samuel

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ABSTRACT

Since the establishment of the European Union (EU) in 1952 and the Association of Southeast Asian Nations (ASEAN) in 1967, scholars as well as policy makers have, knowingly or unknowingly, compared and pitted both regional organisations against one another. Most of the time however, ASEAN is made to be seen as playing second fiddle to EU, and with the EU being the yardstick for regional organisations all over.

But, rather than carry out a comprehensive study of the two organisations as a whole, two aspects of the organisations which are seen to have evolved since their establishment, i.e. the process of integration and the process of enlargement, will be highlighted in this article. These two processes have upheld the organisations in its inception years and continue to play a pivotal role in ensuring the very existence of both organisations.

[1] The article is an excerpt from the thesis titled 'Same Goals, Different Game Plans, the Integration and Enlargement Processes of the EU and the ASEAN: A Comparative Study'. The thesis was submitted by the writer as partial fulfillment of the requirements for the Master of Social Sciences (Strategy and Diplomacy) awarded by the National University of Malaysia.

The question that begs for an answer however is whether the goals and objectives for both organisations in achieving the enlargement and integration processes are in fact similar, but have merely taken different routes at arriving at these goals.

The theories of regional integration i.e. that of pluralists and neo-functionalist seems to abode well for both regional organisations as these theories address issues such as the spill-over effects and shared goals in the political and economic arenas of an organisation.

Ultimately, the findings enables one to understand the intricacies of the enlargement and integration processes in both organisations and more importantly, ascertain the similarities and differences that enables one organisation to prevail over the other when it comes to these two processes. Furthermore, different game plans are needed to attain those goals due to the disparity level in politics and economics in the organisations and the surrounding circumstances in which the EU and the ASEAN were established, making it evidently clear, that ultimately one plays 'catch up' to the other.

Keywords: Association of Southeast Asian Nations (ASEAN), European Union (EU), enlargement process, integration process and regional integration.

THE ENLARGEMENT AND INTEGRATION PROCESSES IN THE EU AND THE ASEAN

It cannot be denied that areas such as defense and security, social and culture, finance and immigration have and continue to play important roles in the enlargement and integration processes of the two organisations. However, comparison will only be made in the political and economic realm of the enlargement and integration process of both organisations as to address all areas simultaneously would be too ambitious to tackle at this juncture.

The main areas chosen for comparison include the process of evolution, membership criteria, political and economic capability of member countries, roles of institutions in the organisations and influence of domestic policies.

It cannot be denied that the issues of enlargement and integration have been discussed by several authors before. However all this while the two processes are seen in association with the respective organisations. They were not compared nor were they cross-referred to in detail. This piece however intends to look at the processes of both organisations symmetrically and do a comparison study based on the selected set of criteria mentioned above.

In an attempt to explain the disparities, one has to look at the main reasons for regional enlargement and integration and why different regions produce different logics of the same process. The question of whether varying historical, political, economic and cultural patterns have an impact on the processes will be addressed,[2] with the enlargement process being examined first.

THE ENLARGEMENT PROCESS

Historical evolution

While the ASEAN has remained faithful to its founding aim of becoming a regional framework for friendship and cooperation between the Southeast Asian countries, the EU continuous to blaze through the path of enlargement by expanding at an exceedingly fast pace, probably more than what its forefathers had ever envisaged.

Ironically however, if we were to look at the original objectives for the establishment of the two organisations, we will see how similar they were. What caused them to take different routes in enlarging could be attributed to the fact that they had to cope with very different historical circumstances.

In fact, enlargement has been used by both organisations as a formula to better manage inter-state conflicts and improve the welfare of the citizens, by including other member countries into the fora, rather than acting in an exclusive manner. Therefore, one could argue from the very onset, that the EU and the ASEAN are but variations of the same phenomenon. Nevertheless, because the experience of the EU and the ASEAN with the enlargement process is different, many assume that it is not possible to compare the process in relation to the two organisations.

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[2] E.Boomberg & A. Stubb, (eds), *The Institutions of the European Union*. Oxford University Press, Oxford, 2002.

Undeniably, majority of the decisions made by the EU and the ASEAN leaders have root in the history of these organisations. Against this backdrop, it has been commonly thought that the EU's main function was to preserve peace and security in Europe, for after World War 2, there was deep seated opposition to restoring full sovereignty to West Germany — a country blamed for aggression in 1870, 1914 and 1939. The policy makers in the West however faced a new quandary in the 1950s as the Cold War intensified. The Soviet Union had just acquired the atomic bomb, Euro-communism was on the rise and in 1950, the Korean War broke out. A strong Germany was essential for the security of the West. But would a revitalised Germany pose renewed political and military threat to its neighbours?[3] To pre-empt this possibility, a new European institution needed to be created which could cement the economies of its member countries into an independent maze out of which any independent aggressive action by a single country would be impossible.

An enlarged and united Europe was bound to be in a stronger bargaining position in political and economic negotiations. What thereafter emerged from this confluence of security, political and economic motives was an ambitious blueprint for merging individual European economies into an ever closer union. The enlargement process was therefore already underway the moment the Union of Europe was envisaged by the 'founding fathers' in the early 50s.

In total, since its establishment, the EU has had five enlargements, with the first taking place in 1971 and the last being in 2007. The motivating factor for the acceleration of enlargement in the EU could be attributed to the need for economic and political stability. By including as many European states as possible into the fold, it also meant better control of the activities of smaller and at times, less democratic states by the EU institutions. Further, it made economic sense as it meant that now European producers and manufacturers had a larger, controlled and united market to sell and buy products.

[3] D. Leonard, *Guide to the European Union*, 8th edition, Profile Books Ltd., London, 2002.

Politically, the enlargement process of the EU could be said to be a tremendous success story, being able to include former enemies,[4] establish a single market and currency and help stabilise its neighborhood. It would seem therefore that historically, the founding fathers of Europe had one intention i.e., to reunite the whole of Europe, irrespective of political and economic difference. In fact, with the fifth enlargement in 2004, it was the most ambitious project the EU had ever taken. It was in effect the reunification of the European continent, divided in 1945 after the Second World War and extended to Central and Eastern Europe the zone of peace, stability and prosperity. The enlargement process in the EU hinged on the atrocities they suffered in the past and historical objectives inadvertently propelled the momentum of the EU enlargement process with several other countries waiting in the queue to be part of the Union established some 60 years ago.

In the case of the ASEAN, early history confirms that proposals for integration were triggered by external events that had threatened to undermine economic prosperity and political stability in the region. However, as years passed and as the ASEAN became more independent in its political and economic ability, it began to realise the benefits of enlargement. However, this was not an idea conjured in the later years of the ASEAN, but one that was the aspiration of the founding fathers when it was established in 1967. The difference with the EU however was that in the case of the ASEAN, the 'founding fathers' were very specific as to who they wanted to include in later years, as mentioned by the ASEAN Foreign Ministers when the Bangkok Declaration was signed.[5] And, unlike most other integration attempts in Asia,[6] particularly those at later years, the ASEAN was not an example of an enlargement effort triggered by peaceful objectives but rather by a war in the neighbouring Indochina that threatened the stability in the area. The ASEAN defined its main tasks as ensuring the member's stability and security from external interference and laid the foundation for a peaceful community of Southeast Asian countries. Concrete steps to promote the enlargement process began only after the Americans were defeated in the Vietnam War when the security threat posed by Vietnam and the threat of communist insurgency confronting all the ASEAN members galvanised the Group into action.

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[4] Former Soviet Union republics and other socialist states like Estonia and Hungary.

[5] The Association represents the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity.

[6] SAARC — an economic and political organisation of eight countries in Asia namely India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan.

Later with Myanmar wanting to be included, the enlargement process became a competition of political will within the ASEAN itself. The crucial reason to enlarge and include Myanmar was due to the feeling that with Myanmar in the ASEAN fold, it would be easier to discuss with it sensitive issues such as human rights and practice of common democratic values.

The earlier and later ASEAN enlargement processes[7] did not trigger as much interest as that of Myanmar's inclusion in 1997. With quite a similar colonial past and economic background with some of the other ASEAN members, it was best thought that the ASEAN should accept Myanmar without prejudging the state, forcing it to recoil and in the process, let slip the dreams of the 'founding fathers' of a regional organisation comprising ten Southeast Asian countries.

As mentioned, history has played a deciding factor in the manner in which the EU and the ASEAN have pursued the enlargement process. One organisation seems to be aggressively pursuing new member states, while the other, may seem to give the impression that it is content after fulfilling most of its goals related to enlargement. A united Europe still seem to be a historical legacy waiting to be fulfilled, and until that happens, the enlargement process in the EU will continue while a ten-member ASEAN is already an objective fulfilled, anything more merely being "cosmetic changes".

Membership Criteria

This factor is the most contrasting and obvious one in the enlargement processes of the EU and the ASEAN, with one organisation, the EU, having a broad and wide interpretation for the inclusion of new members,[8] while the ASEAN, having a much narrower view for its process.

Nonetheless, both organisations have ventured carefully, not wanting to take on-board 'deadwoods" that would merely be a cause of embarrassment to the organisation and drag its status and pride downhill. Unfortunately, in the ardent pursuit of enlargement, the membership criterion has been loosened. For the EU, it would mean including former Soviet Union republics, which

[7] In 1985 (Brunei); 1995 (Vietnam) and 1997 (Laos).
[8] The Copenhagen Criteria.

want to separate itself from the grasp of Russia and build itself economically and politically, by joining the EU. However, many of these countries fall short of the Copenhagen Criteria.

In the case of the ASEAN, it was Myanmar's membership which allegedly caused a rift between member countries. The potential presence of Timur Leste could also ruffle the feathers of some the ASEAN members[9] as it could bring unnecessary attention to ASEAN, as what Myanmar has done. Therefore, looking at current membership, it cannot be denied that both organisations seem to have member states which are either politically unstable or not in the same economic footing as the founding members of the respective organisations.

Nevertheless, in the case of the EU, successive enlargements have incorporated a reasonable number of new and stable states in the EU. The sudden surge of membership (especially after the 2004 enlargement), led many member states, especially from Eastern Europe, taking advantage of the higher standard of economic well being and political stability of the other member states in western Europe. Undeniably, easy acceptance is the main reason for the surge of membership in the EU compared with the ASEAN. The 'entrance requirement' for the EU merely requires potential members to have a democratically elected government and practice open economy, though it is worded in a much more complex and sophisticated manner. Geographical locations of the member states have been argued not to be an impediment for membership, thus the reason why certain member countries have even suggested that certain north African states and even Israel, have the potential to become an EU member in the future.

In the ASEAN case, apart from having to accede to the Treaty of Amity and Cooperation, an important factor is the geographical location of its members. Members and potential members have to be located in the Southeast Asian region. Hence, one of the reasons why the enlargement process in the EU moves at a faster pace than the ASEAN's, as it is easier to be accepted into the EU then in the ASEAN.

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[9] Singapore and Indonesia.

Having mentioned the above, when it comes to defining the boundaries of the ASEAN, it is clear-cut. In the case of Europe however, the boundary is less defining. Membership criteria are not merely restricted to either east or west of Europe. It would therefore seem that for the moment, in reality, the silent reference to the practice of Christianity in the potential country is used as a yardstick for membership. A case in point could be the continued rejection of Turkey's membership to the EU.

Presence of Institutions

The other point of divergence in the enlargement process is the presence of institutions. For unlike the EU, the ASEAN is an organisation with no supranational authority. New members are expected to blend themselves into the organisation and adopt the so called 'ASEAN Way' i.e. a positive attitude, quiet diplomacy and goodwill in consultations to achieve consensus and strengthen solidarity.[10] ASEAN membership does increase the importance of the regional dimension in the policy making process of the new members, however, political cooperation in the ASEAN unlike in the EU involves little or no internal adjustment. Each member still develops her own political system and own governmental structure. The reality is that national interests and preferences remain a major determinant of the possibilities of political and economic cooperation in the ASEAN,[11] without interference from any institutions within the organisation.

Therefore, the lack of, or presence of institutions within the organisations have contributed to the speed and progress of enlargement achieved by the two organisations. The more institutions there are, it would seem the faster and more coherently the enlargement process takes place, while the fewer there are, seem to indicate a slower pace of enlargement. This scenario however may not apply in all organisations, but would seem to be a major contributor to the enlargement process of the EU and the ASEAN. In the case of the EU, the presence of the European Council, European Commission and European Parliament, amongst others, determines and ensures that the number of new additions and period to enlarge as agreed upon, is strictly adhered to. Of course, economic and political incentives are added attraction

[10] L. Linda, *ASEAN Economic Cooperation and Challenges,* ISEAS Publications, Singapore, 2004.
[11] T. Mario, *European Union and New Regionalism*, Ashgate Publishing Limited, New York, 2001.

for the new members. However, once the Copenhagen Criteria are adhered to, the institutions within the organisation will ensure that there will not be any retraction or revocation of its commitments by the member state. Doing so would call for a gentle admonishment, probable loss of "face" or being hauled up to defend themselves at the European Commission.

However in the ASEAN, where institutions are seemingly lacking, it allows the sovereign member states to agree to disagree and remain at status quo level for as long as they want (usually playing to the demands of the domestic gallery). The urgency to ensure and look at the enlargement process as an important factor for political stability and economic growth is slow in coming and the lack of supervision by internal institutions has contributed to the slow and steady non-expansion of the ASEAN.

In summary, with the presence of established institutions within the organisation, as in the case of the EU, there is a certain degree of adherence, supervision and ferventness to seriously proceed and commit oneself to the enlargement process. On the other hand, without the presence of any institution to oversee the enlargement process, it could and has led to a lackadaisical attitude in the enlargement process, whereby there exists no time table, no pressure and no incentive.

Political Will, Economic Incentives and Binding Decisions

On another front, the crucial issue of binding decisions will have to be addressed, as it is one of the factors that has promoted enlargement in the EU. EU decisions are binding on those imposed upon, while in the case of the ASEAN, decisions made are not binding.[12] Though the TAC is an important agreement which acts as a pre-requisite for membership, all other agreements do not have the same effect as this Treaty. It cannot be denied that existing declaration which are not binding do however have symbolic value of solidarity and consensus among its member states and have successfully served some of its agendas.[13] Unfortunately, these non-binding decisions are not sufficient at times to push forward the enlargement process.

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[12] S. K. Elizabeth, *The Making of European Union Foreign Policy*, St. Martin's Press, London, 1998.
[13] M. Woosik & A.O. Bernadette, (eds), *Regional Integration – Europe and Asia Compared*, Ashgate Publishing Limited, Hampshire, 2005.

This brings the discussion to a central feature of the EU i.e. the existence of a legal patrimony, the *acquis communautaire* (adherence to decisions made), and the question of whether the norms of consensus in the ASEAN can be developed into a gradual *acquis*, similar to the EU, or is the criticism that the EU is over-concentrated on technocratic decision-making and is a dominating bureaucracy, hold any truth. (This could be argued not to be the case due to the successful enlargement process in the EU with the imposition of 'binding decisions' playing an integral part).

In the case of the EU, the political will which has accompanied each enlargement process have been clearly evident i.e., the unification of Europe. Of course, it cannot be denied that there were some hiccups along the way when some of the referendums carried out in the countries came back with a resounding 'No',[14] though this later became a 'Yes', giving credence to the fact and making it obvious that political will to join the EU has overpowered and influenced the choice of the people. To top it off, the enlargement process in the EU could be argued to be more successful as there are economic incentives once a member joins the European Community. The market to trade their goods increases and tax incentives plus numerous other trade arrangements[15] stands to benefit these new members. (More than forty per cent of trade in Europe is between EU member states).[16] Transportation of goods between the EU member countries becomes easier and less cumbersome, when compared to non-EU countries trading their products in the EU.[17]

However, creation and existence of the single market essentially have meant that documentary statistics requirements for cross border traffic no longer exist. Operators are required to report cross-border traffic to the statistical bodies but only when they breach a particular regulation. The recent enlargement of 12 new Eastern European members into the EU (ten countries on 1 March 2004 and two countries on 1 January 2007), illustrates problems that arise for those who want to investigate individual country

[14] Ireland.
[15] With the aim of protecting certain local sectors from competition from third countries, the EU applies certain restrictions to imports, ex., iron and steel.
[16] D. Leonard, *Guide to the European Unio*n, (8th edition), Profile Books Ltd, London, 2004.
[17] The European Economic Area (EEA) links the EU with Iceland, Liechtenstein and Norway, maintaining free trade access.

markets in detail and draw comparisons with earlier years. Example on point would be the ten countries, including the big coffee markets of Poland, the Czech Republic and Hungary, witnessing their considerable import of soluble coffee from the EU change literally overnight (1 March 2004) from "classical imports" into "goods moved" within a single common market. This sudden change makes attempts to compare figures pre and post EU entry of these countries difficult.[18]

It would therefore seem that political and economic reasons have greatly influenced and are at the fore of the EU enlargement process. What potential member countries stand to gain is too much to lose out. It has increased their influence in the international fora and provided them with an increased measure of sovereignty compared to before (this applies especially for Eastern European countries which later became the EU members, such as Estonia, Latvia, Lithuania, Slovakia and Slovenia).

The enlargement process in the ASEAN on the other hand by and large has been a one-way street. New members joined to hinge on the ASEAN bandwagon because of their 'insignificant' place in the international fora. There was no economic attractiveness at the beginning and states joined without wanting any sort of attachment, commitment nor responsibility attached. Except for the TAC, there were no binding decisions that could be imposed on a recalcitrant state. In fact, political will to chastise another member state for gross human rights violations or lack of democratic practice was not to be addressed, lest it offended the member.

Ironically however, it was these very factors that led the ASEAN to enlarge to the number it is today. It cannot be denied that today, despite the fact that it is not yet an economic powerhouse; it has taken strides to improve the economic standards of the people in the ASEAN region. From merely five per cent of intra ASEAN trade,[19] today it has risen to twenty per cent. Lack of institutions and demand for change in the political and economic structure of the state, made the organisation an attractive choice for these Southeast Asian countries.

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[18] http://www.thefreelibrary.com/Intra-EU+trade+dissolves+single+country+soluble+markets:+soluble a0179424413. (Accessed on 21 April 2009).

[19] L. Linda, *ASEAN Economic Cooperation and Challenges*.

Nevertheless, to the lay man, there may exist very obvious lapses in the political will, binding decisions and economic incentives between the enlargement process of the EU and the ASEAN, but once we acknowledge the fact that in the ASEAN, it is done the 'ASEAN Way', one would realise that the enlargement process did take place in the Southeast Asian region and surprisingly, did achieve the dreams of its forefathers, just as what has been achieved by the EU, despite the differences.

THE INTEGRATION PROCESS

In tandem with enlargement is the integration process, a process gone through by both organisations at one time or the other since establishment.

Historical factor

If we look at the descriptions of the situation that existed in South East Asia in the 1960s, the same words could also be used to describe the situation that existed in Europe in the late 1940s and 50s when the European Community was founded. The ASEAN leaders were conscious of the fact that the region was still divided by ideological conflict and war. Internal insurgencies and economic hardship forced countries in the region to waste a great deal of their scarce resources on defence and to depend on external powers for security and aid. Territorial disputes and racial tension caused recurring irritation and aggravated distrust between neighbours. Basically, there was no shadow of integration at all.[20]

In the case of Europe, the end of World War 2, the occupation of Germany, the annexation of most of Central and Eastern Europe, the weakness of the main economies of Western Europe, the strength of the Soviet and the growing role of the US and the beginning of the Cold War, all created disunity among the European states.

However, to integrate and unite the countries, be it in Southeast Asia or Europe, was not an easy task, taking into account the economic and political hostility at that time. It was first necessary to look for a way of solving the main conflicts within the regions, only after that was it possible to set up a

[20] G. Wiessala, *The European Union and Asian Countries*, 2002.

framework for regional cooperation capable of building confidence between the new partners and managing peacefully the conflicts between them.[21]

This historical aspect explains the special character of the ASEAN which has developed a framework for regional cooperation with a low level of institutionalisation and instead places special emphasis on the importance of informal contacts, consultation and consensus[22] rather than on any legalistic decision making procedure like the EU and its institutions. This approach to regional integration has been labeled by some authors as 'soft integration', while others prefer to call this singular combination of characteristics, the 'ASEAN Way'.[23] In the case of Western Europe, the priority after the war was economic recovery and given the high level of economic interdependence between France and Germany, the common view at the time was that economic integration was a competitive endeavour between the two countries with only one possible winner. It was a 'winner takes it all' situation, i.e., a zero-sum game.

Undeniably therefore, integration in the EU and the ASEAN at the beginning never existed as it is today due to various factors in their respective history. This became a lesson for both organisations and ensures that this time round, they took the necessary measures and initiative to make integration a success.

Role and influence of foreign policies in the integration process

The role of institutions and the political will in the EU and the ASEAN have played a pivotal part in the implementation of the enlargement process. The same could be argued for the success or failure of the integration process too.

To this extent, the integration process can and is influenced by domestic policies formulated by leaders of member states. In the case of the EU, member states have to adhere to certain agricultural,[24] economic and foreign

[21] http://www.cias.org. (Accessed on 15 February 2009).

[22] Informal working group meetings, retreats and closed door meetings among the HOG/S where issues are discussed openly and frankly.

[23] A. Acharya, 1997, Ideas, Identity and Institutional-Building: From the "ASEAN Way" to the "Pacific Way". *The Pacific Review*, 10(3): pp 320.

[24] Before the creation of the Common Market, agriculture was subject to intense intervention by the Member States wanting the EU policies to be in line with their own domestic agricultural policies. Therefore, in order to ensure European economic integration and halt these state interventions, the EU set up the Common Agricultural Policy, subjecting all countries to one common agricultural policy.

policies formulated by the European Commission and they are expected to follow and infuse them in their domestic policies. Integration therefore, in a manner of speaking is "forced upon" member states. However, this type of integration has seen a much more cohesive and united Europe than ever before in areas ranging from customs union to a united monetary system.

Unfortunately, the same cannot be said of the ASEAN. Because of its inward looking attitude, the ASEAN member countries tend to put national (i.e. domestic) interest first before that of the organisation, at the expense of the ASEAN integration. Foreign policies introduced by member countries tend to be an extension of the country's own domestic policies, which visibly excludes and sidelines strategies that could be more 'wholesome' and reflective of the ASEAN solidarity, such as having a customs union or a common agricultural policy.

