

The Pursuit of Sustainable Development through Regional Economic Integration

ASEAN and Its Potential as a Development-oriented Organization

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The Pursuit of Sustainable Development through Regional Economic Integration: ASEAN and Its Potential as a Development-oriented Organization

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This study is part of a larger TKN project that seeks to better understand the impacts of investment incentives on sustainable development. Other research outputs include four country case studies looking at investment incentives for the mining and quarrying industry in Vietnam (by the Central Institute for Economic Management, Vietnam), the pharmaceutical industry in Singapore (by the Singapore Institute for International Affairs), the chemical industry in Indonesia (by the Center for Asia Pacific Studies at Gadjah Mada University, Indonesia) and the tourism industry in Malawi (by the University of Malawi and the South African Institute for International Affairs). The research findings were used as input for developing a checklist which sets out some key issues and questions to be addressed when assessing the impacts of investment incentives on promoting economic growth, social development and environmental protection. The project outputs are available on the TKN website.

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Abbreviations and Acronyms

ACFTA	ASEAN – China Free Trade Agreement
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Agreement
AIA	ASEAN Investment Area
ASEAN	Association of Southeast Asian Nations
BEPA	bilateral economic partnership agreement
BFTA	bilateral free trade agreement
CLMV	Cambodia, Lao PDR, Myanmar and Vietnam
ECOWAS	Economic Community of the West African States
EU	European Union
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
IAI	Initiative for ASEAN Integration
SAARC	South Asian Association for Regional Cooperation
USD	U.S. dollar
WTO	World Trade Organization

Executive Summary

“Development”—or “economic development,” more precisely—has been a core aspiration of many of the regional integration initiatives of the Association of Southeast Asian Nations (ASEAN). In the area of economic cooperation, for example, initiatives such as the ASEAN Free Trade Agreement, the ASEAN Investment Area, and the most ambitious economic integration project of the grouping to date—the ASEAN Economic Community (AEC)—aim to promote sustainable economic development in the region. Although on the surface there are indeed some signs that indicate that ASEAN’s development goal is within reach, a significant gap remains between the rhetoric of that goal and the reality that the grouping has to face in implementing its worthy ambitions.

Indeed, while economic growth has continued and the standard of living has improved since ASEAN’s establishment in 1967, levels of economic development among Southeast Asian countries remain diverse. The quality of life in some countries in the region is better than others, with countries such as Singapore and Brunei Darussalam registering far greater gross domestic product per capita than their least developed neighbours in Cambodia, Lao PDR and Myanmar. There is unequal economic development not only among countries, but also within each of the member countries. Currently, 21 per cent of the 550 million Southeast Asian population still live in severe poverty. This is not to mention other types of social and environmental degradation that accompany the implementation of many of the grouping’s supposedly “economic development” projects.

This paper analyses the role of ASEAN, a regional institution, in promoting “sustainable development,” or development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs, in Southeast Asia. More specifically, the paper looks at the social and economic equity aspects of sustainable development, and how they are integrated into the existing ASEAN economic integration initiatives. This issue is of particular policy relevance for ASEAN, especially as it is on course to establishing an AEC by 2015. From the outset, the paper argues that ASEAN’s real “sustainable development” in the area of its economic cooperation objective remains rhetorical, particularly given the persistent economic inequities that exist in the region. Among other things, the inability of the grouping to balance its pursuit of the principle of open regionalism—which is often accompanied by strong neoliberalism—with the need to democratize its economic policymaking has left millions incapable of reaping the benefits of ASEAN economic integration. The grouping is also struggling to leave behind its outdated policy of non-interference, which often hinders the economic advancement of the region. All these factors have contributed to ASEAN’s failure to advance its stated objective of “sustainable development.” Despite these problems, the paper also argues that there is still real potential for ASEAN to become a development-oriented organization. However, for this to happen, ASEAN needs to take brave steps to address the persistent economic inequality in the region.

1. Introduction

“Development”—or “economic development” more precisely—which is defined here as *economic progress that is accompanied with the improvement of the standard of living and welfare among the population of a nation or region*, has been a core aspiration of many of the regional integration initiatives of the Association of Southeast Asian Nations (ASEAN). For example, the founding document of the grouping, also known as the 1967 ASEAN (or Bangkok) Declaration, calls on the member countries to attain their economic, social and cultural aims through “joint endeavours” and “active collaboration and mutual assistance,” and this has significantly transformed both the political and economic landscape of the region.