Because of this 'self-centredness' in its formulation of foreign policies, compared with the EU, the ASEAN seems to be more distracted with seemingly at times endless domestic crisis to pay any attention to finding ways to better integrate among each other or heed the importance of coming up with foreign policies which could be beneficial to all members.

On the other hand, when the Berlin Wall fell and the Soviet Union was dissolved, it put an end to the division of Europe and gave the Europeans the opportunity to seize the initiative and re-launch the process of European integration. As Hirschman explained, there are crises that produce disintegration and crises that produce integration. In his view, when a regional organisation and the states that are part of it suffer a serious setback, they can choose between two courses of action.

The first one would be to react individually without any coordination with the other members of the group; producing disintegration. The second option would be to look for some kind of common answer to the crisis, with the idea that working in unison would improve their chances of success, strengthening the organisation and integrating all members.[25]

This points to the other dominant feature of the development of integration in Europe i.e., in addition to having strong supranational institutions; a major

[25] A. O. Hirschman, *Essays in Trespassing: Economics to Politics and Beyond*. Cambridge University Press, Cambridge and New York, 1981.

role has been played by nation-states and governments, both in the further development of regional integration and in current policies shaping in the EU. The EEC was established as the result of the Treaty of Rome in 1957 and the legal basis of the Community has continuously been changed as a result of new inter-governmental conferences. At the same time, the European Council functions as the EU's most important executive and legislative authority. Economic and political integration is thus, first and foremost a result of nation-state politics among the EU member states reasserting the spill-over effects as underlined in the neo-functionalist theory of regionalism.

Differing political and economic systems

To this end, the political systems practised in the ASEAN countries can best be described as composed of several forms ranging from democratic to military rule, and several others in between. Compared with the EU, whose members practise democratic politics, it could be claimed that the ASEAN countries differ far more in their political system than the EU member states. For example, the political difference between Malaysia and Myanmar is much greater than the political difference among any two European states. These obvious differences constitute an obstacle to institutional political and economic cooperation.

In the economic front, economic disparity is the single most important barrier to formal regional cooperation in the ASEAN, and to this extent it reflects the divergence in the degree of industrialisation, technological level, labour costs, export capacity and other economic factors. There is no precedent anytime in world history of a successful free trade agreement among countries with great economic disparity.

In the case of the EU, the revitalization of the EU through the single market was a direct consequences of a wish to make Europe competitive compared to the US or Asia. Eliminating obstacles to the free movement of goods, persons, services and capital across borders was an important way of increasing competitiveness and trade activities.[26] Creation of the single market

[26] A Customs Union was created. It aims for integration without restriction within the borders of the union, avoiding different sales taxes and bureaucracy which would limit the movements of goods from one EU member country to the other. Internal borders are then rendered obsolete as far as customs or external trade is concerned.

was to bring about market integration, creating a domestic market with a base in the EU and beneficial to all its members and in tandem create a political entity that was strong and stable.

The ASEAN on the other hand was created as an organisation for political cooperation with the aim of stopping further expansion of communism in the region. However, from the very beginning to today, economic cooperation did and continues to play an important.[27] Economically, AFTA[28] attempts to abolish all customs duties among the member states towards establishing a common market and turn the ASEAN into a truly free trade area,[29] but with the absence within the ASEAN of a supranational institution, it could make free trade ambitions more of a dream than a reality.

In comparison with the EU, the economies of the ASEAN members are not complementary. The ASEAN companies compete in the same industrial sectors with each other, unlike the EU whereby trade within themselves contribute to nearly 40 per cent of their total domestic trade. Member countries of the ASEAN export the bulk of their primary commodities and manufactured goods to the same world markets. Indeed, most of their trade is with Japan and the United States rather than with their ASEAN neighbours. Therefore, the lack of institutions seem to be a diverging factor that contrasts the integration process between the EU and the ASEAN making it difficult at times to apply the type of political integration theories used in respect of the EU to explain the development in the ASEAN. Member states of the EU remain the key factors determining outcomes in European integration issues, with the institutions playing a crucial supervisory role. While within the ASEAN, it certainly is that national interests and preferences remain a major determinant of the possibilities of political and economic cooperation, without the presence of any institutions to impose, implement or oversee concrete integration.[30]

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[27] S. C. Simon, P. E. Jesus P. E. & S. Hadi, (eds), *Reinventing ASEAN*, Institute of Southeast Asian Studies, Singapore, 2001.
[28] ASEAN Free Trade Area.
[29] Elimination of non-tariff barriers among the ASEAN countries will be undertaken in different stages. By 2010 for Brunei, Indonesia and Malaysia, the Philippines, Singapore and Thailand; and 2010, 2011 and 2012 for Cambodia, Laos, Myanmar and Vietnam.
[30] T. Mario, (ed), *European Union and New Regionalism*, Ashgate Publishing Limited, New York, 2001.

SUMMARY

Integration therefore, is not a zero-sum game. The decision to interact does not necessarily undermine the state but, the opposite may be the case. Secondly, the integration process in the EU and the ASEAN has been gradual and developmental, advancing in stages but also challenged by stops and starts, in an often sporadic and unpredictable manner, making it unfair to argue which integration process is better than the other.[31] Thirdly, the development of the ASEAN regional integration and that of the EU depended dominantly on the role of national interest and on the number, scope and type of policies.

Fourthly, integration is crucially influenced by the extent to which domestic policies influence the member state's foreign policy.[32] However, it would not be fair to compare the two organisations identically without first considering the factors addressed above.

At this juncture, history too has a role to play as one should note that when the EU was founded, it was recovering from a devastating war. Europe was the site of World War 2 and later the Cold War. It was divided into two camps, ideologically and physically. From its ashes, a new political order emerged with the creation of the European Community, later the EU. The ASEAN member countries also had experience of the effect of regional conflicts and therefore the desire for cooperation was based on clear political aspirations for security cooperation, as manifested in the ASEAN Regional Forum (ARF).[33]

In this respect, the ASEAN is no different generally with its enlargement and integration process compared with the EU i.e., facing dilemmas and awkward situations, especially when it included Myanmar in the late 90s, and had to deal with the economic inequality of the newly included CLMV countries and their differing political ideologies. (The EU's worries were with the inclusion of eastern European countries).

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[31] M. Holmes, *European Integration - Scope and Limits*, Palgrave, New York, 2001.

[32] The invasion of Iraq divided the EU, as some agreed with the US's unilateral attack on Iraq, while others wanted a UN led team to lead the invasion.

[33] W. Mattli, *The Logic of Regional Integration - Europe and Beyond*, Cambridge University Press, Cambridge, 1999.

However, one major difference between integration in Europe and in Asia can be characterised as that between formal and informal integration. Formal integration is described as that which is formalised by the establishment of institutions and common regulations in order to control the relationship between nation-states, like the EU in Europe. Although there are examples of formal integration in Asia, the major form of regional cooperation in this area of the world is informal integration. It is mainly the informal track that distinguishes the Southeast Asian pattern from the patterns prevailing in other regions.[34]

The burning question remains as to why more comparisons are made with regard to the ASEAN and the EU than between other regional organisations? The ASEAN is perhaps one of the regional organisations most similar to the EU when it comes to the scope and range of activities covered. Seen from this perspective, the EU is more directly comparable, in global terms with the ASEAN than any other regional group.

Nonetheless, the EU's integration process has and continues to be promoted as a model for the ASEAN, though the EU carries out roles and functions that the ASEAN countries do not wish to assume. For example, unlike the EU, most of the ASEAN countries are not donors of development aid and do not apply conditionality of, for example, human rights in aid packages. They also do not aim to promote in other parts of the world an Asian regional integration or norms of governance. Furthermore, the difference with the ASEAN is that the EU possesses a body of law and binding rules that simply do not apply in the ASEAN context. They are underpinned by a particular ideology which may not have relevance in the ASEAN context, taking into account the many facets of its member states ranging from economics to culture.[35] Therefore, it would not be wise in these circumstances to demand that one follows the other, as there are obvious differences in the manner by which the enlargement and integration process in the EU and the ASEAN is implemented, differences that originate from various factors ranging from

[34] The formal track of the Southeast Asian pattern of integration includes cooperation through regional institutions like the APEC and the EAS and sub-regional free trade areas like the NAFTA and the AFTA.
[35] M. Woosik, & A. O. Bernadette, (eds). *Regional Integration – Europe and Asia Compared*.

past history to political and economic influence. In the same breath, one could also say that despite these different momentums of implementing the two processes, the end objective always seem to be the same, i.e. political and economic stability and development.

CONCLUSION

It cannot be denied that the EU and the ASEAN on the surface may have differences that seem irreconcilable. In fact, it may also be argued that these differences are there due to historical, political and economic circumstances. However, this thesis, though in agreement with the first part of the above statement, i.e. that the two organisations in principle differ from each other, has shown that despite its many differences the two do share some similarities in certain aspects, its ultimate goal in the enlargement and integration process, being one.

This research has shown that despite its size, geographical differences, political and economic variances among its member countries, both organisations have the enlargement and integration processes for the same reason i.e. to secure political and economic stability for its member states and a louder voice in the international fora. The issue of combined strength for security reasons is also another reason often featured. To this extent, this research has been able to showcase examples of how the integration and enlargement processes began, continue to grow and the outcomes achieved. In all these situations, i.e. at all the various stages of enlargement and integration; one will see the link between the two processes. It is a pair that should not be separated.

However, having said that, there have been times when the integration process did not grow in tandem with the enlargement process, as witnessed in the third ASEAN and fourth EU enlargement process. It has also become obvious that if one process accelerates beyond the speed of the other, that particular organisation, be it EU with all its economic backing or the ASEAN with its strong comradeship, could break up, creating political and economic uncertainty, and worse still, international embarrassment.

The practical aspect of the integration and enlargement process today is that the speed of integration in the respective organisations depends ultimately on the economic strength and political will of its members.

It could also be concluded that the theoretical framework of neo-functionalism and pluralists were best fitted to describe the workings of the EU and the ASEAN, especially with regard to the spillover effect, the diminishing role of the state and rising prominence of integrated communities in regions. It also concluded that both organisations share similar goals and ambitions, but attain it using different strategies and game plans. Examples to illustrate the benefits attained, both politically and economically (showing the end objectives) when new members joined, were provided to this end. The assumption therefore that the EU and the ASEAN differ in their enlargement and integration processes entirely, could only be argued to be partially true, for though the process may differ, the end objectives remain the same.

To that extent, the findings have not just raised pertinent questions for further research, but also dealt with an angle of enlargement and integration in the two organisations which has not aggressively been researched before, as more often than not, the two processes are examined within the respective organisations themselves.

To this extent, what many scholars and lay person fail to comprehend is that both the EU and the ASEAN travel at different speeds, causing different impacts and effects on the integration and enlargement processes.[36] The momentum of both processes taking place in the two organisations is undeniably incomparable and so great apart, though the ultimate goal for both organisations in the enlargement and integration process have remained subtly alike. And after having examined both enlargement and integration processes, and taking specific commonalities present in both organisations, it would seem that the very existence of the organisations began to differ immediately after their establishments. Various factors contributed to this present state, ranging from membership criteria to political ideologies and economic disparity.

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[36] C. Simon, P. E. Jesus P. E. & S. Hadi, (eds). *Reinventing ASEAN*, Institute of Southeast Asian Studies, Singapore, 2001.

As seen in the research, the very existence of the EU and the ASEAN is dependent on its enlargement and integration process. However, at the same time, as in the case of the ASEAN, it would seem that its expansion progress may come to a halt after the possible inclusion of Timor Leste in the near future. This scenario on the other hand is different with the EU, which sees the enlargement process as a means to unite Europe in the various different sectors. Whatever the case may be, the integration process will still have to continue even when the enlargement process comes to a standstill. To this end, unlike the ASEAN, the EU wants to further its boundaries, while the ASEAN has used its geographic criteria for membership (i.e. to be within Southeast Asia) as the invisible criteria. Countries as far flung as Israel and religiously diverse as Turkey are slated and eager to join the EU in the near future. With many more eastern European countries clamouring to join, it would seem that the doors would remain open for sometime.

For now however, it would seem that both processes will grow in parallel in the respective organisations, but at different speeds, which should be and is acceptable, taking into account their varied backgrounds. And in this respect, the idea of political and economic integration being particular only to the EU; or as a key feature to the EU only; or simply as being too difficult to achieve by other regional organisations, does not have any credence as it should be pointed out that there is no such thing as one single integration or enlargement model.[37]

It would seem therefore that both the EU and the ASEAN have attained its original objectives of enlargement and integration by adapting to its own unique structure and surrounding circumstances, giving credibility to the fact that same goals can be achieved with a different game plan.

[37] M. Besson & K. Jayasuriya, 1998. The Political Rationalities of Regionalism: The APEC and the EU in comparative perspective'. *The Pacific Review*, 11 (3): pp. 311 – 336.

Malaysia-Pakistan Relations: Understanding International Relations in the Muslim World[1]

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INTRODUCTION

International relations in the age of contemporary globalisation is no longer the same. Ideas like balance of power, deterrence and alliances are changing. The change is basically induced by the old military dimension of power structure in international relations being affected by economic globalisation and interdependence. For a country like Pakistan, the old alliance with the US cannot be viewed in the same context as Washington becomes closer to India. Similarly, China-India dialogues can also dilute the traditional perception of animosity. As the nature of international relations' power structure evolves, new dynamism emerges. A country can no longer sees the past in the same manner in order to move forward. It must think of win-win all the time as the zero sum game approach is no longer suitable for the current age. Interdependence and dialogue is inevitable. Finding new areas of

[1] This was a part of the Paper presented in the International Conference on "Emerging Asian Century: Plans, Problems and Priorities," in Jamshoro, Pakistan, 4 November 2009.

cooperation is becoming more important in order to slowly come out of the traditional perception of history. New players are also becoming important and they can be larger organisations or non-state structures. Similarly, the problems confronting humanity today require a common effort as the nature of the problem is no longer recognising state boundaries, be it the economic crisis that we are witnessing or the increasing non-traditional security issues of the current age. It is in this context, we could see how states are looking for opportunities to prosper and be a responsible player in the international system.

The history of Malaysia and Pakistan relations was not all that smooth. During the initial years of the Malayan independence, Pakistan was not in favour of Malaya's expansion by incorporating Sabah, Sarawak, Brunei and Singapore into Malaysia in 1963 and instead gave its diplomatic support for Indonesia. This was different with India. The Cold War on the other hand brought about the creation of SEATO of which Pakistan was a member in the US sponsored project. But Malaya did not support the organisation because of Kuala Lumpur's strong allegiance with Britain than the US. While these historical differences remain, there were other platforms for Malaysia and Pakistan to meet. Among others, it include the Commonwealth, the OIC and the D-8. In fact Malaysia was asked by the Commonwealth organisation to lead a delegation to persuade Pakistan to return to democracy. The military rule in Pakistan tends to frustrate Malaysia in showing its full support for Islamabad. The Bush administration's global war on terror too put Pakistan on the side of the West which makes Malaysia exercise caution.

Despite these difficulties, Malaysia has had a steady record of bilateral relations with Pakistan. Being a Muslim country and a developing nation, allowed Malaysia to continuously engage Pakistan and other Muslim nations. Pakistan too rely heavily on Malaysia for support to get entry into several regional organisations be it at the inter-governmental organisations level or at the track two meetings. Over the decades, the two have many years of experience handling difficult issues and differences. Malaysia is careful in using diplomatic language when comes to issue like Kashmir. Malaysia regards India as another important partner in the developing world and in platforms like NAM. India's economic emergence is also viewed by Malaysia in a positive manner.

But the scenarios are changing for good. Within the last decade or so, the improvements in Pakistan's economy are opening up more opportunities and sectoral collaboration. Trade has increased and the beefing up of relationship in the area of trade and investment has become the utmost priority. Exchange of visits between leaders at the highest level had witnessed some important progress. Futhermore, Malaysia is also aggressive in promoting its economic interest in both Pakistan and India, like the way it has been doing in with China. FTA with Pakistan is a successful example and it is hoped that this type of improvements can be seen in many other sectors. Defence and security cooperation too have moved forward in the last decade or so. While this progress is ongoing, the expansion in relationship is not without implications. Numerous challenges are encountered as both the countries are trying to enhance bilateral relationship in recent years. This article will highlight both the prospect and the ongoing issues and challenges within the context of the bilateral relations. It will analyse the nature of political, defence and security, economic and socio-cultural relations. Overall, this research will explain not only the context within which developing Muslim nations tend to enhance relationship but also why it is vital for both to do so using the bilateral and multilateral settings.

Keywords: Malaysia–Pakistan relations, economic globalisation, interdependence, dialogue, collaboration, and trade and investment.

BILATERAL POLITICAL, DEFENCE AND SECURITY RELATIONS: THE STRENGTH AND CONCERNS

Bilateral political relations in the recent decades have moved toward a highly positive direction, especially during the era of President Pervez Musharraf. Although Benazir Bhutto and Nawaz Shariff too had visited Malaysia, President Musharraf had visited Kuala Lumpur at least three times during his tenure. This was also followed by Pakistani Prime Ministers Shaukat Aziz and in July 2008 by Yusuf Raza Gillani. Exchange of visits by Defence and Technology Ministers were also common. Musharraf visited Malaysia with a big delegation in 2000, 2003 and the last visit was in February 2007. The meetings of Malaysia-Pakistan Joint Commission have also paved ways

for high level Ministerial Meetings on a more regular basis between the two countries. Overall, it can be argued that the results of these meetings have paved ways for the signing of important bilateral agreements like the Malaysia-Pakistan Closer Economic Partnership Agreement (MP CEPA) and also the Free Trade Agreement (FTA) which was concluded in 2007 after a few years of discussion and negotiation. Besides the strong political ties, the expansion of the economic realm, defence and security cooperation have improved bilateral relations since 2000.

Although Malaysia was asked by the Commonwealth to send the delegation to persuade Pakistan to bring democracy to normalcy in 1999, Malaysia used this diplomatic channel in a positive manner without applying unnecessary pressure on Islamabad. Prime Minister Tun Dr Mahathir sent Tun Musa Hitam to Islamabad to lead the Commonwealth Ministerial Action Group[2] and expressed his concern without injuring the Pakistani pride by merely stating that democracy is still the best way to govern a nation. The friendship between the two countries improved as Pakistan tends to show better economic performances. Prime Minister Tun Abdullah visited Islambad in February 2005 to accelerate the bilateral economic relations as many areas of cooperation looked promising. Both the countries have also used other platforms in the OIC to upgrade the thinking about enhancing economic and political cooperation. The cooperation in D-8 (Developing Eight) Muslim nations is a very crucial forum used thus far by the Malaysian and Pakistani counterparts to improve both the political and economic relationship.

While the positive climate of the political relations prevails all the time, Malaysia has occasionally put it politely that Pakistan should think of ending the war-like scenarios with India and peaceful means and approaches are adopted at all time. Malaysia too is a non-nuclear nation that abhors the use of nuclear weapons. Kuala Lumpur's support for the global non-proliferation regime is obvious. India and Pakistan were widely known as nuclear nations following the nuclear test in May 1998. Malaysia expressed its displeasure the usual way as a nation that abhors nuclear weapons and raised the call to halt testing and join the Non-Proliferation Treaty (NPT).

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[2] Patvinder Singh, "KL's call to Islamabad: Dr Mahathir: Democracy still the best," New Straits Times, 29 March 2000.

The global war on terrorism is a major concern. Although Malaysia was not openly criticising Pakistan for assisting the US, the government had openly been critical of Western nations on the global war on terror approaches including the attack on Iraq. Pakistan's close cooperation with President Bush is not something Malaysia would like to see although Kuala Lumpur too were pressured to support the US initiatives on combatting maritime terrorism and also when it comes to cases of extradition and intelligence cooperation. Pakistan is the second largest Muslim nation with some 165 million of which 98 per cent are generally estimated as Muslims. The involvement of people of Pakistani origins in the London Bombing and also some Pakistani nationals in the attacks on Indian Parliament and other terror incidents in Mumbai had generally sent the wrong signals about Pakistan. The image that Pakistan can be a place of breeding ground for terrorism was widely publicised in the media following some of these incidents, especially after the attack on Benazir. There are also groups that are occasionally accused or claim responsibility for such terrors attacks. The recent wars within Pakistan too prove that terrorism is a serious problem and it warrants significant action from the government forces in overcoming the challenge.

Although the problem of terrorism has yet to affect Malaysia-Pakistan bilateral relations directly at the government level, it is important that the government in Pakistan would be able to address the issue seriously in the near future which it has been doing so visibly in recent months. Otherwise, this will lead to negative messages to the investors and other business community, especially on peace, security and stability. The Malaysian government too had taken action on Malaysian students from going to Pakistan for the fears of the *madrassahs* being viewed as places spawning extremism. In September 2003, the Pakistani government deported some 13 Malaysian students for their involvement in the *Jemaah Islamiyah* (JI) activities including being indoctrinated by militant teachings. Since then, the government has taken serious steps to prevent Malaysian students from joining the *madrassahs* in Pakistan, especially after the London bombing. In 2003, some 122 Malaysian students were registered with the Malaysian High Commission for studying in Pakistani *madrassahs* while some 300 of them were believed to be scattered throughout the country for similar purposes.[3] With the Pakistani

[3] Arman Ahmad, *Madrassahs* to send back foreigners, New Straits Times, 27 August 2005.

government's serious effort to regulate and improve the *madrassahs*, it is hoped that the negative images can be contained and this type of issues will no longer have place in the future. At another level, Malaysia's cooperation on counter-terrorism with friendly countries has increased. Secret intelligence sharing, information exchange and cooperation between agencies of other countries have been beefed up quite significantly. The Malaysian police have tremendous track record cooperation in this area with neighbouring and other like-minded countries.

The activities of Pakistani nationals in Malaysia either staying legally or illegaly are widely covered by the media which can affect the image of a nation. Crimes like overstaying, forged documents, other business crimes, drug smuggling, human smuggling, triad activities and so on do appear in the media. But these are generally remote incidents. However, overstaying is a problem as many workers of different countries working in Malaysia are involved in this crime. In the case of Pakistan, the numbers of illegals are staggering compared with the numbers of Pakistani workers in Malaysia. However, the Malaysian government has adopted a policy of having more Pakistani workers in Malaysia in the future. In the past, this facility was extended to Bangladesh. It looks like the opportunity for more Pakistanis to be working in Malaysia is open wide now. The policy is generally said as taking in up to 100,000 workers from Pakistan.[4] Whether this can become a reality remains to be seen, especially so under the climate of this recent economic crisis. The level of people to people cooperation is likely to increase in the near future as more agreements of training and educational exchanges are taking shape at the bilateral level. Malaysia can be considered as a regional education hub given English is widely spoken and many foreign institutions of higher learning are now having branch campuses and external degree programs conducted fully in the country.

Malaysia's defence and security cooperation has been growing in a significant way in recent years. It has also to do with the 'smart partnership' and 'prosper-thy-neighbour' kind of concepts in Malaysia's foreign policy. Malaysia's defence procurement is no longer limited only to developed

[4] See, "100,000 Pakistani workers by next years," New Strait Times, 27 August 2009.

Western countries like UK, France and the US. It has diversified sourcing to countries like Russia, Brazil and others. Pakistan's success in enticing the Malaysian defence procurement and maintenance interest is commendable. In fact, Pakistan has succeeded in a big way compared with its image in the international market as defence supplier. Between 1999 and 2002, there were a couple top military officials from Pakistan visiting Malaysia. This tradition has improved further in recent years as the level of bilateral relations has increased significantly. Since 2001, Malaysia started its defence procurements deals after recovering from the Asian currency crisis which hit the economy in 1997/98. Defence Minister Datuk Mohd Najib Tun Razak visited Pakistan in February 2001 and concluded a few deal on purchasing anti-tank and surface to air anti-aircraft missiles from Pakistan arms suppliers. The deal was estimated at RM446 million (more than USD100 million). Although the actual amount of the purchases was not clear, the deals had opened up more avenues for cooperation on military equipments. Missiles from Malaysia too were being sent for refurbishment in Pakistan.[5]

Malaysia-Pakistan defence, security and political cooperation must be viewed in a larger context too as cooperation between Muslim brothers or generally the Muslim *ummah*. In fact, it is much easier to view it in this context than any other platform like cooperation between developing countries. Malaysia has very good defence cooperation activities with Pakistan in education and training. Both countries take pride in exchanging military officers to attend various courses in military colleges. At least two or three officers attend annually the military colleges in Malaysia. This is almost similar for Malaysian military officers attending programme in Pakistan. Exchange of visits or larger delegation of study visits too is normal. Similarly, Malaysia has sent its smart teams, military medical teams and etc. when there are disasters like earthquake and so on. Malaysia is highly generous when it comes to helping both in monetary and non-monetary terms countries in the region when natural disasters occur. The spirit of helping Muslim *ummah* is even higher on the part of the government. Assistances to Bosnia and Palestine are testimony to Malaysia's charity and humanitarian grants and facilities.

[5] See for more details, "Malaysia strikes multi-million ringgit weapon deals from Pakistan," New Straits Times, 1 February 2001. See, "Najib: Missiles maybe sent to Pakistan for upgrading," New Straits Times, 16 April 2002.

Indonesia of late has been another country that receives more aid from Malaysia in this context. The Malaysian government's largest aid to Pakistan was after the earthquake in October 2005. The government donated some RM21.6 million.[6] This was further beefed up by the private sector. Several teams and NGOs from Malaysia arrived in Pakistan to participate in rescue missions. Malaysia was also involved in the reconstruction effort. Defence cooperation between Malaysia and Pakistan can also increase in the future within the context of disaster relief exercises between armed forces within the Indian Ocean Rim. This trend will likely to spur more bilateral defence cooperation between Malaysia, India and Pakistan.

ECONOMIC RELATIONS: THE WAY FORWARD FOR BILATERAL RELATIONS

In many ways, it can be argued that it is the economic dimension that has been expanding the nature of the bilateral relations between Malaysia and Pakistan as compared with, say in the areas of politics, security or socio-cultural. Although the two countries share many aspirations as Islamic nations, without the economic muscle, many aspects of cooperation or shared aspirations will remain as rhetoric. Malaysia has had a track record of economic growth averaging at 8 per cent between 1988 until the 1997/1998 Asian Financial Crisis. After the collapse, Malaysia experienced another growth trend averaging 4-5 per cent of GDP growth from 2002.[7] The recent global economic crisis caused by the US subprime mortgage crisis has impacted upon the Malaysian economy in significant way between the mid-2008 till the entire 2009. However, the economy is currently on its recovery stage as the stock market has witnessed significant revival moving up closer to the pre-crisis level due to various stimulus economic packages estimated at RM67 billion within the last 16 months or so. Malaysia is also the top 20 trading nations in the world in which a lot of the current recovery is dependent on recapturing export losses in the US, Europe and Asian market.

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[6] "RM21.6 million spent on relief mission in Pakistan," New Straits Times, 26 January 2006.

[7] For more on the Malaysian economy, see K S Jomo, M Way: Mahathir Economic Legacy, Kuala Lumpur: Forum, 2003. See also Mohammed Ariff, Malaysian Economy: Openess, Volatility and Resilience, Kuala Lumpur, 2007.

Pakistan too has good track record in terms of economic development in recent decade as it is witnessing between 6 to 8 per cent of GDP growth for several years. This is not just good for Pakistan but the entire South Asia. Otherwise, the story of economic rise would only belong to India. The rise of Pakistan's economy is crucial to changing the image of South Asia as one dynamic region that can attract investment and trade rather than presenting an image of bilateral tension, war and terrorism. In many instances, it is trade and investment that will determine the nature of bilateral relations of Malaysia with many countries including Pakistan. Although the two nations can take pride in Islamic credentials in warming up the ties, Malaysia is an economic player. Its foreign policy in many ways is determined by the economic variable since the Mahathir era in 1981. Pakistani Prime Minister Shaukat Aziz, for example, is fully aware of and appreciates this dimension of Malaysia given his experience as a banker and as someone who had served as country manager (1982-1984) of Citibank in Malaysia during the initial years of the Mahathir era. In addition, Aziz has looked at Malaysia as a model that will be useful for diversifying Pakistan's economy during his term as Finance Minister.[8]

THE TWO WAY BILATERAL TRADE

While these sentiments have helped the two nations to look at each other as economic opportunity, there were some extensive works toward intensifying trade and investment within the last decade or so. Trade and investment have flourished as expected and continues to be an area of massive potential for economic relations. Initially, Pakistan's trade with Malaysia was small in the 1990s. In fact, even until today, it has yet to become a top ten trading nation of Malaysia. Pakistani trade exhibition in Kuala Lumpur had only started in 1995. At that time the business areas explored by Pakistani entrepreneurs included manufacture of surgical instruments, automotive parts, sports goods, textiles and other products. Only some 50 companies took part in the trade promotion event in 1995.[9] Trade in 1998 stood at USD803 million. Malaysia exported

[8] See, K P Waran " Pakistani PM feels at home in Malaysia," New Straits Times, 6 May 2005. Syed Nazri, "The Malaysian trait in Shaukat Aziz," New Straits Times, 5 August 2004.

[9] Azman Ibrahim, Pakistan to intensify trade promotion here," New Straits Times, 8 July 1995.

USD773 million worth of goods involving palm oil, rubber and tin mainly at that time, where as the small import from Pakistan involves cotton, leather products, surgical instruments, fabrics, fresh fruits, seafood and mixed yarn.[10]

This scenario has changed in recent years in a big way. In fact Malaysia and Pakistan are expecting to make more deals so that trade between the two countries can reach USD10 billion by 2015. This is because the signing of the FTA in 2006 and later the MP CEPA paved the way for more inclusion of goods and services in the list of cooperation and tariff reduction. Trade in 2001 stood at USD479.9 million and reached USD743.7 in 2005. By 2008, bilateral trade reached USD1.85 billion in which Malaysia exported USD1.7 while imported USD103. This was a 59 per cent rise for Malaysia of USD1.07 billion export in 2007 and 26 per cent increase in import of USD84.4 million import from Pakistan in 2007.[11] Trade for 2009 can reach another higher level unless it is affected by the current economic woo which is on the recovery mode now. The successful signing of the FTA too will impact even stronger. The agreement invites Malaysia to reduce tariff up to 51 per cent for imports from Pakistan while it is suppose to also reduce tariff up 22 per cent for imports from Malaysia.[12] Malaysia-Pakistan FTA is successful because of the limited areas it deals. This is different when Malaysia negotiates FTA with, for example the US, Australia or even India for that matter. The agricultural issue is just one problem. There are several other areas which Malaysia too can be protective of its interest as a developing economy.

Generally the potential can be seen as positive although the target of USD10 billion by 2015 is premature. There are numerous other issues to look at. For example, Pakistan is still by and large an agricultural country. Trade is still favouring Malaysia in large ways. The bulk of it is also due to the import of Malaysia's palm oil. Pakistan currently imports more than one million tonne of palm oil annually. It is the fourth largest consumer of this edible oil in the world with a potential import for 2.5 million tonne worth at USD1 billion. Malaysia has requested Pakistan to reduce import tariff but the result has not been all that positive. Pakistan charges a fixed rate of 9500

[10] "Pakistan invites Malaysian investors," New Straits Times, 13 April 1999.
[11] "Trade deals open more doors," New Straits Times, 23 March 2009.
[12] Sheridan Mahavera, " Pakistan eyes larger slice of our market," 6 November 2008.

rupees (RM560.50) per tonne as regulatory and custom duty. Another 15 per cent sales tax is also charged.[13] To date, Pakistan has yet to budge on this tax regime. Nonetheless, Malaysia continues to upgrade facility and storage plants as part of investments in Pakistan so that long term sustainabiltiy of business is achieved. In fact, it can be argued that about one third of Malaysia's export to Pakistan is all about palm oil. The economic crisis of 2008 had also affected a major drop in price for palm oil which means the value of bilateral trade can also decrease in monetary terms. However, this scenario is changing as more diversification can be seen taking place on Malaysia's investment in Pakistan in recent years, which help the diversification of exports as well. Major trade items thus far have been exports of fats and oils, electrical machinery, machinery, plastic and organic chemicals and imports from Pakistan concentrate on fats, seafood items, cotton-yarn-fabric, miscellaneous textile articles, manmade staple fibres and others.[14]

MALAYSIA'S INVESTMENTS IN PAKISTAN

The signing of MP CEPA has paved ways for more economic engagement. In fact, Pakistan is among the first to conclude FTA with Malaysia with less problems. This is different when compared with experiences with India which is still in the final stages. FTAs with developed nations like the US and Australia can be even more difficult. The US, for example, focuses more on sectoral liberalisation and the expansion of more goods and services. The request for open tender for the Malaysian government procurement is definitely a problematic area for Malaysia. The climate for investment is highly positive in Pakistan for Malaysian companies because the Pakistani government encourages investment in numerous sectors. Malaysian companies have capitalised in many ways. To encourage foreign investment, Islamabad has maintained a very liberal policy. Major Malaysian companies, both the government-linked companies (GLCs) and private corporations have made significant inroads in Pakistan. To name a few; Petronas, Gas Malaysia, Ranhill Power, Telekom Malaysia, Tenaga Nasional, Red Stone, Bandaraya

[13] "Pakistan: No cut in import duty on Malaysian palm oil," New Straits Times, 20 January 2007.
[14] Rupa Damodaran, " Pakistan expects more investors from Malaysia," New Straits Times, 24 January 2008. See also website of MITI and MATRADE.

Development, Sapura, Felda, Maybank, Takaful, Bank Islam, Malakoff, Eden and several others. The major sectors of Malaysia's investments include areas like the power generation, oil and gas, property development, telecommunication, infrastructure developments, halal food products and ICT.[15] However, the opportunity arising from the agricultural and food sectors are not fully utilised by the two although the one real promising field is in the form of halal food ventures. The size of the sector is tremendous. Yet cooperation is not up to par.

FDI from Malaysia to Pakistan has increased from USD374,092 in 2001 to USD2.9 billion in 2006. Malaysia's Maybank was the largest investor for 2008 with an investment worth USD907 million. This was followed by companies from Saudi and UAE. Pakistan has given the facilities like a special economic zone where investors can come in on a Build-Own-Operate basis which is quite attractive to take advantage of.[16] One of the largest investment bidding was building a township in Rawalpindi worth USD11 billion in 2005.[17] Since then Malaysia's investment has flourished in a massive way. Requests for building power plants, highways and townships in Pakistan keep pouring in. It seems, there is no ending for this for a while.

The potential is also enormous given Pakistan has a good portion of middle income group people, English speaking labour and labour cost is relatively low for Malaysian investors to exploit. Duty free facilities, tax exemption and implementation of specific laws at the one-stop centre for investors can be said as reasons for the increase in Malaysia's investment in recent years.[18] There is also plan on the part of Pakistan's government to create special invest zone or the exclusive economic zone (EEZ) status for Malaysian companies which can facilitate fast track approval centre for trade and investment. The EEZ for Malaysia will soon become a reality, most likely in the Sindh province of Pakistan. Malaysia's EEZ is planned after the success of the Japanese EEZ in Pakistan.[19] The billion dollar Malaysian investments

[15] See Kamarul Yunus, "Pakistan expects trade with Malaysia to touch US$2b this year," New Straits Times, 4 February 2008.
[16] Trade deals open more doors," New Straits Times, 23 March 2009. See also websites of MITI and MATRADE.
[17] Malcolm Rosario, "TAK awarded 2 Pakistan deals worth US$11b," Business Times, 26 March 2005.
[18] Ibid.
[19] Balan Moses, "Pakistan plans special economic zone for Malaysian firms," 21 October 2009.

are still revolving around the areas of housing, infrastructure, oil and gas and power generation. The construction sector is one area with large potential in the near future. While the potential is enormous, the challenges are also something that must be looked at. For example, many of the investment on power and property sectors are bound by challenges like political instability, terrorism and violence. Therefore security guarantee is an issue of concern for any investors. Pakistan is also known as a country closer to Afghanistan and confronts real security challenges in addressing Islamic militants and separatism in some parts.

CONCLUSION

The nature of the bilateral relations between Malaysia and Pakistan is changing rapidly within the context of contemporary globalisation. Historically, the two did not enjoy a very smooth and warm political tie during the initial years of nationhood. However, there exist various institutions and platform which helped both Pakistan and Malaysia to find some common interests to promote bilateral relations based on Muslim solidarity. Malaysia too had received a small number of migrants from Pakistan during and after the colonial era. Though proper records are not looked at for the purpose of this paper, it is suffice to argue that the Pakistani culture or tradition is not something alien to the Malaysian society. A small group of Sindhi traders and those of Punjab origins are common in Malaysia. Some of them are active in chambers of commerce and other NGOs. Pakistan's dominance in certain sports is also a common feature in the Malaysian media. Food and other cultural items have helped brought about the familiarity of Pakistan, like that of India's, in Malaysia. Unlike India, despite its big Muslim population, Pakistan is viewed more as a complete Muslim nation by Malaysia. Some Malaysians send their children to religious schools (*madrassah*) in Pakistan. Malaysia's engagement with Pakistan has also been enhanced more by highlighting the Islamic commonality in recent decades. Platforms like the OIC and D-8 have paved ways in strengthening cooperation at the higher level of leadership. This encourages the increase in the bilateral political dealings. Although the problems of international terrorism can send wrong signals about the image of Pakistan as a nation, it has yet to undermine bilateral relations.

The economic rise of Pakistan is currently opening up more avenues for a pragmatic business nation like Malaysia to highlight commonality and explore opportunities. Some of the opportunities are not new to Malaysia as the government and businesses have similar experiences in exploring opportunities in India and China in the last two decades or so. Infrastructure development, the construction sector, property developments, power generation sector, telecommunication and oil and gas explorations have been Malaysia's forte for quite a while now which initially started during the Mahathir era. Mahathir's successors, too, have more or less sustained the government-business partnership in exploring opportunity abroad quite rigorously as a part of foreign policy toward the developing countries and more so with the Muslim world. This trend and strategy will likely to continue for some time. As for Pakistan, working with Malaysia is the best passport in maintaining a foreign policy that will secure more benefits from the East Asian economic dynamism. Projecting a business-friendly image and as a nation that uses peaceful means for conflict resolution are vital tools for the way forward. Malaysia too admires some of the scientific and technological advancements of Pakistan. Many areas of cooperation will emerge in the future including one that can be of joint-venture in nature in exploring opportunities in third countries. Malaysia and Pakistan can also cooperate well in the emerging billion dollar halal food industry. The more Pakistan becomes a responsible regional player in South Asia, its entry into Southeast Asia and its affliated regional organisation will become even better. Like Malaysia, Pakistan too has a significant challenge of maintaining the internal political stability and security at all time. Similarly, how both Malaysia and Pakistan deal with larger and problematic neighbours will also be observed by many nations and send signals for international relations and co-prosperity. If the two can manifest success and good examples in many of their dealings, this will be an example for many Muslim countries to adopt similar models for cooperation.

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ASEAN's Role in Promoting Regionalism and Multilateral Security in Asia

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ABSTRACT

The Association of Southeast Asian Nations (ASEAN) was formed in 1967 in the context of the Cold War. As such, the original five states (Malaysia, Singapore, Indonesia, Thailand and the Philippines) came together to combat the threat of communism, preserve their independence, protect national sovereignty, and promote regional cooperation. All of these were foundational objectives. The regional entity was sufficiently resilient to deal with the challenges of the end of Cold War politics by 1990, and to chart its own course of strengthening regional cooperation, expanding its membership from five to ten, and to constructively manage the interests and engagement of the major external powers in Southeast Asia.

This article argues that ASEAN progressed from its foundational goals to build stronger bonds of regionalism in the political, economic, security and socio-cultural dimensions leading to the declaration in 2003 to establish the ASEAN Community. In the process, ASEAN has also showed that it can take the lead in promoting multilateral security in the post-Cold War era by a more inclusive approach through the ASEAN Regional Forum. It suggests that the "ASEAN Way" is a useful and relevant informal process of promoting regional cooperation in Southeast Asia. The fact that all the major external powers, which are also Dialogue Partners of ASEAN, have signed the Treaty of Amity and Cooperation (TAC), with the U.S. being the latest signatory in July 2009, is testimony to the regional association's success in promoting regional security and multilateralism in Asia.

Keywords: Southeast Asia, ASEAN Way, regionalism, ASEAN Community, multilateral security in Asia.

INTRODUCTION

The formation of the Association of Southeast Asian Nations (ASEAN) in 1967 was motivated by political and security considerations during the Cold War, especially the desire to fight international communism. However, the progress of regional cooperation in the early phase was impeded by intra-regional territorial disputes. Yet, the regional statesmen were aware that they needed to take their own initiatives quite independently of the major powers, to chart their own destiny for the region. Regionalism, according to Nicholas Tarling, implies a sentiment that exists or, perhaps more often, a programme or policy designed to build on or, if need be, to create or promote such a sentiment. Among states, where it is now at least the more common usage, it may again be designed to reduce differences and expand commonalities. It may also be designed to accommodate or provide leadership from within the region or from outside (Tarling 2006: 9). This definition of regionalism also implicitly contains the notion of "empowerment" used in this study: building national and regional resilience through a collective framework, and engaging in dynamic relations with major external powers. In this sense, ASEAN's concept of regionalism also envisions a multilateral security framework that conduces to a more stable regional order in which the interests of all parties can be better addressed and accommodated.

ORIGINS OF REGIONALISM IN SOUTHEAST ASIA

The notion of "modern Southeast Asia" as a geographical and geopolitical entity clearly has its origins in western colonialism and scholarship on the region. It gained momentum during the phase of anti-colonial nationalism in Asia as a whole during the latter part of the 19th century and the early 20th century. The Japanese Occupation of Southeast Asia (1942-1945) added momentum to the nationalist struggle for ending western colonialism leading to independence in the aftermath of World War II.

The United Nations also played a part in consolidating the notion of Southeast Asia as an integral region. The United Nations Commission for Asia and the Far East (ECAFE), later renamed Economic and Social

Commission for Asia and the Pacific (ESCAP), focused development aid and international assistance to this part of the Developing World, thereby strengthening the perception of regional leaders that they shared a common history of political struggle, possessed similar socio-economic characteristics, and needed to work together to achieve development, stability and security. The Asian Relations Conference held in New Delhi in 1947 helped bring together Asian statesmen to develop a common and unified agenda to speed up the process of decolonization. The first conference of Non-Aligned Nations held in Bandung, Indonesia in 1955 enabled Asian statesmen to express their views regarding the Cold War that had emerged, and to state their preference for neutrality, i.e. to not get involved in bloc politics that could further embroil them in the East-West rivalry between Communism and Capitalism, also known as the ideological conflict between the Communist camp led by the Soviet Union, and the Capitalist camp led by the United States. As a fierce anti-Communist superpower, the U.S. was determined to fashion a security system that could check the further expansion of Communism from Northeast Asia to Southeast Asia. The stalemates in both Korea (following the armistice at Panmunjom on 27 July 1953) and Vietnam (following the Geneva Accords on Indochina in July 1954) urged the U.S. to extend its Containment Policy from Europe to Asia.

In Southeast Asia, the failure of the Geneva Accords on Indochina served as a pretext for U.S. military intervention in Vietnam, with the aim of preventing the pro-American regime in the South from falling to the Communist regime in North Vietnam led by Ho Chi Minh. Under U.S. sponsorship through the setting up of the Southeast Asia Treaty Organization (SEATO) on 8 September 1954, i.e. four months after the defeat of France in Indochina,[1] the military dimension of Southeast Asian regionalism had clearly emerged. Although only two Southeast Asian states (Thailand and the Philippines) were SEATO members, the western security system was fully extended to Southeast Asia via other bilateral and multilateral alliances such as the ANZUS Pact and the US-Japan Alliance, both signed in 1951. Undoubtedly, in organising regional security for Southeast Asia, the United States was the key player in the early decades of the Cold War.

EARLY INDIGENOUS EFFORTS TOWARDS REGIONALISM IN SOUTHEAST ASIA

The newly-independent countries of Southeast Asia were fully conscious of the need to consolidate their independence. The leaders were mindful of the enormous tasks of managing an independent nation that in almost all cases, was multi-ethnic, multi-religious and multi-cultural. Besides, they had to forge national development strategies to develop the rural areas and reduce the income gap between the haves and have-nots of their own populations. Additionally, they had to ensure that they were not attacked by external powers, or subverted from within through separatist rebellions and insurgencies. Thus, moving from a "state-nation" (the residue of colonialism) to a "nation-state"[2] required national efforts, regional cooperation and external assistance.