Growing tensions and occasional conflicts among the countries in the region in the two decades following the end of World War II gave little space for these countries to pursue their development objectives. Political instability at the time also contributed to the deepening of poverty in some countries. In Thailand, Malaysia and the Philippines, for instance, the percentage of those defined as poor reached as much as half of the total population in each of these countries (Rigg, 1997), while Indonesia’s hostile foreign policy in this period left the country’s economy in ruins (Booth, 1998).

This began to change following the decision of the foreign ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand to establish ASEAN in the summer of 1967. Indeed, many scholars and observers of the region have credited the grouping with reducing hostility among these countries, which in turn allowed economic development to flourish in the region (Hew, 2007; Murphy and Welsh, 2008).

On the surface, there are indeed some signs that indicate that the development goal of ASEAN is within reach. The establishment of the grouping, for example, appears to have contributed to the expansion of the region’s economies at a considerable rate. Major economies in the region, such as those of Thailand, Malaysia, Singapore and Indonesia, have achieved high levels of economic growth since the late 1970s. While it is true that domestic economic reforms, including the shift from import substitution industrialization to export-oriented industrialization, play a significant role in improving the region’s economies, ASEAN’s existence helped to complement these reforms. The relative success of the grouping in maintaining peace and ensuring economic development also attracted other countries in the region, such as Brunei Darussalam, Cambodia, Lao PDR, Myanmar and Vietnam (the latter four known as the CLMV countries), to join the club in the 1980s and 1990s. At the time, aside from expanding the ASEAN market, which was expected to spread and deepen economic development in the region (Mya Than, 2005: 84–85), the inclusion of the CLMV countries into the grouping allowed the gap between the rich and the poor countries to be narrowed, thus, reducing the potential for regional instability to emerge (Pholsena and Banomyong, 2004: 28–29).

Over the last few decades, ASEAN has intensified its objective of achieving economic development. Despite such intensive efforts, a gap remains between what ASEAN has projected as its development goal and the reality that the grouping has to face in implementing its worthy ambitions. Indeed, while economic growth rates and standards of living have been relatively improved since ASEAN’s establishment, the levels of economic development among Southeast Asian countries remain diverse. The quality of life in some countries in the region, for example, is better than others (Murphy and Welsh, 2008: 8). The gross domestic product (GDP) per capita of countries such as Singapore (USD 38,046.1) and Brunei Darussalam (USD 35,622.6) is far greater than their least developed neighbours, including Cambodia, Lao PDR and Myanmar, which record GDP per capita of USD 756.1, USD 817.8 and USD 464.6, respectively (refer to Table 1). Although efforts to promote economic development have been present, the way in which ASEAN attempts to achieve its development objectives appears to have little success in promoting equal economic distribution throughout the

region. The fact that over 116 million people, or around 21 per cent of the total 550 million population of Southeast Asia, are still living in absolute poverty illustrates this point (refer to Table 2).² Overall, therefore, while there has been significant well-meaning rhetoric to promote economic development among ASEAN leaders, the putting into practice of that rhetoric remains patchy.

Table 1: Selected basic ASEAN indicators, 2008

Country	Total land area (km ²)	Total population (thousands)*	Population density (persons per km ²)*	Annual population growth (%)*	GDP per capita at current prices	
					USD 2008**	USD PPP 2008***
Brunei Darussalam	5,765	397	69	1.8	35,622.6	50,234.8
Cambodia	181,035	14,656	81	2.0	756.1	1,794.0
Indonesia	1,860,360	228,523	123	1.3	2,236.9	3,705.0
Lao PDR	236,800	5,763	24	2.8	917.8	2,237.3
Malaysia	330,252	27,863	84	2.3	7,991.7	13,192.1
Myanmar	676,577	58,510	86	1.7	464.6	1,082.9
Philippines	300,000	90,457	302	2.1	1,843.7	3,421.1
Singapore	707	4,839	6,844	5.5	38,046.1	50,347.1
Thailand	513,120	66,482	130	0.7	4,116.4	7,889.7
Vietnam	331,212	86,160	260	1.2	1,052.7	2,595.2
ASEAN	4,435,827	583,651	132	1.5	2,581.7	5,007.1

* Refers to mid-year total population based on country projections.