The first such effort towards creating a common consciousness of Southeast Asia as having a common destiny was the formation of the Association of Southeast Asia (ASA) in July 1961. This was an association to promote cultural cooperation among three regional states: Malaysia, Thailand and the Philippines. Thailand took the lead in this effort. The leaders hoped that through cultural exchange and cooperation, they could move from the non-controversial sphere to the more sensitive and political dimensions of cooperation at a later stage.

Nevertheless, intra-regional differences and tensions continued to persist due to differences in ideological perspectives regarding the post-colonial order in Southeast Asia. The Confrontation Policy by Indonesia against Malaysia was launched by the Indonesian leader as he was unhappy with the proposed Federation of Malaysia incorporating two British-controlled territories (Sabah and Sarawak) located on the island of Borneo and sharing a common border with Kalimantan (Indonesian Borneo). Sukarno claimed that the new Federation of Malaysia was a plot by 'British colonial masters' to maintain their influence in Asia. However, in an effort to reconcile differences, the idea of a Greater Malay Confederation called MAPHILINDO, comprising Malaysia, Philippines and Indonesia, was mooted by Manila in early 1963.

This association proved to be an abortive one, as Sukarno did not back down on crushing Malaysia, while the Philippines laid claim to Sabah. Konfrontasi[3] ended with the overthrow of President Sukarno in an abortive coup led by the *Partai Komunis Indonesia* (PKI) on 30 September 1965.

THE FORMATION OF ASEAN: INITIAL STEPS IN FORGING REGIONAL COOPERATION

The end of Indonesian Confrontation and regime change in Jakarta were critical intra-regional factors supporting the birth of the Association of Southeast Asian Nations (ASEAN) on 8 August 1967. The Bangkok Declaration was signed by the five foreign ministers from Malaysia, Singapore, Indonesia, the Philippines, and Thailand. In order to assess the significance of ASEAN's birth and development, it is useful here to mention briefly the aims and purposes of the Association as set out in the Bangkok Declaration: (1) To accelerate the economic growth, social progress and cultural development in the region; (2) To promote regional peace and stability through respect for the rule of law and observance of the United Nations Charter; (3) To promote active collaboration and provide mutual assistance in the economic, social, cultural, technical, scientific and administrative fields; (4) To collaborate more effectively in agriculture, industry, commodity trade, transport and communication; (5) To promote South-East Asian studies; and (6) To maintain close and beneficial cooperation with existing international and regional organisations with similar aims and purposes.

ASEAN's socio-economic goals were more explicitly stated whereas the political and strategic goals were implicit in the sense that ASEAN was essentially a grouping of five anti-communist states. Also by 1967, it became evident to the ASEAN leaders that the United States was not going to remain forever in Southeast Asia to shoulder the entire military burden of fighting international communism. The regional states would have to eventually fend for themselves by assuming the primary responsibility of defence, although the U.S. could provide military and economic assistance. Even as early as 1967, President Nixon linked the future security of Southeast Asia with the

prospects for rapprochement with China to the ability of non-Communist Asian nations to defend themselves against Chinese aggression (Nixon 1967: 123). This was the main thesis of the Nixon Doctrine, which was announced just two years later in Guam in 1969.

The so-called Guam Doctrine undoubtedly provided additional incentives to the ASEAN leaders to formulate political, economic, social and defence strategies in the wake of both the British withdrawal 'east of Suez' and the impending American military withdrawal from Indochina. The regional statesmen were equally aware that for ASEAN regionalism to succeed, they needed to adopt an equidistant policy towards both the western and communist worlds. Antagonising either camp would be counter-productive, but finding common ground that could invite external engagement and cooperation for mutual benefit would be the most appropriate foreign policy strategy of survival for this fledgling organisation.

THE ZOPFAN DECLARATION: BUILDING NATIONAL AND REGIONAL RESILIENCE

In the first five years of ASEAN's existence, the region had to deal with bilateral territorial disputes and a regional conflict, namely the Vietnam War, in which external powers were involved. While ASEAN was generally pro-western in strategic orientation,[4] this did not curb the regional body from gradually developing a posture of neutrality in big power rivalries. Regional members such as Malaysia were keen to prevent the region from becoming an arena for major power contestations at the expense of the local states. Individual ASEAN states entertained concerns about pressures from the big powers especially from the Soviet Union and China in light of the impending American military withdrawal from Vietnam. Indonesia, for instance feared China in view of Beijing's apparent support for the coup led by the Communist Party of Indonesia (Partai Komunis Indonesia or PKI).

ASEAN and especially Malaysia was pushing its political agenda for adopting the concept of ZOPFAN or Zone of Peace, Freedom and Neutrality. This zone required the blessing of the three major powers — USA, China and

the Soviet Union — who in turn would guarantee Southeast Asia's neutrality in Cold War politics. Malaysian foreign policy in the closing years of Tunku Abdul Rahman's premiership (1957-1970) was moving strongly in the direction of non-alignment; an initiative that won formal recognition when the country was admitted to the Non-Aligned Movement in 1969. Arguably, ZOPFAN could be interpreted as an advance from the Bangkok Declaration, as this regional concept emphasised respect for members' sovereignty and territorial integrity, and avoidance of any activities that could threaten the national security of any member-state. Nevertheless, ASEAN was equally mindful that foreign (i.e. western) bases were still present on ASEAN soil (in four of the five countries with exception of Indonesia) but with the expressed concurrence of the countries concerned.

For ASEAN, the first five years of nation-building also coincided with the task of region-building, with the one process seemingly complementing the other. The concept of 'national resilience' was primarily an Indonesian idea, authored by President Suharto. The idea accorded well with other member-states, as it was non-threatening, while at the same time exhorting regional initiatives for regional order and cooperation (Palmer and Reckford 1987: 14). ZOPFAN was premised on a system of peace among the regional states, freedom in their individual advancement of national goals, and neutrality in the ongoing superpower rivalries and conflicts.

THE "ASEAN WAY": MOVING FROM POLITICAL AND ECONOMIC COOPERATION (BALI CONCORD I) TO THE IDEA OF AN ASEAN COMMUNITY (BALI CONCORD II)

The five ASEAN leaders who signed the Bali Treaty in 1976 (also known as Bali Concord I) were: President Suharto of Indonesia, Prime Minister Hussein Onn of Malaysia, Prime Minister Lee Kuan Yew of Singapore, Prime Minister Kukrit Pramoj of Thailand, and President Ferdinand Marcos of the Philippines. Ideologically, all five leaders were anti-communist, desired "a non-confrontational regional environment, greater predictability in inter-state relations, and conflict-mitigation without indulging in any sovereignty trade-off" (Sridharan 2007: 119). The Bali Concord I reflected a broad

agreement and consensus on a number of issues, including: (a) the need to strengthen national and regional resilience and regional identity eventually leading to the creation of an ASEAN community; (b) support for ZOPFAN; (c) reliance exclusively on peaceful settlement of intra-regional disputes; (d) enhancing cooperation especially in the political economic, social, scientific and technological fields; and (e) establishing mechanisms for dealing with natural disasters, food and energy security, strengthening industrial cooperation, expanding trade, and cooperation to ensure international price stability for commodity exports.

The ASEAN-5 have always remained mindful of their individual national sovereignty, and the need to jealously guard their independence and freedom of action, especially so in managing domestic issues. Their sensitivities pertaining to national sovereignty and territorial integrity were incorporated under Article 2 of TAC, which outlined the principles of political cooperation, namely: (a) mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations; (b) the right of every State to lead its national existence free from external interference, subversion or coercion; (c) non-interference in the internal affairs of one another; (d) settlement of differences or disputes by peaceful means; (e) renunciation of the threat or use of force; and (f) effective cooperation among themselves.

THE ASEAN WAY: ISSUES, CHALLENGES AND PROGRESS IN REGIONAL COOPERATION

The "ASEAN Way" can be described as a strategic formula developed by the member states, and based on the regional cultures, traditions and diplomacy for interacting with neighbours to resolve differences. This should, ideally, occur without, as far as possible, resorting to force (Irwine 1983: 11-12). Indeed, TAC is a non-aggression pact containing principles that underscore the very essence of ASEAN's strategic culture. The principles, values, processes and procedures underpinning the "ASEAN Way" may be stated as follows: (a) informality, (b) loose arrangements, (c) reliance on personal relations, (d) preference for gradualism and incrementalism, (e) aversion to legal, binding

agreements, (f) decision-making by consensus, (g) sovereign equality of member-states, (h) avoidance of confrontational diplomacy, and (i) dialogue to manage conflict. The "ASEAN Way" has been studied by regional specialists with the purpose of extracting its basic essence and to get behind the thinking of ASEAN leaders when they are confronted with contentious issues.

In theory, as well as principle, this approach demonstrates sophistication in intra-regional problem-solving and diplomacy. In practice, however, the machinery has proven to be inadequate in resolving key bilateral issues, such as territorial claims between Malaysia and Indonesia over Sipadan and Ligitan islands, and between Malaysia and Singapore over Pedra Branca (Pulau Batuh Puteh). However, in order not to disrupt the consensus-based approach of problem solving, the two territorial issues were referred to the international Court of Justice (ICJ) in The Hague for final resolution.

In the case of Sipadan and Ligitan, the ICJ delivered its judgment on 17 December 2002 in favour of Malaysia on the basis of the "effective occupation" displayed by the latter's predecessor (Malaysia's former colonial power, the United Kingdom) and the absence of any other superior title.[5] With regard to the Malaysia-Singapore sovereignty dispute over Pulau Batu Puteh, the ICJ on 23 May 2008 ruled 12-4 that Pedra Branca is under Singapore's sovereignty.[6] While the above two cases indicate that ASEAN's dispute settlement mechanisms remain rudimentary, they also suggest that neither party was willing to undermine the consensus formula by pressing into service the machinery of the High Council.

ASEAN AND THE CAMBODIAN CONFLICT (1978-1991)

The ASEAN framework of political and security cooperation was put to the test almost immediately after the Bali Treaty. Persistent military clashes on the Vietnamese-Cambodian border between 1976 and 1978 eventually led to Hanoi's decision to oust the Pol Pot regime of Democratic Kampuchea in December 1978, and install the pro-Hanoi People's Republic of Kampuchea (PRK) government led initially by Heng Samrin, and later by Hun Sen.

However, this outright military invasion and occupation of a country bordering ASEAN was unacceptable to the regional association, as direct security interests were involved. Hanoi's "aggression" was viewed by the regional association as a violation of the principle of non-interference (Leifer 1989: 14). Thailand, as the "frontline state", felt threatened by Vietnamese power, and therefore called on ASEAN to adopt a common stand to condemn Vietnam's aggression in Cambodia. In the "ASEAN Way", although the other members were less directly threatened by the eruption of the Cambodian conflict in 1979, they allowed Bangkok to set the political tone on Cambodia. The ASEAN formula for conflict management in this case involved several key elements that took into account the geopolitical, cultural, historical, and socio-economic complexities of the Southeast Asian regional environment. For ASEAN, any final solution or settlement must obviously be one that: (a) does not reward aggression, (b) does not threaten the post-independence territorial status quo of the regional states, (c) does not provide opportunity for major external powers to expand their intervention or involvement, (d) does not compromise Cambodian independence, and (e) creates and strengthens regional processes that support ASEAN's model of regionalism (Nathan 1991). Furthermore, ASEAN could not be a passive participant in the Cambodian conflict in the wake of the massive outflow of Indochinese refugees, especially into Thailand, Malaysia and Indonesia in the aftermath of Vietnam's invasion (Antolik 1990: 33).

ASEAN was aware that its own pressure on Vietnam would not suffice to end the Vietnamese occupation of Cambodia, which also in some ways indicates the limits of the ASEAN Way. ASEAN therefore internationalised the issue by articulating its position at the July 1981 UN International Conference on Kampuchea (ICK). ASEAN's position was reflected in the annual UN General Assembly resolutions calling for withdrawal of Vietnamese forces, the introduction of a UN peacekeeping force to ensure law and order, and UN supervised elections to form a new government in post-conflict Cambodia (Caballero-Anthony 2005: 88). Additionally, Malaysia hosted the anti-Heng Samrin factions led by Prince Sihanouk, and helped establish the Coalition Government of Democratic Kampuchea (CGDK) in Kuala Lumpur on 22 June 1982. Nevertheless, in the final analysis it was the intervention of

the P5 (the permanent members of the UN Security Council) that brought sufficient pressure on Soviet-backed Vietnam to withdraw from Cambodia and allow for a political solution.

EXPANDING ECONOMIC COOPERATION THE "ASEAN WAY"

The 1976 Bali Summit set the tone for ASEAN economic cooperation. ASEAN's gradualist approach to regionalism was clearly informed by several considerations, including vast disparities in the economies of member countries in terms of size, structure, orientation, resource base, and stages of economic development (Wong 2003: 190). Thus, a year later after the Bali Summit, ASEAN Foreign Ministers met in Manila and signed the Agreement on ASEAN Preferential Trading Arrangements on 24 February 1977. The ASEAN PTA is an arrangement entered into by the ASEAN Member Countries to offer preferential tariff treatment to products originating from ASEAN states. Under this arrangement, an ASEAN-based importer will pay a lower tariff rate on a product if it originated from another ASEAN Member Country than if the same product were obtained from a non-ASEAN source.

The Preferential Trading Arrangements (PTAs) were to be applied to basic commodities, particularly rice and crude oil, products of the ASEAN industrial projects, products for the expansion of intra-ASEAN trade, and other products of interest to Contracting States.[7] However, tariff reductions, especially on goods considered sensitive or competitive were slow in coming, and goods that enjoyed tariff reductions had low trade value. As a result, intra-ASEAN trade even by 1997 comprised only 21.3 per cent of total ASEAN trade, whereas intra-EU trade comprised 60 per cent of the total trade of the European Union (Lim 2001: 212).

The ASEAN Industrial Projects (AIP) scheme was rather hastily adopted after the Bali Summit, and done so without proper feasibility studies having been carried out, or careful deliberation having taken place. The five ASEAN Members were each allocated an industrial project: (1) A urea project in Indonesia and Malaysia, (2) a rock Salt-Soda Ash Project in Thailand, (3) a phosphate fertiliser project in the Philippines, and (4) a diesel engine project

in Singapore. However, the AIPs suffered from several factors, including the lack of economic complementarities, and severe bureaucratic and technical problems. Eventually, except for the urea projects in Indonesia and Malaysia, the rest of the AIPs were abandoned (Lim 2001: 186-188).

The creation of the ASEAN Free Trade Area (AFTA), which was announced at the Singapore Summit in 1992, was to promote intra-regional trade liberalisation, but to do so without affecting trade between ASEAN and the outside world (Caballero-Anthony 2005: 121). The AFTA scheme, which commenced in 1993, was complemented by the Common Effective Preferential Tariff (CEPT) scheme implemented in 1994. However, the exclusion of the automobile industry from both schemes suggested that protectionism was still strong in intra-ASEAN trade, thereby negatively affecting trade liberalisation, and also annoying most non-ASEAN economies (Fumio 1999: 40). Other cooperation schemes such as the ASEAN Industrial Joint Venture (AIJV) and its successor, the ASEAN Industrial Cooperation Scheme (AICO, adopted in 1996) were intended to stimulate intra-regional and extra-regional investment in ASEAN projects. While these efforts showed greater political will, and healthier government-business cooperation, progress towards closer economic integration was indeed very gradual, typifying the step-by-step approach to Southeast Asian regionalism via the "ASEAN Way". It is due to this realistic approach that ASEAN leaders inserted that "ASEAN Minus X" formula in the Framework Agreement on Enhancing ASEAN Economic Cooperation, which they signed in Singapore:

> *All Members shall participate in intra ASEAN economic arrangements. However, in the implementation of these economic arrangements, two or more Member States may proceed first if other Member States are not ready to implement these arrangements (Severino 2006: 31).*

RESPONDING TO THE ASIAN FINANCIAL CRISIS

ASEAN's political and economic confidence was shaken when the Asian Financial Crisis erupted in mid-1997. The major problems faced by ASEAN as a result of the financial crisis were a massive private sector debt and a credit

crunch, sharp declines in economic production, and high unemployment, inflation, labour migration, rising social problems and political unrest (Caballero-Anthony 2005: 204). Adding to these problems were ecological disasters caused by the Indonesian haze, the targeting of ethnic minorities in the wake of the economic crisis, and rising public consciousness regarding human rights and democratization (Sridharan 2007: 157). The immediate political fallout in Indonesia was the fall from power of President Suharto (May 1998), following Suharto's humiliating acceptance of the IMF rescue package of USD40 billion in exchange for drastic economic reforms; a scene that clearly inflamed the nationalist sentiments of Indonesians (Mydans 1998). In Malaysia, the 1997 financial crisis brought to a head differences between Prime Minister Mahathir and his deputy Anwar Ibrahim (who was eventually sacked on 2 September 1998), particularly over how the crisis should be managed. Anwar, who was also the Finance Minister, allowed interest rates to float upwards while also refusing to bail out Malaysian companies. Mahathir, on the other hand, preferred capital controls, as he blamed the crisis on foreign currency speculators and hedge fund managers (Loh 2008: 63).

ASEAN's response to the regional economic crisis was to adopt measures that would prevent a recurrence of the financial crisis. In October 1998, the ASEAN Finance Ministers established a framework for closer consultations and better coordination of economic policies known as the ASEAN Surveillance Process (ASP). Annual peer reviews were aimed at introducing measures to stimulate domestic demand, maintain prudent fiscal management, and expedite bank and corporate restructuring. The ASP was implemented via two coordinating mechanisms: the ASEAN Finance Ministers' Meeting and Central Bank Deputies' Meeting.[8] Additionally, ASEAN proposed utilisation of the ASEAN+3 (China, Japan, South Korea) framework to establish a regional financing arrangement that would encourage bilateral swapping of local currencies to provide temporary financing to members faced with balance of payments difficulties. This effort was eventually institutionalised at the 2nd ASEAN+3 Finance Ministers Meeting (at Chiang Mai, Thailand on 6 May 2000), and became known as the Chiang Mai initiative (McDougall 2007: 37). In undertaking the above measures to avert another similar crisis, it can be argued that the regional association had gone beyond the "ASEAN Way".

THE ASEAN REGIONAL FORUM AND MULTILATERAL SECURITY

The inadequacy of regional security frameworks to cope with a post-Cold War situation was to some extent alleviated by the expansion of the ASEAN-PMC (Post-Ministerial Conference) mechanism into the ARF, which was officially inaugurated in Bangkok in July 1994. The ARF currently comprises 27 countries: the ten ASEAN member states (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam), ASEAN'S ten dialogue partners (Australia, Canada, China, the EU, India, Japan, New Zealand, ROK, Russia and the United States), and Papua New Guinea, the Democratic People's Republic of Korea (DPRK), Mongolia, Pakistan, East Timor, Bangladesh and Sri Lanka.

The ARF is a security dialogue inviting and engaging all interested and involved participants to express and moderate their security concerns. It includes all the key Asian and Pacific actors: China, India, Russia, United States, Japan, Korea, and ASEAN. As a non-threatening mechanism, or security framework whose agenda for discussion is set by ASEAN, it is a confidence-building measure (CBM), in the sense that the security dialogue rests firmly on a foundation of economic and political consultations via the ASEAN-PMC, and builds on this foundation of promise and performance. The ARF is thus a loose structure of major and minor powers brought together by strategic circumstances accompanying a major imperial collapse and the demise of cold war confrontations. The ARF espouses all the fundamental principles of ASEAN's Treaty of Amity and Cooperation (TAC) signed at its first summit in Bali in 1976, as stipulated in Article 2 of TAC. The establishment of the ARF marked a tremendous diplomatic achievement for the association, as this multilateral security forum "was premised on the engagement rather than the exclusion of major regional states by Southeast Asian States" (Haacke 2006: 135).

The ARF's approach to conflict management or multilateral security is based on a three-stage process: (1) promotion of confidence building measures (CBMs), (2) development of preventive diplomacy mechanisms, and (3) development of conflict resolution mechanisms. The ARF, as presently constituted, is clearly not intended to serve as a formal multilateral security structure. In this regard, it in no way approximates the OSCE (Organization

for Security and Cooperation in Europe) structure, whose role and relevance have increased since the end of the Cold War. For instance, since 1994 the OSCE has supervised democratic elections, promoted respect for human rights in new laws and constitutions, and negotiated and monitored cease-fires throughout Eastern Europe and the former Soviet Union.[9] By comparison, the ARF is at best "a means of encouraging the evolution of a more predictable and constructive pattern of relations between major powers with interests in the region" (Ali 2007: 21). For instance, in the Spratlys dispute, where there are overlapping territorial claims, Beijing has thus far settled for conflict avoidance rather than conflict resolution, preferring bilateral, rather than multilateral, discussions on the South China Sea (Emmers 2007: 7). Nevertheless, Heller notes that although the ARF's direct influence on any of the region's urgent conflicts, namely Taiwan, Korea and the South China Sea, is not evident, the regional forum has "indirect influence on conflicts by ameliorating the overall regional atmosphere, by improving mutual understanding among actors, by stabilising cooperative norms, and by increasing regional transparency" (Heller 2005: 138). For ASEAN, the ARF represents yet another, wider level of security cooperation based on the ASEAN experience of bilateral defence cooperation among member-states.

THE ASEAN COMMUNITY: TOWARDS INTEGRATION AND REGIONAL EMPOWERMENT

The concept of "One Southeast Asia", although not explicitly stated, was implied in the ASEAN Vision 2020 plan, adopted by the ASEAN leaders on the 30th Anniversary of ASEAN. They agreed on a shared vision 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".[10] The 9th ASEAN Summit in Bali in October 2003 was an important and path-breaking meeting, for it was one in which the ASEAN10 encompassing the geographical region of Southeast Asia. The declaration known as Bali Concord II therefore set the stage for the creation of the ASEAN Community by 2020, encompassing three key elements: security, economy, and the socio-cultural sphere. Indeed, the political need for regional identity and empowerment was given higher

priority than meeting eligibility criteria set by the Association, as the former socialist states of Indochina (Cambodia, Laos and Vietnam), together with Myanmar, were not yet ready to be admitted in the mid-late 1990s on the basis of their economic, social and even political record.[11] But it can be argued that this is precisely the ASEAN way of building regional identity and consolidating regionalism in Southeast Asia.

ASEAN Security Community (ASC)

The ASC has evolved out of almost four decades of political and security cooperation, i.e. building on past challenges and successes and moving to a higher level of political-security cooperation based on the consent of member-states. It can be argued that the foundations of the ASEAN Security Community rest on the principles of the 1967 Bangkok Declaration creating ASEAN, the 1976 Bali Declaration (Bali Concord I) enumerating the TAC principles, and the 1977 Kuala Lumpur Declaration creating ZOPFAN. The establishment of the ASEAN Regional Forum (1994), and the 1995 Bangkok Declaration urging recognition of Southeast Asia as Nuclear Weapons-Free Zone (SEA-NWFZ), indicated ASEAN's response to the emerging post-Cold War security environment in Asia. Under Bali Concord II, the ASC comprises four important elements that would enable progress towards a security community: norm-setting, conflict prevention, approaches to conflict resolution, and post-conflict peace-building.[12] In this sense, Caballero-Anthony argues that the regional body could be charting a course in Southeast Asian regionalism that goes beyond the ASEAN Way (Caballero-Anthony 2005: 268). More importantly, ASEAN's strategy of empowerment requires that it remains the driving force of regional and multilateral security. For Acharya, who subscribes to the constructivist school of international relations, the ASEAN Security Community has a sociological foundation in the sense that the shaping and sharing of norms by the member states facilitates a better understanding of ASEAN's perception of, and role in regional order that is quite different from the realist notion of power politics (Acharya 2001: 8).

The implementation of ASC began in 2006, with the First ASEAN Defence Ministers Meeting (ADMM) in Kuala Lumpur on 9 May 2006. The inaugural ADMM was a historic occasion, and a significant milestone

in regional security cooperation, as it marked the beginning of a formal ASEAN defence track.[13] The ADMM is expected to facilitate greater dialogue and practical cooperation among ASEAN defence establishments to address transnational security challenges.[14] The 3rd ADMM in Pattaya, Thailand (25-27 February 2009) was particularly significant in laying out an action plan for using ASEAN's military assets and capacities in humanitarian assistance and disaster relief (HADR), with the aim of accelerating ASEAN militaries' operational effectiveness in HADR.[15] All these measures do suggest the gradual strengthening of political will to go beyond the "ASEAN Way" in addressing post-Cold War problems, challenges and opportunities in the security realm.

ASEAN Economic Community (AEC)

Regional economic cooperation, like political and security cooperation, has also developed over time from the Preferential Trading Arrangements (PTAs) in the late 1970s, to the ASEAN Industrial Projects (AIPs) and ASEAN Industrial Complementation (AIC) scheme in the 1980s. They represent gradual stages, leading to the decision for further trade liberalisation in 1992 to create the ASEAN Free Trade Area (AFTA) by 2003. The ASEAN Framework Agreement on Services (AFAS), the ASEAN Investment Area (AIA) and Initiative for ASEAN Integration (IAI) in the 1990s and beyond reflect attempts by the regional entity to incorporate greater private sector participation and also promote economic integration within Members and Dialogue Partners.

The AEC's integration agenda include: (a) reducing the "development gap" between 1st tier (the original five member states plus Brunei) and 2nd tier members (CLVM countries);[16] (b) human resources development and capacity building; (c) closer consultation on macroeconomic and financial policies; (d) enhanced infrastructure and communications connectivity; (e) integrating industries across the region to promote regional sourcing; and (f) enhancing private sector involvement. At the 12th ASEAN Summit in Cebu, Philippines in January 2007, the leaders undertook to accelerate the establishment of an ASEAN Community by 2015 along the lines of ASEAN Vision 2020 and the Declaration of ASEAN Concord II, in the three pillars: ASEAN Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community.[17]

Nevertheless, the track record of economic integration indicates some major challenges confronting the regional grouping. For instance, there is the "integration gap" between the original ASEAN-5 and the CLVM countries, besides Myanmar's reluctance to undertake reforms toward political accommodation and democratization. In any case, ASEAN's conception of empowerment accords greater priority to the creation of a regional identity, thereby in the process exhorting patience and tolerance of disparity and diversity in proceeding on the slow and perhaps sluggish path of regional integration. As Severino observes, "ASEAN's response to the 'two-tier' problem is not to keep out the weaker economies of Southeast Asia but to bring them in, seek to integrate them in ASEAN, and help close the development gap between them and the older members".[18]

ASEAN Socio-Cultural Community (ASCC)

This third dimension of the ASEAN Community has its roots in an earlier epoch of social and cultural cooperation, when, in 1961, the Association of Southeast Asia (ASA) was set up to promote cultural exchange. The establishment of ASEAN facilitated functional cooperation in the socio-cultural dimension as well. Bali Concord II (2003) therefore endorsed the ASCC Plan of Action for creating a Community of 'Caring Societies', raising standard of living of disadvantaged groups, and investing more resources for basic and higher education, training, science and technology development, job creation, and social protection. It also aimed to intensify cooperation in the area of public health, including the prevention and control of infectious diseases, and joint action to deal with trans-boundary haze and pollution as well as disaster management.[19]

Significantly, Article 1, paragraph 7 of the ASEAN Charter states that the purposes of ASEAN are: "To strengthen democracy, enhance good governance and the rule of law, and to promote and protect human rights and fundamental freedoms, with due regard to the rights and responsibilities of the Member states of ASEAN" (Koh, Manalo and Woon 2009: 169). The ASCC Plan of Action has put together a comprehensive list of social sectors that require attention and action in the context of regional integration. However, dealing with social issues at the regional level is not always the

most feasible, or most effective, approach, as it is almost impossible to find one policy that suits all member states.

In the context of ASEAN, there are no supranational institutions to mandate region-based action. Hence, since many issues in the social sector are ultimately national responsibilities, regional action on a particular area works only if the national and regional agendas are aligned.[20] On the positive side, despite existing implementation and coordination problems at the governmental and inter-governmental levels, the ASCC framework encourages participation by civil society to realise its goals. For instance, the first meeting of the ASEAN People's Assembly (APA), with the aim of engaging ASEAN and civil society, was convened even before Bali Concord II. That inaugural meeting (held in Batam, Indonesia on 24-25 November 2000) brought together about 300 representatives of NGOs, grassroots leaders and activists, think tanks and businesses, discussing a wide range of issues that were critical to ASEAN's relevance, including the impact of globalisation, poverty alleviation, environmental management, women's empowerment and human rights. APA has formalised its conventions every two years, with the third APA convening in Manila on 25-27 September 2003 to deliberate on the third pillar of the ASEAN Community, "Towards an ASEAN Community of Caring Societies". Thus, APA has emerged as a very useful forum for engaging ASEAN Governments in promoting human development and security (Caballero-Anthony 2005: 251).

ASEAN AND THE MAJOR POWERS

The major external powers with whom ASEAN has also established a dialogue relationship, recognise the growing importance of ASEAN's role in maintaining regional security, stability and development. The major Dialogue Partners which are significant to ASEAN regionalism, especially in the post-Cold War era, are the United States, Japan, the European Union, China, and India. United States' policy towards Southeast Asia and Asia as a whole encompasses: (a) further improving regional cooperation to complement its existing bilateral security alliances, (b) ensuring and promoting continued prosperity, and (c) engaging the rising Asian powers to resolve major international issues

(Negroponte 2008: 56). ASEAN recognised the U.S. as a Dialogue Partner in 1977 in the hope of boosting American trade and investment in the region. Economically, the U.S. continues to be the key export market for the ASEAN countries, but its importance has been falling as China's has been increasing. The U.S. exports USD50 billion in goods to ASEAN per year, while U.S. private-sector investment in ASEAN exceeds USD80 billion, surpassing U.S. investments in each of China, Japan, and India (Lohman 2007). Washington has also negotiated a Trade and Investment Framework (TIFA) with ASEAN and a Free Trade Agreement (FTA) with Singapore, and has begun FTA negotiations with Malaysia and Thailand.[21] In the political-security dimension, U.S. endorsement of ASEAN's Treaty of Amity and Cooperation (TAC) at the Annual Ministerial Meeting in Phuket, Thailand (22 July 2009) signals America's interest in being actively engaged in Southeast Asia at a time when China's and also India's stakes are rising in ASEAN. U.S. Secretary of State, Hilary Clinton, believes that with American accession to the treaty, the U.S. will continue to have a strong relationship with Southeast Asia as well as an enduring presence based on mutuality and partnership.[22]

Japan has played a very important role in promoting regional cooperation in Southeast Asia, especially in the early stages of ASEAN's formation and development. Japan became a formal Dialogue Partner of ASEAN in 1977. Tokyo gave vast amounts of economic aid under the Official Development Assistance (ODA) programme to ASEAN countries. When the Indochinese countries (Vietnam, Laos and Cambodia) joined ASEAN between 1995 and 1999, Japan provided substantial economic assistance for their reconstruction. In Cambodia, in particular, Japan's influential role in Southeast Asia was evidenced by its participation in UNTAC (United Nations Transitional Authority in Cambodia), helping with peace-keeping operations and the organisation of democratic elections to establish a post-conflict Government in Cambodia.

As both ASEAN and the EU have a shared common interest in "promoting peace, stability and enduring prosperity in their regions", the EU and ASEAN have formed an inter-regional partnership (Vogel 2006). The EU has been able to provide and enhance the 'soft security' of the Asian region by "passing

on its expertise in implementing cross-border security measures against clandestine labour migration, drugs and arms smuggling, piracy and money laundering" (Berkofsky 2003). The ARF has also been used as a forum to set up exchanges between Asian and European police forces.

ASEAN is also extremely important to China, because the latter can promote multi-polarity through ASEAN (Kuik 2005: 117). China's strong interest in ASEAN stems from the role of this regional organisation in helping China to preserve a stable external environment that conduces to internal modernization and economic growth. This motivation is particularly evident in the way Beijing has handled the contending territorial claims in the South China Sea. Beijing has proposed "shelving the dispute and developing together" (Kuik 2005: 117). To assuage ASEAN's concerns in the economic domain, China has granted ASEAN access to its market earlier than other WTO members, encouraged Chinese firms to invest in Southeast Asia, and provided financial aid for ASEAN's infrastructure development. ASEAN's trade with China has grown significantly since 2000 to the point where China is now the third largest trading partner of ASEAN after Japan and EU, with the U.S. falling into fourth place in 2008 (Table 1). In the regional security dimension too, China has shown a willingness to work with ASEAN over the disputed territorial claims in the South China Sea. ASEAN and China signed the Declaration on Conduct of the Parties in the South China Sea in 2002, pledging not to use force to protect their interests in this resource-rich maritime region.

India's "rapprochement" with ASEAN in the 1990s came in the context of China's rise as the improvement in relations after the Cold War provided ASEAN with a diplomatic option vis-à-vis China and created "a major opening for India in Southeast and East Asia" (Devare 2006: 23). The ASEAN-India bilateral relationship has grown ever since the end of the Cold War and the economic opening of India under former Finance Minister Manmohan Singh, who is also the current Prime Minister. During the Cold War, ASEAN's relations with India were not cordial, as New Delhi adopted a pro-Soviet stance on regional and international security issues, including

Table I: ASEAN Trade by Selected Partner Country/Region, 2008
(in US million; share in per cent)

{as of 15/8/09}	Value			Share to Total ASEAN Trade		
Trade Partner/Country	Exports	Imports	Total trade	Exports	Imports	Total trade
ASEAN	242,497.5	215,616.5	485,113.9	27.6	25.9	26.8
Japan	104,861.6	107,053.9	211,915.5	11.9	12.9	12.4
European Union (EU-25)	112,886.8	89,471.5	202,358.3	12.8	10.8	11.8
China	85,557.7	107,114.3	192,672.0	9.7	12.9	11.3
USA	101,128.5	79,910.5	181,039.0	11.5	9.6	10.6
Republic of Korea	34,938.6	40,541.5	75,480.2	4.0	4.9	4.4
Australia	33,681.3	17,907.9	51,589.2	3.8	2.2	3.0
India	30,085.8	17,379.3	47,465.1	3.4	2.1	2.8
Canada	5,416.9	5,128.6	10,545.5	0.6	0.6	0.6
Russia	2,706.7	6,913.2	9,619.9	0.3	0.8	0.6
New Zealand	4,161.3	3,263.3	7,424.6	0.5	0.4	0.4
Pakistan	4,386.3	457.2	4,843.5	0.5	0.1	0.3
Total selected partner countries/regions	762,309.1	690,757.8	1,453,066.8	86.7	3.1	85.0
Others	116,942.8	140,412.1	257,354.9	13.3	16.9	15.0
TOTAL ASEAN	**879,251.9**	**831,169.9**	**1,710,421.7**	**100.0**	**100.0**	**100.0**

Source: **Table 19: ASEAN External Trade Statistics:**
http://www.aseansec.org/18137.htm (date accessed: 5/10/09).

according recognition to the pro-Hanoi People's Republic of Kampuchea (Anand 2009: 1). But since the end of the Cold War, the rise of India (especially in the area of Information and Communication Technology [ICT]) created opportunities for a closer ASEAN-India engagement. ASEAN was also concerned about being overwhelmed by China in Southeast Asia. In this regard, India fits into ASEAN's strategy of balancing big powers (Strange, 1996). Among the ASEAN states, Singapore was more active in promoting India's membership in the ASEAN Regional Forum, ensuring New Delhi's admission as a Dialogue Partner, and supporting the creation of an ASEAN-India FTA (Sekhar 2007). ASEAN is presently India's fourth-largest trading partner after the European Union, United States and China.

ASEAN's relations with the major external powers, including its Dialogue Partners, are motivated by the need to protect national sovereignty and strengthen regional identity. As ASEAN gained in confidence, it began to empower itself by expanding political, economic and security cooperation with its external partners, all of whom contribute substantially to ASEAN's total trade. By engaging with Dialogue Partners, ASEAN has also been able to neutralise excessive external influence or interference from any one source. Through the ARF, the regional body has demonstrated its unique capacity to mediate the relations between the big and small powers in the region. The progress made by the ASEAN nations can be attributed to the association's determination to be the driving force of regional cooperation and multilateral security in Asia.

ASEAN's way of strengthening regional community is to focus on Development Cooperation with dialogue partners by ensuring their positive engagement in two critical areas: (a) strengthening economic cooperation and supporting ASEAN's integration, including the narrowing of development gaps through physical interconnections and capacity-building; and (b) enlisting their cooperation in addressing transnational concerns including terrorism, environmental pollution and disaster management. ASEAN and its dialogue partners are increasingly using the dialogue process to strengthen mechanisms for enhancing economic linkages to tap each others' markets, facilitate

investment flows, and promote tourism and other economic activities. Thus, ASEAN's approach to community is aimed at promoting convergence of intra-regional and extra-regional efforts to boost regional security, economic development, and socio-cultural progress.

CONCLUSION

ASEAN's record of regional cooperation over the past four decades indicates that the process of integration and community-building has been informed by local initiatives, history, tradition, political economy and the strategic culture of the region. The original five members of the association (Malaysia, Singapore, Thailand, Indonesia and the Philippines) faced many challenges to community-formation during the Cold War era. They had to deal with communist threat, preserve independence, protect national sovereignty, and promote regional cooperation — these being the foundational goals of ASEAN. In doing so, the ASEAN states were initially guided by the desire for survival as nation-states, and to forge regional cooperation on an incremental basis by moving from the less controversial areas of social and cultural cooperation to the more challenging tasks of political, economic and security cooperation. ASEAN leaders had long been aware that they were confronted by the "deep ideational conflicts, residual cold war divisions, by memories of war and occupation, vastly different levels of development among component member states, radically different indigenous models of political economy, and by the ambitions of competing regional powers" (Breslin, Higgot and Rosamond 2002). They also had to mediate in big power relations with Southeast Asia.

The year 1976 marked an important watershed in ASEAN regionalism as the Bali Summit created and endorsed a document called the Treaty of Amity and Cooperation (TAC). This was basically a non-aggression pact, and a very important milestone in the development of norms that would evolve into the ASEAN Community three decades later. In the post-Vietnam era, ASEAN sought the support of external powers to guarantee regional stability by urging them to recognise ZOPFAN. ASEAN also expressed concerns about renewed military conflict when the Third Indochina War erupted following Vietnam's

invasion of Cambodia. Two ASEAN leaders in particular, Prime Minister Hussein Onn of Malaysia and President Suharto of Indonesia, enunciated the Kuantan formula in 1980 urging superpower restraint while allowing the regional states to resolve what ASEAN considered was a regional conflict.

Economic integration in a region with ideological and political actors in Southeast Asia is obviously no easy process, given also the mutual suspicions that existed in post-colonial societies whose leaderships had the responsibility of transforming "state-nations" into "nation-states", but doing so without this process can cause internal disintegration or regional instability. In the realm of economic cooperation, ASEAN has progressed gradually from the Preferential Trading Arrangements of the 1970s to industrial cooperation in the 1980s, to the creation of AFTA in the early 1990s, and, finally, to closer integration via the ASEAN Community and the ASEAN Charter in the first decade of the 21st century. According to Rodolfo Severino, who was Secretary-General of ASEAN from 1998-2002, the ASEAN Charter represents the culmination of ASEAN's integrative approach, but with the caveat that "anything ASEAN does or becomes is the result of negotiations and common decisions by the member-states" (Severino 2008: 109).

In the era of Globalization, and following the demise of bipolarity, the ASEAN states have demonstrated political will in addressing traditional and non-traditional security issues by employing multilateral diplomacy, notably in the context of the ASEAN Regional Forum. Despite the many challenges in managing multilateral security via an ASEAN-driven ARF (such as the contending claims in the Spratlys), the regional body's external partners (including all of its Dialogue Partners) are generally willing to accept ASEAN's three-stage process of confidence-building, preventive diplomacy, and conflict-resolution (Severino 2006: 192). Through the ARF, and also the dialogue-partner mechanism (as described in Chapter Four), ASEAN has emerged as interlocutor in big power relations, and has to date demonstrated a remarkable ability to mediate in the complex power relationships existing in the Asia-Pacific region, but doing so without seriously undermining the national or regional interests of all parties concerned. The skillful diplomacy engineered by ASEAN in this regard has in no small measure contributed to

the stability, development and security of the region. Through the ASEAN machinery, and notably the ARF, the region's states, working in cooperation with the major powers, are moving towards jointly addressing major security challenges, as well as countering non-traditional security threats such as natural disasters, international terrorism and climate change in the years to come.

The late 20th and the early 21st centuries are witnessing the rise of China and India; two Asian giants that are gradually displacing the U.S. as the primary consumer of goods from Asia (Tan 2009). ASEAN has attempted to accommodate their ambitions, economic energies and technological prowess by signing Free Trade Agreements (FTA) with these two rising powers. Instead of viewing China as a threat, ASEAN preferred to see a rising China and India as an opportunity to expand economic cooperation. The recent U.S endorsement of ASEAN's Treaty of Amity and Cooperation could well suggest that ASEAN is no longer a faceless entity, but a rising international actor capable of contributing to the recovery of the current global financial crisis (Chonkittovorn 2009). The US endorsement of ASEAN's TAC signifies not only Washington's desire to engage more deeply with the region and help ASEAN achieve its global and international aspirations, but also the regional association's diplomatic success in securing greater cooperation from the world's superpower to support ASEAN's approach to regional security. Additionally, Nye argues that while hard power remains crucial in a world of nation-states guarding their independence, soft power will become increasingly important in dealing with transnational issues that require multilateral cooperation for their solution (Nye 2003: 17). The Obama Administration's approach to Asia based on using less coercion and more consensuses would arguably strengthen U.S-ASEAN relations.

The challenges of globalisation oblige any regional organisation to deal with a multiplicity of issues on a daily basis, including regional security, migrant workers, human resource development and transportation linkages. More recently, the urgency of cooperation has been heightened by issues such as climate change and ensuring sustainable development, trans-national crime and the outbreak of diseases. Indeed, these are issues affecting Asia as a whole

and therefore requiring the concerted efforts of the wider Asia-Pacific Community to advance the goals of comprehensive and cooperative security. To this end, the regional body has thus far demonstrated its resolve by fashioning an ASEAN Community that will engage the major external powers in the Asia-Pacific region to further its developmental and as well empowerment goals.

In pursuing its regional integration agenda, ASEAN has opted for a constructivist approach, emphasising the building, and sharing, of norms; strengthening habits of consultation and cooperation; avoiding confrontation over contentious issues; and working towards peaceful resolution either within the ASEAN framework or through international arbitration.

In sum, while the concept of "ASEAN Way" in the context of Southeast Asian regionalism might appear frustrating and cumbersome (and especially so to outsiders), this consensus-based formula for strengthening intra-mural relations and building linkages with extra-mural powers has stood the test of time, promoted regional security and development, and is likely to influence regional security approaches and outcomes at the sub-regional level and for the greater Asian region. This consciousness of, and need for, a broader regionalism encompassing the wider Asia-Pacific was first expressed by the formation of the East Asia Summit (EAS) in 2005 incorporating the ASEAN-Plus-Three countries and India, Australia and New Zealand.[23] ASEAN's role in promoting Asia-wide regionalism was also facilitated by its policy of constructive engagement with Dialogue Partners, thereby enhancing prospects for regional security, development and prosperity for the future.

ENDNOTES

[1] France was a member of the U.S.-led North Atlantic Treaty Organization (NATO), formed to contain Soviet Communist expansion in Europe. The U.S. felt obliged to support France as a NATO ally against communist expansion in Southeast Asia.

[2] For details, see Moestafa Rejai and Cynthia H. Enloe, "Nation-States and State-Nations," International Studies Quarterly, Vol. 13, No. 1(Spring 1969), pp. 141-158.

[3] *Konfrontasi* is the Indonesian word for "confrontation", meaning an intermittent war launched by Indonesia against Malaysia over the future of the island of Borneo.

[4] ASEAN members, Thailand and the Philippines belonged to the U.S.-led Southeast Asia Treaty Organization; Malaysia had a defence treaty with Britain under the Anglo-Malaysian Defence Agreement (AMDA); and Malaysia and Singapore were members of the Five Power Defence Arrangements (1971) following the termination of AMDA. Indonesia under Suharto has pursued friendly political, military and economic relations with the United States since the fall of President Sukarno in 1966.

[5] International Court of Justice, "Sovereignty over Pulau Ligitan and Pulau Sipadan (Indonesia/Malaysia), 17 December 2002.

[6] Channel News Asia, " ICJ awards Pedra Branca's sovereignty to Singapore", 23 May 2009: http://www.channelnewsasia.com/stories/singaporelocalnews/view/349592/1/.html (date accessed: 19/9/09).

[7] Article 4 of "Agreement on ASEAN Preferential Trading Arrangements", Manila, 24 February 1977: http://www.aseansec.org/1376.htm (date accessed: 20/9/09).