** 2008 data on GDP at current market prices is preliminary. Brunei Darussalam's 2008 annual figure is based on estimate published in the Brunei Darussalam key indicators for 2008 given in the source of this table. 2008 annual figures for Cambodia, Lao PDR and Myanmar are taken from the IMF WEO Database, October 2008. Vietnam's 2008 annual figure is based on country estimates and the latest actual country data.

*** PPP = purchasing power parity. Recomputed based on IMF WEO Database April 2009 estimates and the latest actual country data.

Source: ASEAN Secretariat (2009)

This paper is aimed at analysing the “development” paradox that prevails in the region. More specifically, it looks into the role of social and economic aspects of ASEAN cooperation in promoting “sustainable development,” or the development that “meets the needs of the present without compromising the ability of the future generations to meet their own needs” (UN, 1987) in Southeast Asia.³ It is particularly

- 2 These figures are based on the data provided by ADB (2005). In its discussion about poverty-related issues, this paper employs the term “absolute poverty,” which can be referred to as the condition of lacking basic human needs, such as nutrition, clean water, health care, clothing and shelter as a result of the inability to afford them. It is also important to note that given the different level of economic development in Southeast Asia, “poverty” is set at an income of USD 2 per day, while “extreme poverty” is set at USD 1 per day or less. More detailed data on the level of poverty rate in Southeast Asian countries, with the exception of Brunei Darussalam, is provided in Table 2, while further information concerning the definition of poverty can be obtained from Wikipedia (n.d.).
- 3 It is important to note that it is only fairly recently that the mention of “sustainable development” became more apparent in ASEAN documents, such as the 1987 Jakarta Resolution on Sustainable Development, the 2003 Yangon Resolution on Sustainable Development and the 2006 Cebu Resolution on Sustainable Development. This was primarily due to, among other things, the increased debates among policymakers and the public over the potential impacts of climate change and other types of environmental degradation in the region. Initially, the term “economic development,” or “development,” was more often found in older ASEAN documents, particularly in reference to the grouping's economic cooperation. The original ASEAN founding document—the 1967 ASEAN Declaration—makes reference only to “economic growth, social progress and cultural development,” all of which are understood as elements of “development” today. This is logical for two reasons. Firstly, ASEAN was established in 1967, which made it a product of the so-called “first wave” of regionalism, mostly driven by pure security and economic concerns, as opposed to the “second wave” of regionalism that started to emerge in the late 1980s and embraced wider policy concerns of development. Secondly, the initial economic cooperation objectives of the grouping were only launched in the late 1970s prior to the wide use of the term “sustainable development,” which was only made popular following the launching of the 1980 World Conservation Strategy and the 1983 Brundtland Commission. As a result, the term “economic development” is used in this paper to refer to the original economic cooperation objectives of ASEAN, while the term “sustainable development” is used as defined and understood by the international community in key multilateral agreements, such as the 1992 Rio Convention and the 2002 Johannesburg Plan of Implementation of the World Summit on Sustainable Development.

interesting, for instance, to consider how ASEAN's objective of becoming a single market and production base⁴ under the auspices of the proposed ASEAN Economic Community (AEC) by 2015 would correspond to the sustainable development needs of the region. This paper, however, primarily argues that ASEAN's real "sustainable development" objective remains rhetorical, particularly given the persistent economic gaps that exist throughout the region. Having said this, ASEAN still has the potential to act as one of the key drivers of sustainable development in the region. In order to facilitate our discussion, the analysis in this paper is divided into several sections. Section 2 provides an analytical framework to help us understand better the linkages between regional integration and the social and economic aspects of "sustainable development." Sections 3 and 4 analyze the development gaps that have been generated by ASEAN's existing regional economic integration process and the development opportunities that could be explored further by the grouping. Finally, the paper is concluded with relevant policy recommendations to assist ASEAN to achieve its potential as a development-oriented organization.