[8] Association of Southeast Asian Nations, "ASEAN's Response to the Financial Crisis": http://www.aseansec.org/7660.htm (date accessed: 21/9/09).

[9] The Conference on Security and Cooperation in Europe: http://www.answers.com/topic/conference-on-security-and-cooperation-in-europe (date accessed: 14/10/09).

[10] Overview: Association of Southeast Asian Nations: http://www.aseansec.org/64.htm (date accessed: 1/10/09).

[11] With respect to Myanmar, ASEAN justified Myanmar's admission on the basis of respect for Myanmar's sovereignty and non-interference in its internal affairs in spite of displeasure over the internal political situation in that country. See Amitav Acharya, Constructing a Security Community in Southeast Asia, op. cit., p. 112.

[12] "Declaration of Bali Concord II": http://www.aseansec.org/15160.htm (date accessed: 5/10/09).

[13] Speech by Teo Chee Chean, Singapore's Defence Minister, in Washington, D.C., 15 January 2008: http://www.mindef.gov.sg/imindef/mindef_websites/topics/admm/media_release/14nov07_nr.htm (date accessed: 28/9/09).

[14] "Singapore hosts Second ASEAN Defence Ministers' Meeting, Singapore, 2007": http://www.mindef.gov.sg/imindef/mindef_websites/topics/admm/media_release/14nov07_nr.htm (date accessed: 21/9/09).

[15] "ADMM agrees to strengthen ASEAN to deal with non-traditional security threats". Joint press conference held by Thai Defence Minister and Chair of the 3rd ADMM, General Prawit Wongsuwan, Pattya, 27 February 2009: http://english.people.com.cn/90001/90777/90856/6602400.html

[16] The CLVM countries are Cambodia, Laos, Vietnam and Myanmar, i.e. the former socialist states of Indochina and Myanmar, all of whom less economically developed than the original ASEAN members. They are referred to as the 2nd tier ASEAN members who joined the association well after the end of the Vietnam War.

[17] Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015: http://www.aseansec.org/19260.htm (date accessed: 25/8/09).

[18] Address by Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at Asialink, Melbourne, Australia, 19 June 2002: http://www.aseansec.org/5439.htm (date accessed: 28/9/09).

[19] The ASEAN Socio-Cultural Community (ASCC) Plan of Action: http://www.aseansec.org/16832.htm (date accessed: 27/9/09).

[20] Ong Keng Yong, Civil Society and Regional Cooperation. Remarks at the 31st International Conference of the International Council on Social Welfare, Kuala Lumpur, August 2004. In, Shafiah Fifi Muhibat, "The ASEAN Socio-Cultural Community: Managing the Social Impacts of Regional Economic Integration", p. 9. Paper presented at the 21st Asia Pacific Roundtable, Kuala Lumpur, 5 June 2007: www.isis.org.my/files/apr/Shafiah_Fifi_Muhibat.doc (date accessed: 27/9/09).

[21] East-West Center: "The state of U.S.-ASEAN relations", 21 November 2007: http://www.eastwestcenter.org/news-center/east-west-wire/the-state-of-us-asean-relations/(date accessed: 18/10/09).

[22] "United States Accedes to the Treaty of Amity and Cooperation in Southeast Asia", Bureau of Public Affairs, Office of the Spokesmen, Washington DC, July 22, 2009: http://www.state.gov/r/pa/prs/ps/2009/july/126294.htm (date accessed 4/10/09).

[23] However, India, Australia and New Zealand were included in the EAS as a result of pressure from Japan, Singapore and Indonesia, all three of whom opted for membership beyond ASEAN+3, while China, Malaysia and Thailand resisted the idea. See, Ellen L. Frost, Asia's New Regionalism. Singapore, NUS Press, 2008, p. 141.

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Raising of Security Alarm in the Straits of Malacca: Lessons learned

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INTRODUCTION

With the issuance of a security alert in the Straits of Malacca in March 2010, the security situation in this strategic waterway was once again in the spotlight. Facilitating a significant amount of global container trade and the transportation of crude oil between the Middle East and East Asia, the strategic importance of the straits cannot be overemphasised. As such, the alert is rightfully a matter of grave concern to not only the littoral states of this important sea lane but also the international community.

In the last two years, a spate of pirate attacks on merchant vessels, with some resulting in fatalities, has drawn global attention to the Gulf of Aden. Despite the presence of multinational naval forces in the Gulf to protect merchant shipping and fend off attacks, piracy in the area has not shown signs of receding. The alert in the Straits of Malacca drew the global media's attention back to this busy passageway which was once touted by several security analysts after the 11 September incident as a potential target for terrorist attacks.

It is a huge relief for the various stakeholders of the Straits of Malacca that there was no untoward incident in the Straits after the security alert was raised. Even shipping lines and insurance underwriters were unperturbed

[1] All opinions expressed are the author's own.

by the incident and did not see the need to increase premium on ships and cargos transiting the Straits.[2] Nevertheless, there is a need to critically review the episode and to objectively assess the circumstances surrounding it in order to draw lessons for the future.

It is not the intention of this commentary to speculate on the nature of the threat or to expose the shortcomings of any parties in analysing the episode. Far from that, it hopes to recommend pointers that can be valuable to security agencies and other stakeholders of the Straits to enable them to effectively plan their response should a similar situation arise in the future.

Keywords: Security alerts, Straits of Malacca, pirates, terrorists, threats and attacks.

THE RAISING OF THE ALARM

When a security alert in the Straits of Malacca was issued in the first week of March 2010, there was intense media coverage of the situation in the days that followed. It began with a report by French international news agency AFP which cautioned that an "unidentified terrorist group" was planning to mount attacks against oil tankers in the Straits, quoting the Singapore Navy.[3] The Singapore Shipping Association (SSA) then announced that it received an advisory from the Singapore Navy Information Fusion Centre about "an indication that a terrorist group is planning attacks on oil tankers in the Malacca Straits".[4]

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[2] The media reported a spokesperson for Japan's Mitsui O.S.K. Lines Ltd. as saying that the warning would not affect the company's operations and routeing as it had taken precautions for its vessels to travel in "high risk waters" such as the Straits of Malacca. See 'Security raised in Malacca Straits after terror warning'. *Reuters Online*. 4 March 2010. Even the Joint War Committee at Lloyd's Market Association, which in 2004 designated the Straits as a 'war risk zone' on grounds of the frequency of pirate attacks and potential terrorist attacks occurring there, was nonchalant in its assessment of the situation. The Committee announced in March 2010 that it had no reason to convene a meeting to discuss the warning and declared that trade in the traits would "continue as normal". See 'Singapore raises security alert after Malacca threat'. *Reuters Online*. 5 March 2010.

[3] Teh, E. H. (4 March 2010). 'Terror threat in Malacca, Singapore Straits (update)'. *The Star Online*. < http://thestar.com.my/news/story.asp?file=/2010/3/4/nation/20100304181347&sec=nation> (accessed on 29 April 2010).

[4] Ibid.

According to the Singapore Navy, the indication did not preclude "possible attacks on other large vessels with dangerous cargo".[5] It warned that the "terrorists" may probably intend to achieve widespread publicity and to demonstrate that theirs was a "viable group".[6] In a chilling reminder of the boldness of the terrorists in carrying out attacks on maritime targets, the Singapore Navy reminded shipping operators that the militants could use small vessels including "dinghies, sampans and speedboats" to mount attacks on oil tankers and urged them to be cautious towards such possibility.[7]

Subsequently, the International Maritime Bureau (IMB) piracy reporting centre in Kuala Lumpur was alerted of a security threat and passed on the alert to the relevant regional authorities in Malaysia, Singapore and Indonesia.[8] Singapore Navy then issued a warning that oil tankers transiting the Straits could be targeted and asked ship owners to increase vigilance while transiting the sealane.[9]

In response to the raising of the alarm, Malaysia, Indonesia and Singapore increased patrols in the Straits. The Royal Malaysian Navy said it was "prepared to handle this threat",[10] while the Malaysia Maritime Enforcement Agency (MMEA), Malaysia's coast guards, increased patrols in the waterway.[11] Indonesia's Defense Minister also announced that his country's maritime security agencies had also stepped up patrols in the sealane in reaction to the warning.[12]

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[5] Singapore Navy: Oil route a terror target. *CBS News*. 4 March 2010. <http://www.cbsnews.com/stories/2010/03/04/world/main6265613.shtml> (accessed on 27 April 2010).

[6] Ibid.

[7] 'Terror threat in Malacca, Singapore Straits'. *CNN.com*. 4 March 2010. <http://edition.cnn.com/2010/WORLD/asiapcf/03/04/singapore.malacca.terror.threat/index.html> (accessed on 27 April 2010).

[8] 'Straits terror attack alert'. *The Straits Times*. 4 March 2010. <http://www.straitstimes.com/BreakingNews/SEAsia/Story/STIStory_497928.html> (accessed on 29 April 2010).

[9] SSA was quoted as saying that the Singapore Navy in its advisory recommended shipowners to "strengthen their onboard security measures and to adopt community reporting to increase awareness and strengthen the safety of all seafarers". See 'Malacca Strait – Possible security threat'. *International Chamber of Shipping Circular MC(10)32*. 4 March 2010. <www.marisec.org/icsorange/icscirculars10/MC_10_32%20-%20Malacca%20threat.pdf> (accessed on 29 April 2010).

[10] Kennedy, A. (4 March 2010). 'Tankers warned of terror threat in Malacca Strait'. *The Daily Caller*. <http://dailycaller.com/2010/03/04/singapore-warns-of-terror-threat-in-malacca-strait/> (accessed on 28 April 2010).

[11] 'Malaysia boosts Malacca Strait security over threat'. *Reuters Online*. 4 March 2010. <http://www.alertnet.org/thenews/newsdesk/SGE6230DW.htm> (accessed on 28 April 2010).

[12] 'Singapore raises security alert after Malacca threat'. *Reuters Online*. 5 March 2010.

A week after the alert was issued, Indonesia made an announcement that Aceh police shot dead one suspect and arrested four more men in two raids in the previously restive region where a bloody insurgency was carried out by Gerakan Aceh Merdeka.[13] This was followed by another announcement in April 2010 of the arrest of six militants in Medan, Sumatra while undergoing militant training at a camp.[14] This prompted several security analysts to link the security alert in the Straits with the raids, but there was no confirmation forthcoming from any side of the connection between them.

Some rather confusing media reporting ensued as attempts were made to trace the origin and nature of the threat. A Singapore-based Thai naval attaché was quoted as saying that the original warning could be traced to Japan which informed the IMB that vessels traversing the Straits could be targeted. This suggested the involvement of pirates who were active in the Straits and had in the past hijacked oil tankers.[15] IMB, in turn, said it had received information from a "foreign government agency" of a possible "terror threat".[16]

ASSESSMENT OF THE THREAT: LESSONS LEARNED

It was not clear from information available in the public domain whether the security threat came from pirates or terrorists. The paucity of details of the alert did not permit the research community in maritime strategies to conduct in-depth analysis of the event.

Given the massive importance of the Straits of Malacca as a sea lane of communication (SLOC) and to the littoral states and the international community, one would expect the security warning to be more specific than what was disseminated to enable appropriate actions to be taken. Details of the threat, such as its nature and source, were not divulged by the Singapore

[13] Arnaz, F. & Hasan, N. (12 March 2010). 'Two more suspected terrorists killed in Aceh as hunt for militants goes on'. *The Jakarta Globe*. <http://www.thejakartaglobe.com/home/two-more-suspected-terrorists-killed-in-aceh-as-hunt-for-militants-goes-on/363624> (accessed 30 April 2010).

[14] '6 terror suspects nabbed'. *The Straits Times*. 13 April 2010. <http://www.straitstimes.com/BreakingNews/SEAsia/Story/STIStory_513911.html> (accessed 30 April 2010).

[15] 'Singapore raises security alert after Malacca threat'. *Reuters Online*. 5 March 2010.

[16] 'Security raised in Malacca Strait after terror warning'. *Reuters Online*. 4 March 2010. <http://www.reuters.com/article/idUSTRE62335120100304> (accessed on 30 April 2010).

Navy, presumably having taken into consideration the impact of doing so to national and regional security and not wanting to cause panic to the regional populace and international community.

The 'information vacuum' as well as the subsequent killings and arrest of militants in Sumatra fueled speculation that the "terrorists" in question were affiliated with the terrorist group Al-Qaeda. This assumption did not seem farfetched when one considers that Al-Qaeda claimed responsibility for the attack on *USS Cole* in Yemen in 2006 which suggests that it had the operational and tactical *nous* to launch strikes on vessels.

Despite the scarcity of details about the threat, there are valuable lessons that can be drawn from the events unfolding. After analysing the information in the public domain, the following lessons, not in order of importance, are derived:

i. It is crucial that information on security threat is quickly and readily made available to enable those targeted or could be affected to respond to the threat accordingly

Whenever permissible from an intelligence and national security point of view, the nature of the threat should be made known to the public. More specific, details such as the time, source, nature, location, target and gravity of the threat should be announced. With these particulars known, necessary actions and precautionary measures can be undertaken. Those named as potential targets could beef up security on their end and make necessary arrangements to provide the resources to counter the threat arising therefrom, offset the inconvenience and inform the authorities of anything amiss or alarming. With advanced warning, those who could be affected by the threat could put in place contingency plans to ensure business continuity, allocate necessary resources, reposition assets and minimise disruption to their operations.

The uncertainty of whether the threat was coming from pirates or terrorists prevented specific responses to be undertaken by the shipping community and related parties using the Straits of Malacca. As piracy and terrorism are two distinctly separate phenomena in terms of the perpetrators,

motivation and modus operandi, the responses to the threat they pose should also be different. It would have helped the affected parties to come up with tailor-made responses had the warning issued contained specific details to enable them to take more specific and concrete precautionary measures beyond just 'increasing vigilance'.

ii. Intelligence sharing is essential to ensure that the threat can be identified, alarm raised and proper response triggered

The sharing of intelligence is crucial in anticipating and combating threats which are asymmetrical, unconventional and transnational in nature. Regional security agencies must strengthen cooperation and beef up their capacity to alert their counterparts in neighbouring countries on anything that could potentially pose a security threat. Existing platforms of bilateral, multilateral and regional cooperation must be made full use of to ensure 'material information' can be disseminated, shared, analysed and interpreted in a timely and efficient manner. Credit is due to Singapore Navy and Malaysian Navy for their close cooperation which resulted in quick response to the threat. Such level of cooperation in intelligence sharing should be maintained, if not enhanced, to enable security enforcement agencies to identify, intercept, counter and neutralise any threats in the Straits of Malacca swiftly and efficiently.

iii. A high degree of interoperability among agencies is necessary to facilitate timely and accurate dissemination of material information and a coordinated response to security threats

The ability for security agencies to communicate as well as share information and intelligence relating to security with one another including disseminating them to the potential target of security threats is crucial in raising the alarm in a timely manner. Agencies such as National Security Council, Navy, Coast Guard and Marine Police of the littoral states must be able to share and jointly assess the information and take actions rapidly in response to security threats at sea. This is crucial

considering the threat of terrorism is asymmetrical, non-conventional and trans-boundary. Such threat could be posed by non-state actors who operate 'below the radar', making them highly unpredictable, besides being driven by motivations which are not easy to pinpoint.

To facilitate the sharing of information on security among such agencies, they must be closely linked along an 'information supply chain' to enable them to communicate easily and instantly with one another. They must be connected to a common, standardised communications platform and have systems as well as assets that allow them to exchange information seamlessly with each other at all times. There must be in place an information dissemination, storage and retrieval management system, which facilitates communications among different agencies responsible for security at sea, on land and in the airspace. Such an interoperable system is pivotal to timely relaying of security threat to enable security agencies to respond in a timely and coordinated manner.

iv. Nothing should be taken for granted, even with the availability of specific details of security warnings

Although the security warning singled out ships in transit, particularly tankers, as potential targets, the possibility of other types of vessels and assets being targeted should never be dismissed. In no circumstances should owners and operators of other maritime assets and infrastructures lower their guard, even though the alarm raised mentioned only tankers as potential targets. Other types of merchant vessels, cruise ships and even ships at anchor could also be viable targets for terrorists.[17] Infrastructures such as ports, shipyards, refineries and plants along the Straits and offshore storage facilities are also potential targets. Terrorists thrive on the

[17] It was estimated that between 4 million to 5 million tons of fuel oil and crude was stored onboard converted VLCCs (Very Large Crude Carriers) anchored off Malaysia's ports of Tanjong Pelepas and Pasir Gudang in the south of Peninsular Malaysia near the busy shipping lanes of the Straits of Malacca. These vessels could be as vulnerable as oil tankers transiting the Straits, although the former carry lower risk level compared to the latter given that they can be monitored more closely on account of their proximity to the shore. See Chong, Y.Y. & Pachymuthu, L. (5 March 2010). 'Trade eyes alternate routes, oil buffers over Malacca risk'. *Reuters Online*. <http://www.alertnet.org/thenews/newsdesk/SGE624056.htm> (accessed on 1 May 2010).

element of surprise and will strike anywhere and anytime when they are least expected to. Hence, any such warning on potential security threat must also be extended to other owners and operators of assets in and along the Straits.

v. No threat alarm should be deemed overblown

Security agencies face the perennial dilemma of being caught between overestimating and undermining security threats. They could find themselves being blamed for stirring panic by pressing the alarm button too often and too readily. Worse, they could be criticised for underestimating a particular threat which could turn deadly. In the case of the threat in the Straits of Malacca — a pivotal and strategic sealane — one could anticipate the amount of thought put in by the Singapore Navy when wording the advisory. It would seem that it was a conscious choice on its part to use the word 'indication' instead of 'threat'.[18] Some quarters might accuse Singapore of being overly cautious but considering that the island republic was marked as a prime target for terrorist attacks after the '9/11 incident', it had every right to be extra cautious.[19] In such situation, it is indeed much better to be safe than sorry, and to err on the side of caution.

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[18] Several analysts called stakeholders of the Straits to take seriously the information provided by the Singapore Navy. John Harrison, a maritime security expert at the S. Rajaratnam School of International Studies in Singapore said that on the threat level scale, an "indication" is lower than a "warning" but nonetheless requires precautions to be taken. According to him, a "warning" refers to a credible threat that an attack is likely to be carried out against a target over a specific time frame, while an "indication" is used to describe a threat arising from information gathered from a series of suspicious activities in a certain area. See 'Terror threat in Malacca, Singapore Straits'. *CNN.com*. 4 March 2010. <http://edition.cnn.com/2010/WORLD/asiapcf/03/04/singapore.malacca.terror.threat/index.html> (accessed on 27 April 2010).

[19] Singapore, one of the world's key maritime, trade and financial hubs, was a target for attacks by militant groups based on the revelation by Singaporean security agencies of several plots to attack selected targets in the city state. One of the plots thwarted by the authorities was an attempt by militants to hijack an airliner in Bangkok in 2001 and crash it into Singapore's Changi Airport, not long after the September 11 attacks in the US. Singapore also arrested several militants believed to be affiliated to Jemaah Islamiyah who were allegedly planning to bomb the US Embassy in Singapore and other targets in the island nation. For succinct discussions on this, see Tan, W., 'Terrorism in Singapore: threats and implications'. *Contemporary Security Policy*. 23(3). December 2002. 1-18. New York : Routledge. See also Acharya, A. (2 September 2004). 'Defending Singapore's vital infrastructures against terrorism'. ISDS Commentaries. 37(2004). Singapore : IDSS.

vi. Risk assessment of attacks on potential targets in the Straits can be helpful in preparing for any eventualities

How quick and effective a response to security alerts in a busy and strategic SLOC like the Straits of Malacca depends on how well the risks of possible attacks are assessed. Only when the risks have been identified and evaluated can swift and effective response be crafted once a warning is raised. Without the continuous evaluation of security risks on maritime assets such as vessels and infrastructures which include ports and terminals in and along the Straits, precious time could be wasted in responding to such alerts. By having in place a risk assessment system, it would be easier to allocate the necessary resources and put in place the strategies to counter any threats in the sealane. The more detailed the risk assessment is, the better prepared everyone can be. For example, ship owners must constantly evaluate the vulnerability of their vessels to threats not only from potential sources at sea as well as from land and air, and even from acts of sabotage. They would do well not to think that threats to vessels can only come from seaborne sources, pirates and terrorists.

vii. Security agencies and industries must instill domain awareness in every party along the maritime supply chain

The key to countering security threats effectively is to have all parties that may be targeted or affected to attain a heightened level of readiness and alertness. Therefore, it is critical that specific preventive measures are put in place to elevate the stakeholders along the maritime supply chain to the highest possible level of preparedness and awareness. It is not good enough to be just reactive to security alerts – they must also be proactive. Their personnel must be adequately trained to spot threats and swiftly react to them, while ensuring that they have sound knowledge of emergency, medical and evacuation procedures. Shipping companies and other stakeholders must have security plans and constantly conduct emergency drills. They must allocate the necessary resources to facilitate this and not treat security as an afterthought. Security must be embedded in the planning and operations of their businesses. Putting in place measures and adjusting their operations to

reduce the possibility of them being attacked by pirates and terrorists will put them in good stead. Such measures include installing high-speed water hoses and high-frequency 'sonar guns' onboard their vessels, and keeping round-the-clock watch during voyage to spot pirates and thwart attacks.

CONCLUSION

It is a sign of the times we live in that we have to constantly look over our shoulders and worry about the potential harm that can be inflicted on us by those with evil intent. In the wake of the 11 September attacks, the world has not been the same. Everything is a potential target for the perpetrators: commercial airlines, subway trains, public buses, places of worships, shopping malls and even merchant ships. As such, we must be on constant alert and prepare for any eventualities and not leave anything to chance.

Since the 11 September incident, security and enforcement agencies in the region have been vigilant and have stepped up patrols in the Straits, and the effectiveness of their measures is evidenced in the sharp drop in piracy cases in recent years. Although not a single terrorist attack has been recorded in the Straits of Malacca thus far, it is without doubt a prime target for those seeking publicity with their dastardly intentions. It could well be that the absence of credible information on terror threats against maritime targets in the Straits is taken for granted that it is not considered a viable location for terrorists to mount attacks. However, it would be foolish to dismiss the possibility of attacks happening in the Straits. The 9/11 attacks demonstrated in a gruesome way the high price resulting from taking security threats for granted.

Admittedly, to attain a level of optimal alert and readiness to respond to security threats in the Straits requires significant investment in resources and capacity building. The funds needed to procure security systems, equipment and services, and to equip personnel with the necessary skills to use them effectively, can be prohibitive. For shipping lines, any extra costs incurred in the name of increasing security would be treated with disdain even in the best of times. What more at a time when shipping companies and many others along the maritime supply chain are reeling from the global recession and credit

crunch. Boosting security along the maritime supply chain means additional costs, more stringent checks, frequent delays and reduced efficiency along the chain. However, in the midst of looming security threats from terrorists, stakeholders along the chain must be extra vigilant and extremely cautious. The price of ignoring security alerts in a key trade lane and strategic waterway like the Straits of Malacca could be very high for businesses, coastal communities, security agencies, littoral states, and ultimately global trade and security.

While we are thankful that nothing untoward happened when the security alert was raised, we must take heed of the lessons from the episode. The stakeholders of the Straits have the agencies which raised the alarm to thank as they probably took actions behind the scene to thwart the threat. Having said that, others should be proactive in preparing for any eventualities and take steps such as allocating resources, taking appropriate and preventive measures as well as inculcating in their personnel the culture of giving utmost priority to safety and security.

The lesson learned from the event is clear — security in the Straits is the responsibility of all parties along the supply chain. Only when all the parties develop total domain awareness of their operating environment with a 'safety and security first' mentality can a high-stake area like the Straits of Malacca be effectively shielded from the threats it faces.

The security agencies cannot be solely relied upon to safeguard the critical passageway. As the threats looming in the Straits may be highly unconventional and unpredictable, they can only be effectively thwarted with the collaborative effort of all stakeholders. They must be prepared, vigilant and responsible at all times to ensure the safety and security of their immediate domains, as permitted by their resources, abilities and operating environment. It takes nothing less than concerted, committed and collaborative efforts by security and enforcement agencies, shipping companies, port authorities, terminal operators, shippers and other players along the maritime supply chain to ensure that the Straits of Malacca is protected from any threats that can impede its safe passage and threaten the security of the littoral states.

Managing the Diplomatic Risks of Asian Regional Economic Integration

By J. J. Raynor

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ABSTRACT

Increasing regional economic integration is a fact of life for nations in Southeast Asia. ASEAN efforts to achieve the Bali Summit goal of an ASEAN Economic Community have moved past initial efforts at tariff reduction to tackling invisible barriers to free trade and investment within the region. Recently signed or pending free trade agreements with China, Japan, India, and Korea create additional opportunities for integration in a wider regional context. Increasing economic integration in the region holds a number of economic benefits for Malaysia. However, accompanying these benefits come diplomatic risks. Among these risks are the perception and reality of differential gains from integration both between nations and between groups in Malaysia. Growing activity by Malaysian corporations abroad in Southeast Asia creates potential for corporate scandals that could generate blowback or cause diplomatic incidents. Negative foreign opinion of the treatment of low-wage labour migrants in Malaysia may also complicate relationships with close neighbours in the region. Greater attention to economic issues as a result of emerging power influence seeking in Southeast Asia will only increase the stakes associated with these risks. Malaysia needs a strategy to pre-empt these risks that includes a focus on economic good neighbourliness and encourages national corporations to cultivate strong corporate social responsibility practices. The primacy of economic issues in modern diplomatic portfolios increases the importance of managing the risks of further integration.

Keywords: ASEAN, economic integration, diplomacy, Malaysia, risk management

INTRODUCTION

In January 2010, the Association of Southeast Asian Nations (ASEAN) celebrated two milestones in its quest to promote economic integration in Southeast Asia and, through bilateral agreements with neighbours, East Asia as a whole. January 2010 was the deadline ASEAN members had set for themselves to achieve a Common Preferential Tariff of between 0 per cent and 5 per cent on all but a select list of goods traded among them. That same month, the bilateral ASEAN-China Free Trade Area (ACFTA), creating one of the largest free trade areas in the world, came into effect. Capping over a decade's worth of negotiations on ASEAN's part, these achievements illustrate that increasing economic integration is a fact of life in East Asia. Proponents argue that this integration will increase trade, foreign investment, and productivity growth for the region. Poised at a critical moment in its quest to become a developed nation by 2020, Malaysia stands to benefit disproportionately from growing regional integration. However, with many of the most visible barriers to trade eliminated through formal agreements, the next stage of economic integration in the region will require more complex negotiations. In the midst of this increasing complexity, economic integration, and the frequent interactions between Malaysian citizens and their neighbours that integration brings create diplomatic risks that could jeopardise Malaysia's efforts to promote and capitalise on ASEAN economic integration. Simultaneously, Asian economic integration, taken in the context of a global rebalancing of power and economic output spurred by the rise of developing nations, especially China, raises the geopolitical stakes of successful ASEAN integration.

To fully achieve the benefits of ASEAN economic integration, while minimising the diplomatic risks that accompany it, Malaysia needs to adopt an active diplomatic strategy to manage these risks. This paper will first discuss the benefits to Malaysia from greater ASEAN and pan-Asian economic integration before outlining a history of the formal negotiations and informal economic relationships that have driven economic integration in the region. In describing the progress to date of integration, this paper will highlight both the increasing complexity involved in achieving further economic integration and the changing strategic environment in which this integration occurs. Finally, this paper will identify three areas of diplomatic risk spurred

by further economic integration that Malaysia should seek to actively manage and monitor lest these risks hinder Malaysia's and the region's efforts to further capitalise on growing economic integration.

BENEFITS TO MALAYSIA FROM ECONOMIC INTEGRATION

Greater regional economic integration, both through ASEAN and within the wider Asian region, holds disproportionate benefits for Malaysia. As a middle-income country with an educated workforce and an established export oriented manufacturing industry, Malaysia stands to benefit from the opportunity to engage in dispersed production manufacturing supply chains by outsourcing lower value added manufacturing processes to labour intensive countries in the region while retaining higher value added processes for domestic production. The electronics industry in Malaysia, which led Malaysia's recovery from the 1997 Asian Financial Crisis and remains an important driver of economic growth, in particular, stands to benefit from distributed production given the high cost of its intermediate inputs.

Access to ASEAN's sizeable consumer market, in addition to its increased labour pool, will also help Malaysia attract much needed investment — investment that may have found Malaysia's population of roughly 27 million too small to be attractive in comparison to larger national markets in the region. Access to the wider region is essential for Malaysia's large multinational corporations many of which need opportunities to expand abroad to sustain their growth. Malaysia's dominant primary commodities producers, particularly in palm oil and petroleum, fall in this category. Malaysia's small population and corresponding small market size also means that it will benefit disproportionately from freer trade in the region. An easy example of this disproportional gain can be drawn from tourism exchanges between Malaysia and Indonesia. In 2008, approximately 800,000 Malaysian tourists travelled to Indonesia; in return, over 1.8 million Indonesians visited Malaysia on tourism (Chew 2009).

Malaysia's cultural and linguistic diversity also positions it well to take advantage of ASEAN's new free trade agreements with China and India. Companies across the region will need linguistic support, cultural familiarity,

and business connections to fully take advantage of these new agreements. Malaysia's multilingual, multiethnic advantage, which is receiving greater attention under the Prime Minister's New Economic Model, creates an opportunity for Malaysia to become a regional logistics hub (National Economic Advisory Council 2010). Malaysia's unique multiracial heritage will position it at the centre of further integration with India and China.

Finally, unlike the less developed members of ASEAN, specifically Vietnam, Laos, Myanmar, and Cambodia, Malaysia's industry does not face competition from opening ASEAN up to China's labour intensive manufactures. Simultaneously, China's growing demand for raw materials plays to Malaysia's advantage. Malaysia's high commodities and natural resource content in its exports has prompted regional experts, including Rodolfo C. Severino, former ASEAN Secretary General, to identify it as the ASEAN nation with perhaps the most to gain from the recent signing of ACFTA (Gooch 2010).

Malaysia's stage of development, unique multicultural heritage, and market size make it ideally suited to benefit from increasing regional integration. However, as an analysis of current progress towards regional integration will show, fully realising these benefits will require maintaining an enabling diplomatic environment for the complex negotiations necessary to tackle the remaining barriers to trade in the region.

HISTORY OF ECONOMIC INTEGRATION AND REGIONALISM IN ASIA

The diversity of Southeast Asia and of Asia as a whole, from religion to economic development to governmental structures, challenges including this heterogeneous group under a single label were it not for the whimsy of geographic fortune. Regardless of the serendipity of the grouping, since the late 1980s economic integration within the region has progressed at an accelerating, pace. Southeast Asia's growing economic regionalism historically has been driven by distributed manufactures production, liberalisation agreements within ASEAN, and more recently, overlapping bilateral free trade agreements between ASEAN's largest economic neighbours and the members

of ASEAN as a regional grouping. Economic regionalism in the area began as an informal process driven largely by private market actors which shifted to a government-led process driven by formal negotiations and consultations within ASEAN after the 1997 Asian Economic Crisis (Peng 2002). Whether the recent conclusion of bilateral free trade agreements between ASEAN and India, Japan, China, and South Korea, separately, represents a new, externally driven stage in ASEAN economic regionalism or even, the inception of a new pan-Asian economic regionalism, remains to be seen. Within ASEAN, the need for further efforts to relax non-tariff trade barriers, to increase trade facilitation, and to remove obstacles to regional investment remains if the gains from ASEAN's efforts to establish regional integration are to be fully realized. Addressing these remaining obstacles to integration will transport ASEAN negotiations into a new realm of complexity necessitating greater cooperation for success.

ASEAN was created in 1961 as a forum for strategic security cooperation in a region caught in the middle of great power competition. From this original defence arrangement, ASEAN has expanded its mission to include promoting shared cultural development, and economic cooperation, in addition to its original security mandate. Since the 2003 Bali Accord II, the aim of ASEAN economic cooperation has come to be the creation of an ASEAN Economic Community (AEC) characterised by the free flow of trade, investment, and labour within ASEAN or more formally, in ASEAN parlance, as the creation of ASEAN as "a single market and production base". However, long before a shared vision for an AEC was articulated in the Bali Accord II, economic cooperation and regionalism in Southeast Asia was promoted on an informal basis by networks of distributed manufactures production intended for final export outside the region (Islam 2004). Lower trade costs and improvements in cross-border coordination achieved through better transportation infrastructure and the telecommunications revolution enabled the creation of international chains of production with discrete stages of manufacture and assembly dispersed across borders. In the late 1980s, sparked in part by the Plaza Accord of 1985 under which Japan allowed its currency to appreciate against the US dollar, Japanese multinational corporations, backed by a wave of loans and investment from Japanese

banks, began sourcing labour intensive manufacturing inputs from Southeast Asian nations characterised by a relative labour surplus. Lower-valued added stages of Japanese export production were outsourced to the more developed members of ASEAN which in turn outsourced low-value added production to the less developed nations within ASEAN.

Famously characterised as a formation of "flying geese," a phrase coined by Japanese economist Kaname Akamatsu to describe the growth of new export oriented industries that was later applied to Asian regional integration, this pattern of distributed production increased economic ties between ASEAN countries and raised the need for a reduction in tariffs and trade barriers in order to facilitate these private sector linkages (Kasahara 2004). While initially regional economic linkages appeared largely in the private sector, Hidetaka Yoshimatsu argues that recognition of the need to lower trade barriers by Japanese multinational corporations reopened negotiations to lower trade barriers after the failed initiatives of the 1970s, and more specifically led to the creation of the ASEAN Industrial Cooperation Scheme (AICO) in 1996, an agreement that lowered tariffs for corporations conducting distributed production in two or more ASEAN countries (Yoshimatsu 2002).

In a global context, the year 1992 witnessed the unprecedented creation of two free trade economic regions with the signing of the Maastricht Treaty establishing the European Union in February 1992 and the conclusion of the North American Free Trade Agreement (NAFTA) in December 1992. Within this wider context and supported by growing private sector linkages, ASEAN formally committed in January 1992 to the creation of an ASEAN Free Trade Agreement (AFTA), the first step in the creation of the AEC, by the end of 2008. The traumatic revelation of the region's economic vulnerability during the 1997 Asian Financial Crisis and the concomitant flight of foreign investment intensified efforts to achieve an AEC (Peng 2002). The deadline for implementing AFTA was pushed forward to 2002. An agreement aimed at increasing intra-regional investment flows by removing barriers to direct investment, the Framework Agreement on the ASEAN Investment Area (AIA), soon followed in October 1998.

Since 1997, ASEAN economic regionalism has been driven by formal agreements on trade, investment, and service sector liberalisation supplemented by high-level consultations between the region's trade and finance ministers. In November 2007, ASEAN signed the ASEAN Economic Community Blueprint, an overarching description and roadmap for the creation of an AEC in line with that envisioned by the Bali Concord I. A year later, in December 2008, the AIA was merged with the ASEAN Agreement on the Promotion and Protection of Investments (IGA) into a streamlined ASEAN Comprehensive Investment Agreement (ACIA). The ACIA set an initial 2010 deadline to remove investment barriers between the original members of ASEAN and a later 2015 deadline for more recent ASEAN members. In addition to its efforts to reduce tariffs between member countries, ASEAN concluded seven packages of commitments liberalising the region's service sector under the Coordinating Committee on Services (Financial Times 2009). As part of the continued implementation of AFTA, which went into effect in 2003, ASEAN nations have reduced tariffs on all but a select list of protected items down to an effective rate in the zero to five per cent range by 1 January 2010 through the Common Preferential Tariff scheme. Despite impressive achievement in lowering tariffs, according to research published by Ben Shepherd and John Wilson, for ASEAN to fully benefit from integration, it must now direct its attention to the complex task of tackling less visible trade barriers and instituting greater trade facilitation between its members (Shepherd and Wilson 2009).

In addition to its internal consultations, ASEAN has also inked several free trade agreements between its members and rising East Asian economic powerhouses. These agreements typically begin as framework agreements committing the partners to further negotiations on the liberalisation of goods trade, investment, and services. India and ASEAN recently signed the ASEAN-India Trade in Goods Agreement in Bangkok in August 2009, fulfilling one of the three commitments undertaken in the 2003 ASEAN-India Framework Agreement on Comprehensive Economic Cooperation which created a foundation for eventual agreements on liberalisation of

trade in goods, services, and investment. South Korea and ASEAN signed the ASEAN-ROK Framework Agreement on Comprehensive Economic Cooperation in December 2005 followed closely by the ASEAN-ROK Agreement on Trade in Goods in August 2006, the ASEAN-ROK Agreement on Trade in Services in November 2007, and the ASEAN-ROK Investment Agreement in June 2009. Unlike the previous FTAs, Japan, understandably given its long history in the region, bypassed a staggered agreement process in favour of signing a single comprehensive agreement covering goods, services, and investment from the outset. This comprehensive deal, the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), was signed in April 2008.

In what it characterises as a "region-to-region free trade agreement," ASEAN signed the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area in February 2009 which covers trade in goods and services, investment, and the movement of persons between the two regions (ASEAN 2009). ASEAN's decision to characterise this last FTA as a region-to-region model may be in preparation for seeking an FTA with other economic regions, specifically the European Union. The ASEAN FTA which has received the most attention and conceivably started the avalanche of ASEAN-plus FTAs is the ASEAN-China Framework Agreement on Comprehensive Economic Cooperation, signed in November 2002, which called for the creation of an ASEAN-China Free Trade Area (ACFTA). After three subsequent agreements covering goods, services, and investments, ACFTA entered into force on 1 January 2010. ACFTA's realisation created the third largest free trade area after the European Union and NAFTA. In addition, Japan, South Korea, and China were all parties to the recent expansion in March 2010 of the currency-swap mechanism created under the Chiang Mai Initiative.

The rapid proliferation of ASEAN-plus free trade agreements, as well as, proposals for a free trade area linking China, Japan, and South Korea, have raised questions about ASEAN's role in promoting Asian regional economic integration going forward. These agreements, realised and proposed, have engendered concerns about the region's accessibility to exports and investment from the European Union and the United States, historically two of the primary destinations for ASEAN's final products. A study by Hiro Lee, Robert

Own, and Dominique van der Mensbrugghe suggests that agricultural exporters from the EU and the US, in particular, stand to lose from the enactment of preferential regional trading agreements in Asia (Lee et al 2009). The European Union has responded by indicating its willingness to conclude an ASEAN-plus free trade agreement with the region. The United States, on the other hand, favours an expanded Asia-Pacific free trade area through an enlarged Trans-Pacific Economic Partnership, a more recent variation on President George W. Bush's proposal that APEC consider forming a transpacific economic free trade region. This latter proposal was stymied by a perceived lack of enthusiasm on the part of China (Bower 2010). The expected final demise of the Doha Round of negotiations under the World Trade Organization at year's end 2010 suggests that multilateral and bilateral FTAs will become increasingly important mechanisms for promoting trade liberalisation.

THE NEED FOR DIPLOMATIC MANAGEMENT OF INTEGRATION

ASEAN integration has reached an inflection point, after which achieving further integration will take on added complexity. Tariffs, the most visible impediments to trade, have largely been addressed through the Common Preferential Tariff scheme. Further integration, will require addressing less visible barriers to trade and actively promoting trade facilitation. The next phase of integration must also establish robust dispute resolution mechanisms to handle the inevitable conflicts that arise in the course of normal business operations. As a result, regional negotiations will be both more complex and more fraught, occurring, as they will in the context of pan-Asian integration driven by the rise of emerging powers. If these consultations are to succeed, attention must be given to the diplomatic context of these negotiations and the accompanying diplomatic risks that attend further economic integration. Malaysia must treat further integration both as a diplomatic project, to be maximised and positioned for, and as a critical trend shaping Malaysia's wider geo-strategic environment.

Diplomatic management of the next stage of ASEAN integration must include promoting positive perceptions of Malaysia among the citizens of its neighbours as a result of the region's increased democratisation. The original creation of ASEAN as a security arrangement in 1961, in some aspects,

occurred in a diplomatic environment far less complex than the diplomatic landscape facing ASEAN negotiators today. The backdrop of great power competition provided impetus and urgency for forming the association, but the voices and the interests involved in the formative negotiations were far more homogenous than the multitude of interests and voices that have developed as the region has grown more democratic and less authoritarian. Negotiations, while less representative, were also less complex when the main voices that mattered were those of an elite group of authoritarian leaders. Southeast Asia's gains in representative governance, most noticeable since the Asian Financial Crisis in 1997, have changed the diplomatic environment. ASEAN negotiations must now balance not only the opinions of leaders, but also a greater diversity of interests at home and a weightier and more dynamic regional public opinion. As a result, successful negotiations will rely as much on finding agreeable positions as on managing interests and public opinion both at home and in neighbouring countries. As a result, Malaysia must cultivate positive public perceptions of its citizens and its corporations among its neighbours in ASEAN.

Closer and more frequent interactions between ASEAN member states and their citizens generate not only economic opportunities, but also greater potential for disputes. ASEAN was originally created as a security arrangement to protect its members from external interference. Ironically, the region's bitterest feuds have occurred between ASEAN members. Malaysia, in particular, has often found itself in conflict with those neighbouring countries with which by dent of geography, history, and economy it should be the closest, i.e. Singapore and Indonesia. Perhaps the result of a sibling syndrome, these disputes have arisen despite shared interests. Closer ties, while strengthening mutual interests, also generate more interactions which create opportunities for conflicts that will need to be resolved.

Disputes, even if sparked by disagreements between private corporations, may require active diplomatic management rather than passive arbitration or laissez faire resolution because of their ASEAN context. Within ASEAN, formal mechanisms for dispute resolution or arbitration are historically

limited. Dispute resolution within the association has traditionally entailed consultation and consensus building. Where resolution has been elusive, the most glaring example being the continued human rights violations of the Burmese Junta, the association has opted for continued engagement in hopes of future reconciliation.

The primary dispute resolution mechanism covering economic disputes between ASEAN members is the 2004 ASEAN Protocol on Enhanced Dispute Settlement Mechanism. The protocol elaborates a dispute resolution progression from consultations to arbitration, with a last recourse option to appeal to the ASEAN SEC. This enhanced dispute resolution mechanism, however, relies on an ad hoc panel to be commissioned by the Senior Economic Officials Meeting (SEOM) only after national governments have first taken the initiative to submit a dispute for review. The weakness of this dispute resolution mechanism is that it relies on a case-by-case implementation that can occur only after ASEAN members have overcome their customary preference for consultation, an event only likely to happen in the most extreme circumstances. This mechanism also recognises only disputes brought by ASEAN member states, excluding cases brought by ASEAN multinational corporations, leaving a whole category of potential disputes arising from closer economic integration unaccounted for.

The close association of vanguard national corporations with national governments and national development, either through pride or government ownership, further elevates seemingly private economic disputes into the realm of diplomatic affairs. A commonly accepted truism holds that governments in Southeast Asia derive their legitimacy in part from their ability to deliver economic growth. This economic mandate is in turn supported by the active role that many Southeast Asian governments have taken in championing specific industries and individual corporations as part of their development strategies. Many of these corporate champions, some of which, especially in Malaysia, remain government-linked through ownership by sovereign wealth funds or partial privatisation, have become closely associated in national psyches with both the national development project and with national pride.

As a result of the national recognition directed at these companies and of the onus placed on governments to shepherd national economic development, regional governments have become cheerleaders and facilitators for business and investment agreements involving large national businesses, particularly ones with government ties. For example, Malaysian Prime Minister Najib Tun Razak oversaw several business deals made involving Malaysian companies and either the Vietnamese government or Vietnamese enterprises during the 16th ASEAN Summit in Hanoi. While in Hanoi, Najib presided over the final signing of an agreement between JAKS Resource Berhad and Vietnam's Ministry of International Trade and Industry, an agreement between Gamuda Berhad and the government of Vietnam, and an agreement between AirAsia and VietJet Aviation (Atan 2010).

When disputes between national vanguard corporations arise, as they inevitably will given greater competition under more porous economic borders, ASEAN governments can expect to be called on for resolution, and more problematically, for protectionist measures. Because ASEAN governments may be called on in the event of private corporate conflicts, and often urged to take action that runs counter to the goal of further economic integration, governments in the region should anticipate potential corporate conflicts and monitor them as they would any other diplomatic risk.