Table 2: Poverty in ASEAN, 2005

Country	Total population (thousands)	Population in poverty (%)	Total no. of people in poverty (millions)	Urban poverty rate (%)	Rural poverty rate (%)
Brunei Darussalam	397	n/a	n/a	n/a	n/a
Cambodia	14,656	32.0	4.7	25.2	40.1
Indonesia	228,523	17.3	39.7	13.6	20.2
Lao PDR	5,763	39.9	2.3	22.1	42.5
Malaysia	27,863	6.82	1.9	2.0	11.4
Myanmar	58,510	21.2	12.4	20.7	28.4
Philippines	90,457	27.7	25.1	15.0	41.4
Singapore	4,839	-	-	-	-
Thailand	66,482	9.47	6.3	4.0	12.6
Vietnam	86,160	27.5	23.7	6.6	35.7
Total	583,650	19.9	116.1		

Source: ADB (2005)

4 The 2003 Bali, or ASEAN, Concord II clearly states that the end goal of the AEC would be the creation of a single market and a single production base where there is a free flow of goods, services, investments, capital and skilled labour (ASEAN Secretariat, 2005). While the approach of attaining this objective was not elaborated in the ASEAN Concord II, what seemed clear to policymakers and experts in the region at the time was "the need to have a significantly higher degree of regional economic integration and institutional development" (Hew, 2007: 2). Referring to Western European economic integration, Lloyd (2007: 15) suggests that the establishment of an ASEAN single market would mean that there should be "no discrimination according to source in the regional markets for goods, services, thus creating a single market with no geographic segmentation." Meanwhile, Soesastro (2005: 5) sees the establishment of an ASEAN single production base as a way to open up and expand the region's "production side." In other words, as a single production base, ASEAN was envisioned to be a region in which there are increased backward and forward linkages among various production facilities and networks dispersed throughout the region. Given the different levels of economic development and capacity among the members of ASEAN, a dynamic division of labour can be developed among these countries if a smooth and efficient exchange of inputs to production can be assured.

2. Developmental Regionalism: An Analytical Framework Explaining the Regional Integration–“Sustainable Development” Nexus

Most, if not all, regional economic integration initiatives to date have the declared intention of pursuing development, or, more precisely, economic development. Both ASEAN and the South Asian Association for Regional Cooperation (SAARC), for example, were established for the purpose of accelerating economic and social development in their member states.⁵ Similarly, the Economic Community of the West African States (ECOWAS) also has the ambition to “improve the living standards of its people, maintain and enhance economic stability, foster relations among member states, and contribute to the progress and development of the African continent” (ISS, n.d.).⁶

However, the extent to which many regional integration initiatives actually promote sustainable development is varied, depending upon the ability of the countries involved to manage the adjustment costs that often result from these arrangements. Debates on the merits of regional integration in the promotion of development are ongoing among scholars, policymakers, development practitioners and activists. Some scholars, such as Venables (2003) and Bhattacharyay and De (2005), for example, consider regional integration as a key element of development and poverty reduction. Similarly, Slocum-Bradley (2006) also argues that regional cooperation has great potential to support human and economic development, while protectionist measures risk undermining these advantages. Elsewhere, Chandra (2008a: 65) writes that one of the primary motives for nationalists to pursue what he refers to as a regional integration strategy is the promise of sustained economic development. Nationalists today, as Chandra (2008a) further points out, are not solely associated with the promotion of protectionist policies, but are keen to pursue trade liberalization measures.

The concept of “developmental regionalism” primarily departs from the notion of a developmental state where strong state intervention is seen as crucial to promoting a national development agenda.⁷ In essence, this concept can be defined as the “concerted efforts from a group of countries within a geographical region to increase the complementarity and capacity of the total regional economy as well as finding the right balance between function and territory” (Hettne, 2001: 14). Similarly, in his analysis of “dependency theory,” Dent (2008: 780) considers developmental regionalism as

[regional cooperation and integration] activities that are particularly oriented to enhancing the economic capacity and prospects of less developed countries with a view to strengthening their integration into the regional economy, thereby bringing greater coherence to the regional community building overall.

5 Further information concerning the objectives and aims of ASEAN and SAARC are available from each regional grouping’s official website: <<http://www.asean.org/64.htm>> (ASEAN) and <<http://www.saarc-sec.org/main.php>> (SAARC).

6 ECOWAS is a regional grouping consisting of 15 West African countries, including Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Further information concerning the aims and objectives of ECOWAS is available from its official website: <http://www.comm.ecowas.int/sec/index.php?id=about_aandlang=en>.