Finally, continued pan-Asian economic integration, and the centrality of ASEAN in promoting integration will determine the wider geo-strategic landscape in which Malaysia finds itself. No one remotely observant of recent international events can be unaware of the impact China's growing economic might and the dynamism of emerging markets has had on calculations of international strategic influence and on assumptions of global leadership. Including China in ASEAN's push for regional economic integration through ACFTA raises questions about the future of Malaysia's ties outside Asia. By increasing China's influence, ACFTA also raises questions about the impact greater economic ties with China have on ASEAN diplomatic independence. Some scholars have speculated that China's motivations for joining ACFTA extend beyond simple trade promotion to the creation of a strategic hinterland,

leveraging the region's economic strength to supplement Chinese influence in what has been termed a Chinese Monroe Doctrine, i.e. the creation of a Chinese "backyard" under Chinese security and economic dominance (Bower 2010). These concerns highlight negative assumptions about the ability of nations within this sphere of influence to maintain foreign policy stances independent of China's wishes.

Already, there is evidence that some foreign governments view China's approbation as critical for concluding deals with ASEAN nations. Most recently, Taiwan's attempts to form an economic cooperation framework agreement with China as a precursor to trade negotiations with ASEAN indicates Taiwan's belief that, given China's influence in the region, tacit approval from China is necessary before Taiwan can pursue its own economic relationships in the region unhindered. Taiwan is a special case. However, ASEAN countries should be wary if China's influence in the region's integration efforts comes to be seen as granting China an implicit veto in ASEAN affairs. To avoid this development, ASEAN must strengthen its diplomatic cohesion to leverage its own economic strength as a united counterweight to perceived Chinese influence. In addition, ASEAN should pursue strategies to balance growing Chinese influence with that of other emerging powers in the region, namely India and South Korea, as well as, with the influence of ASEAN's traditional final markets, the EU, the United States, and Japan. ASEAN's FTAs with India, Japan, and South Korea, in addition to, initial FTA negotiations with the EU capitalise on this strategy.

There has been debate over how, and if, Malaysia should seek to include the United States in an ASEAN free trade agreement. Under the Bush Administration, starting in 2006, the United States focused on negotiating a bilateral free trade agreement with Malaysia while simultaneously proposing that the Asian-Pacific Economic Cooperation (APEC) create a free trade region among its members (Bergsten 2007). This latter proposal has seen limited progress, perhaps because of China's extremely qualified initial support. Progress on a bilateral agreement between Malaysia and the United States stalled after the Obama Administration was inaugurated. In November

2009, President Obama announced in Singapore that the United States would be interested in joining a regional pact, perhaps an expanded Trans-Pacific Economic Agreement enlarged from its current four members, Chile, Brunei, Singapore, and New Zealand to also include Vietnam, Peru, Australia, and the US (Damodaran 2010). At a meeting with President Obama in April, Prime Minister Najib Tun Razak informed his American counterpart that Malaysia had agreed in principal to joining the Trans-Pacific Economic Agreement (Garekar 2010). This new initiative would both enable Malaysia to maintain its traditional economic ties with the United States while balancing the strength of a rising China. However, it may also distract from efforts at continued ASEAN integration.

The greater complexity of the negotiating environment, impacted by developments in regional public opinion; the heightened risk of diplomatic conflicts arising from increased economic interactions, compounded by the lack of robust dispute resolution mechanisms and the political imperatives of the region's national developmental projects; and the impact of ASEAN and pan-Asian integration on the emerging global geostrategic context in which Malaysia finds itself all argue for taking an active management approach towards the diplomatic risks that accompany the benefits of greater regional economic integration. Proper management of these risks is tied to both avoiding conflicts between ASEAN members and to maintaining a conducive atmosphere, informed by regional public opinion, for greater integration. Avoiding conflict in the region will require managing three critical outcomes of increased integration — differential gains from integration, Malaysia's treatment of foreign workers, and corporate diplomacy.

DIFFERENTIAL GAINS FROM INTEGRATION

A source of potential strife between Malaysia and other members of ASEAN is the perception, and reality, of differential benefits from increased economic integration among ASEAN members, and particularly among the signatories of the ASEAN-plus FTAs. As stated earlier, Malaysia and the other more developed members of ASEAN have the most to gain from greater regional integration. This is a direct result of their export mix, the investment positioning of their major corporations, and their stage of development.

In analysing the potential gains from ASEAN integration, Ariyasajjakorn et al, constructed an econometric model simulating the growth of trade between ASEAN nations and several of the nations they have recently signed ASEAN-plus FTAs with, namely China, South Korea, Japan, and India. They also modelled the impact of these ASEAN-plus FTAs on ASEAN's trade with the United States and the European Union. The results revealed by their model indicate that all of the members of these FTAs receive a GDP boost from increased trade in the region. However, within ASEAN, the more developed nations, including Malaysia, experience disproportionate growth, perhaps because of the effect of the FTAs in stimulating the region's manufacturing industries (Ariyasajjakorn et al 2009).

While the region's capital intensive manufacturing sectors stand to benefit dramatically from increased regional economic integration, the region's more labour intensive industries, for instance textiles, will face a substantial intensification of competition from China and potential dislocation. ACFTA ultimately cuts both ways — providing ASEAN nations with access to China's enormous market and opening up ASEAN to Chinese exports. Shandre Mugan Thangavelu, of the National University of Singapore, predicts that the burden of adjustment in the face of Chinese export competition will fall most heavily on those ASEAN countries which, like China, rely on labour-intensive manufacturing, namely Vietnam, Laos, Cambodia, and Myanmar (Thangavelu 2010).

The burden of adjustment in the face of competition from Chinese exports, while falling most heavily on the less developed members of ASEAN, will also affect some labour intensive manufacturers still operating within the more developed ASEAN states. Other industries, particularly ones that have become complacent in an earlier atmosphere of governmental protection from competition, may raise the spectre of increased competition with Chinese exports in order to advocate for protectionism. Malaysia experienced this form of advocacy quite recently. In February 2010, the Associated Chinese Chambers of Commerce and Industry of Malaysia proposed a ten per cent cap on year-on-year growth of Chinese exports to Malaysia citing the increased competition local manufacturers were experiencing from Chinese goods (Abdullah 2010).

These protectionist appeals are more easily resisted in Malaysia where other manufacturers are set to gain from increased access to regional markets. In nations like Laos, Cambodia, and Vietnam where losses to competition in some industries will be greater, governments may face greater pressure from their citizens to raise protectionist barriers and otherwise retreat from regional integration. Even worse, if the more developed ASEAN nations are perceived as pushing or exploiting regional integration for their own disproportional benefit, this potential protectionist advocacy may morph into full blown local opposition to the actions and interests of the more developed governments, including Malaysia.

The ASEAN coordinating groups have wisely recognised the potential hazards of perceived differential benefits from regional integration, particularly among the less developed ASEAN members. Existing concessions to these members, including extended implementation timelines for them to fulfil their FTA commitments and development assistance under the Initiative for ASEAN Integration allow Vietnam, Cambodia, Laos, and Myanmar to prepare for potential trade induced dislocations in their economies while improving their economic infrastructure to better take advantage of integration. In addition to these formal mechanisms, Malaysia should highlight and encourage efforts by Malaysian NGOs and business associations to provide development assistance and knowledge transfers to the less developed members of ASEAN. Continued efforts to showcase beneficial investments and business partnerships between Malaysian firms and domestic firms from these countries will promote the recognition of the material gains to be had from regional integration, even as some firms face dislocation from increased competition.

TREATMENT OF FOREIGN WORKERS

While Malaysia's economic and diplomatic ties with its neighbours span a variety of areas, including foreign investments, tourism, and trade between businesses, for many Malaysians and for many citizens of neighbouring states, the treatment and presence of low wage foreign workers in Malaysia is the most visible feature of Malaysia's economic foreign relations. How Malaysia

is perceived in regards to its treatment of foreign workers largely determines perceptions towards Malaysia and the willingness of neighbouring citizens to support or to disrupt economic negotiations benefiting Malaysia. Unfortunately for Malaysia's economic agenda and for further efforts at integration, the perception of Malaysia's track record on protecting foreign workers is poor. Recent abuse scandals, international allegations of mistreatment, and recession induced retrenchments of foreign workers have not improved Malaysia's standing in the eyes of neighbouring citizenry.

In rough economic times, Malaysia's imported foreign workers tend to bear the brunt of labour market dislocation and adjustment. International Monetary Fund (IMF) reports based on surveys conducted in Malaysia suggest that in both the 1997 Asian Financial Crisis and the more recent global economic downturn starting in 2008, Malaysia's relatively low increases in unemployment were the result of a disproportionate dislocation of foreign workers whose job losses are not reflected in Malaysia's statistics (IMF 2009; IMF 1999). In March 2009, the potential retrenchment of 300,000 Indonesian migrant workers, out of the approximately two million Indonesian workers in Malaysia at the time prompted Indonesian President Susilo Bambang Yudhoyono to express concern to his then counterpart Prime Minister Badawi (BBC Monitoring Asia Pacific 2009). Further concerns have been raised over allegations that retrenched foreign low-wage workers are often denied access to severance benefits. While not a member of the ASEAN regional group, Nepal, with the second largest number of migrant workers in Malaysia, initiated formal negotiations in 2009 over concerns that Malaysia would ban Nepali foreign workers, illustrating the importance sending governments place on access to Malaysia's labour market for their workers and on the fair treatment of their workers once they are in Malaysia (BBC Monitoring Asia Pacific 2009).

Tensions between Indonesia and Malaysia over the treatment of foreign workers, in particular, reached a nadir in June 2009 when outcry in Indonesia erupted over the alleged abuse of the maid Siti Hajar Sadli at the hands of her Malaysian employer, prompting an Indonesian moratorium on sending

domestic workers to Malaysia (Chew 2009). A second case in October 2009, when an Indonesian maid died after being rescued from her allegedly abusive employer further inflamed already mounting tensions (Soeriaatmadja 2009). While this crisis was partially resolved by a re-negotiation of the memorandum of understanding governing the movement of domestic workers from Indonesia to Malaysia, additional concerns have been raised about the abuse of foreign low wage workers in Malaysia and the government's complicity in that mistreatment. Amnesty International published a report in March 2010 claiming that many foreign low wage workers in Malaysia reported abuse at the hands of their employers and that Malaysian immigration officials were involved in human trafficking of workers (Gooch 2010).

In the Indonesia example, tension over workers may have greater costs than merely using up ministerial time. In addition to a desire for greater access to foreign investors and higher liquidity, analysts believe that Indonesian palm oil plantation operators choose to list in Singapore rather than in Malaysia, where they would receive a higher premium for their stocks, because of lingering distrust of Malaysian authorities (Ng 2010). Conceivably, negative perceptions of Malaysia's treatment of Indonesian workers could impact the operations of Malaysian firms in Indonesia. For Malaysia's palm oil industrial giants, many of whom have already exhausted the available land for new palm plantations in Malaysia, access to fertile areas in Indonesia is essential for continued growth. Sime Darby, a large government-linked corporation with significant stakes in the oil palm industry owns 271,492 hectares of plantations in Indonesia valued at 1,976.0 million ringgit according to its 2009 Annual Report. This is only slightly less than its 360,270 hectares of plantations in Malaysia, valued slightly higher per hectare at a total of 5,427.5 because of their greater maturity and established yields.

Negative perceptions of Malaysia's treatment of foreign workers have clear repercussions for Malaysia's foreign policy and on the ability of Malaysian firms to fully utilise the benefits of regional economic integration. Malaysia's options for combating these perceptions largely rest in its ability to improve the treatment of foreign workers inside of Malaysia, a fraught subject politically for the Malaysian government given anti-foreign worker

propaganda and concerns that low wage foreign workers have contributed to wage stagnation in Malaysia. A first step in improving perceptions of Malaysia's treatment of foreign workers is for the government to actively prevent abuse of foreign workers through the strict enforcement of the law and the creation of reporting mechanisms that would allow foreign workers to report cases of abuse without fearing repercussions for themselves. Malaysia also needs to energetically police and prosecute alleged cases of human trafficking and worker placement agencies that exploit foreign labourers. Most importantly, and perhaps the most difficult of these proposals, the Malaysian government needs to consistently enforce laws governing low wage immigration rather than rely on politically-timed periodic crackdowns and roundups of foreign workers. In times of economic recession or downturn, the Malaysian government should also work with the governments of sending nations to craft safety net programs for displaced foreign workers.

CORPORATE DIPLOMACY

Increased economic integration, characterised by growing business ties across borders within ASEAN and the greater pan-Asia region, implies that the citizens of its neighbours may have far greater exposure to representatives of Malaysia's corporations and their products than to Malaysia's diplomatic corps. Perceptions of Malaysia will largely be determined not by the behaviour of the Malaysian government, but rather by the impressions created by the myriad Malaysian businesses operating abroad. Once again, because of the close association between national vanguard companies and both the national interest and national development, separating the image created by Malaysia's corporations from Malaysia's official image will be difficult. There are both potential upsides to this predicament and two fairly serious potential downsides. On the one hand, corporate eagerness to access ASEAN markets generates an army of potential corporate ambassadors whose efforts are funded by private coin. On the other, possible corporate scandals and perceived competition between Malaysian firms and its neighbours' national vanguard corporations can generate both ill will and potential conflicts that the Malaysian government may be called upon to arbitrate.

To manage the risk of corporate scandals or competitive conflicts sparking international incidents, the Malaysian government should take active steps to educate its corporate citizens on these risks and on best practices for avoiding them. Malaysian companies operating across borders in the region should be encouraged to adopt strong corporate social responsibility (CSR) principles and programmes. For corporations employing foreign nationals, particularly in factories, every effort should be made to abide by international labour codes, and in many instances to go above and beyond the standards set by these codes in ensuring liveable working conditions for their employees. In addition to encouraging its corporate citizens to adopt strong CSR practices, the Malaysian government should consider setting up chambers of commerce for its corporations operating in a given country. These chambers of commerce would provide a means for coordinating the publicity and lobbying efforts of Malaysian corporations in the country in question while at the same time creating the organisational framework necessary for a rapid response by the Malaysian business community in the event of a corporate crisis or scandal in a foreign country. The ability to implement an immediate conciliatory response, atop the foundation of a sustained goodwill campaign, can do wonders to arrest the evolution of a scandal into a full blown diplomatic crisis.

CONCLUSION

Asian regional economic integration, driven by ASEAN, is an accelerating trend that promises sizeable benefits for Malaysia's economy. However, the next stage of ASEAN integration, which will require more complex negotiations to lower invisible trade barriers and to promote active trade facilitation, promises to be both more difficult and more fraught. The impact of integration on the region raises the stakes of further integration and generates potential diplomatic pitfalls, particularly in light of including a rising China in regional trade agreements. Strengthening ASEAN diplomatic cohesion can help balance perceptions of growing Chinese influence in the region. At the same time, increased interactions between Malaysians and the citizens of Malaysia's neighbours create opportunities for conflict despite the development of mutual interests. To promote a supportive environment for further ASEAN

integration amidst the increased diplomatic risks accompanying integration, Malaysia must actively manage these risks. Three critical diplomatic risks created by economic integration that Malaysia should actively manage are the perception of differential gains from integration, Malaysia's treatment of foreign workers, and Malaysian corporate diplomacy. The high stakes of ASEAN regional integration and the increasing complexity of negotiations to promote integration require that Malaysia proactively address the diplomatic complications of integration if Malaysia, and the region, are to fully benefit from economic regionalism.

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Great Powers: America and the World after Bush

By Thomas P. M. Barnett
Review by Brian Hoffman

Great Powers: America and the World after Bush
Pages: 496
ISBN: 978-0-399-15537-6

In his latest book, Thomas P. M. Barnett ambitiously attempts to explain "how the United States has run itself off the rails…and how [it] can get back on track." While "Great Powers" clearly represents Barnett's most expansive piece to date, the seasoned military scholar adeptly handles this ambitious project, leaving the reader with a greater understanding on international affairs and the motivations of U.S. interventionism. Barnett's policy proposals offer a brand of American intervention more cognisant of changing global dynamics, less hysterical than years past, and focused on integrating the world's frontier instead of myopic battle cries like making the world safe for democracy. Unfortunately, Barnett's recommendations are heavily interventionist, woefully divorced from American domestic decisions, and fail to address the negative blowback of American meddling.

One thing is certain about "Great Powers": it is brilliantly organised. Most similar works simplistically flow as follows: they demonise the recent past (many stopped there) and then explain a better way forward. Sure, Barnett thoroughly addresses the recent past, but more importantly he provides a detailed historical account of the U.S. that serves to expose the congenital qualities of America that continue to motivate its actions abroad. Barnett then addresses in turn the necessary realignments in U.S. foreign policy in the areas of economics, diplomacy, security, global networks, and strategy. In honour of Barnett's intelligible structure, this review will also address the above in turn.

The book begins with an indictment of Bush in the provocatively titled chapter "The Seven Deadly Sins of Bush-Cheney," then moves to a broader and more valuable historical exposé. Hyperbolic titles aside, Barnett's assessment rightfully credits Bush for his successes and admonishes his failures, but it is Barnett's broader history that deserves greater attention. Readers are reminded that America's liberal society was achieved slowly and laboriously, and not to expect too much too quickly from countries creeping along a similar path. The historical account puts into perspective America's current (and grossly exaggerated) struggles compared to history's catastrophic conflicts. Yet, to any student of American's past, Barnett's account is not entirely insightful, and it is riddled with consequential mistakes. He oversimplifies the U.S. Civil War, callously refers to many ruinous U.S. interventions as fruitful training (see the Philippines circa 1900), and idolises men who led the U.S. into war and vastly expanded the role of the U.S. Federal Government. Nonetheless, Barnett's history is of value by the fact that similar books often avoid the issue of history altogether, and any exposure to history by a tragically uninformed American populace is constructive, even if that history inappropriately venerates some of the U.S.'s worst decisions.

"Great Powers" discussion of economics does much justice to the revolutionary force of the liberal international trade order, and Barnett rightly acknowledges the undeniable economic trajectory of market liberalisation. Likewise, he understands the major international developments of the last thirty years were products of economics, and the best way to stave off conflict is to economically integrate the globe's frontier regions (or as Barnett calls them, the "Gap"). However, Barnett's means of integration includes America's entrance into failed states and co-opting international partners on a mission of global nation-building. "Great Powers" makes little mention of less meddling militarists approaches, such as, further opening America up to goods and migrants, eliminating harmful domestic subsidies, and removing restrictions and penalties on where U.S. businesses can operate. Most consequentially, releasing the awesome productive power of the American people (which exasperating government spending and regulation limits) will do far more to integrate the Gap than coercive military action.

Barnett's suggestions on diplomatic realignment are absolutely accurate. He recognises the diplomatic blunders of the Bush Administration inspired an enormous loss of confidence in the U.S. by the global community. His suggested diplomatic realignment is arguably the most astute recommendation in the entire book: the United States must leave behind its old-ally-shackles and co-opt a new team of partners, namely the rising Eastern nations whose future interests align closely with the U.S.

On security, Barnett's observations are accurate, but miss the larger point. He identifies the trajectory of security policy shifting from large wars of total annihilation to limited wars of integration as inevitable. Based on the Pentagon's growing emphasis on counter-insurgency forces, who can deny such a claim? Accurate as the observation may be, it loses sight of the larger question: Should the U.S. military be in the business of building countries of economic and political viability? Some may find it odd that the U.S., a country that routinely decries centralised planning within its borders, employs a military apparatus that thinks it can design, redesign, and create entire countries. Barnett's fear is that if America gives up on a country militarily, widespread destruction will occur, but this ignores the historical point that the development 'miracles' of the past half-century have not come primarily from the demands of an American M16 rifle.

The "Network Realignment" chapter refers to the growing connectivity of the world and the unprecedented challenges and opportunities presented by everything (good and bad) moving faster and farther. Refreshingly, Barnett believes the private sector, with its advantages in creativity and resilience, is better suited for the mission of creating technological connectivity and capacity-building in the Gap. Yet, Barnett goes on to lay hope for a 'systems administration-industrial' complex just as hungry for pre- and post-conflict opportunities "as our long-standing military-industrial complex is for big war." While more private interest in integrating remote areas is positive, engineering an industry yearning for war induced messes to mop up, potentially creates a powerful lobbying force with perverse incentives!

Barnett's final chapters concern a strategic realignment. He begins by obliterating the dominant *raisons d'être* of the American political Right and Left: the hysterias of terrorism and global warming, respectively. Barnett should be commended for denouncing the tendency of the foreign policy community to focus on 'this or that' short-term crises or "looming train wreck." Such thinking creates obsession, myopia, and hysteria. Instead, Barnett suggests a foreign policy that actively blends defence, diplomacy, and development in coordination with rising powers to integrate the world's Gap. Several compromises are in order to establish this new strategy with partners that look, talk, and govern differently than America. In short, America has to tolerate differences (even if they find some of those differences repulsive) so long as the potential partner is willing to assist the process of Gap integration. For, as Barnett hypothesises, with integration comes the end of state-on-state warfare and the creating of a global middle class that could lead to eventual political transformation. Among Barnett's final calls is one to the American people. He states, "Some observers increasingly preach the notion that a global economy no longer so dominated by America represents a post-American age, when in truth it represents our greatest achievement: the extension of our very American-style liberal trade order." This is indeed America's greatest contribution to the world, but Barnett ascribes too much credit to the U.S. for liberalisation's success. He fails to acknowledge that the principal reason liberalisation has swept the planet is because it is the best way to create wealth, not because America willed it into dominance (though it did play an important assist).

Barnett's fundamental observations are correct, but too many of Barnett's integration techniques are through the barrel of a gun. He fails to adequately balance the *potential* gains of intervention against its *guaranteed* drawbacks, i.e. innocent deaths, and foreign resentment and hostility. Barnett's plans also ignore the negative ramifications of militarism on the U.S. domestic situation. Counter insurgency operations are exceedingly expensive and that does not mix well with a highly indebted America. Furthermore, foreign interventions represent potent distractions and allow the U.S. government to grasp greater power (see the U.S. Patriot Act).

The world is an incredibly complex environment, far beyond any nation's ability to manage. In such a system is it even appropriate to have a strategy defined primarily by interventionism? Alternatively, the United States' strategy could acknowledge that the complexities of the global environment are too great to force a foreign set of rules, and attempting to do so creates unintended consequences, and hostility to the United States and liberalisation itself. The best way to create peace and prosperity in the world is for the U.S. government to get out of the way of the productive capacity of the American populace. Such an approach would drastically increase the total wealth of the world and would not generate the negative, and often intense, blowback associated with American interventionism. Ironically, many of Barnett's recommendations would make the U.S. not the guarantor of international peace but the greatest threat to it. While "Great Powers" observations ring true its policy recommendations are exceedingly dangerous.

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