7 According to Nesadurai (2002a: 23), developmental regionalism analysis is clearly in the economic realist tradition, since the idea of state activism in both the international system and at the domestic level to manipulate or direct economic activity to serve the perceived interests of the state is a crucial element of this approach to regionalism.

Initially, however, despite the attractiveness of using regionalism as a “development” policy, experts and practitioners of regional integration policy argued that regionalism was a failure as far as development was concerned (Schulz, Söderbaum and Öjendal, 2001: 262). Among other things, the establishment of most regional cooperation schemes in the past was frequently imposed by external powers that divided up the regions of the world in accordance with Cold War alliances. Furthermore, these regional schemes tended to be the inheritance of colonial schemes, which were incompatible with the new status of national independence that prevailed following World War II. More importantly, the preoccupation of many scholars and policymakers with using trade as a key benchmark to measure the relative success of a regional grouping made regionalism an unsuitable development policy at the time (Hettne, 2001: 15). Indeed, in many cases, regional cooperation initiatives were normally composed of *unnatural* trading partners, with countries in these schemes lacking economic complementarities. Instead of economic development, the world saw the emergence of uneven development among countries from within the various regions. Apart from that, this preoccupation with trade also led to the exclusion of other equally important parameters of regional integration, such as social and cultural cooperation.

While acknowledging the deficiencies of using trade flows as the sole parameter of regional integration initiatives, scholars such as Hettne (2001), Schulz, Söderbaum and Öjendal (2001) and Dent (2008) remain convinced of the relevance of trade in strengthening regional cooperation initiatives worldwide. Consequently, advocates of developmental regionalism began to dig deeper to find ways to address the problems of economic competitiveness and developmental gaps among the member countries of a regional grouping. As a result, contemporary theory on development regionalism incorporates elements of what economists refer to as *open* and *closed* regionalisms. While open regionalism, on the one hand, is normally associated with regional integration schemes that are fundamentally about engaging, or being a *stepping stone* to, the world market (Gamble and Payne, 1996; Stubbs, 2000),⁸ closed regionalism, on the other hand, refers to more inward-looking regional integration schemes, seen as a model of regionalism that serves the function of resisting the “predatory forces” of globalization (Falk, 1999; Hveem, 2000).⁹

Economies, particularly small ones, for instance, are in favour of pursuing developmental regionalism, because it not only allows the strengthening of their domestic industries, but its commitment to the world market also provides these countries with the necessary opportunity to expand their market beyond their region when and if necessary. In most cases, regional groupings that favour this form of regionalism impose temporary protection or provide specific privileges for domestic capital in this expanded market. In principle, therefore, developmental regionalism is neither about resisting globalization completely nor about complete acquiescence to global market forces (Nesadurai, 2002a: 22–24). In practice, this approach to regionalism normally involves the participation of firms from outside the region in operating and investing inside the region. However, the economic activities of these foreign firms in the region are also subject to certain restrictions that are not imposed on firms from within the region.

8 As its name suggests, open regionalism normally favours an open economy approach that allows trade to flourish not only among the members of the regional grouping, but also between the regional grouping concerned and the rest of the world. It is supposedly consistent with Article XXIV of the General Agreement on Tariffs and Trade, which specifically states that “the purpose of a custom union or a free trade area should be to facilitate trade between the constituent territories and not to raise barriers to trade of other contracting parties with such territories” (GATT, 1947: 41). The utilization of this strategy entails the use of trade and investment liberalization mechanisms for the purpose of achieving the economic development objectives of the region in question.

9 According to the advocates of closed regionalism, economic development is best achieved through the imposition of high levels of protection against goods and services coming into a region from the rest of the world. Among other things, this would enable countries in the region concerned to develop their own industries without having to fear competition from firms originating from outside the region.

For Hettne (2001: xxiii–xxiv), developmental regionalism remains a useful policy concept for the countries of the South, and he proposes seven key arguments to support this point. The first is the “sufficient size” argument, which implies the imperative of regional cooperation for many, particularly small, countries that are required either to cooperate with others to solve common problems or to become client states of the core countries. The second is the “viable economy” argument, which sees self-reliance as a feasible development strategy at a regional level, particularly if such arrangements involve the coordination of production, the improvement of infrastructure and making use of existing complementarities among the member countries. The third is the “credibility” argument, which has to do with ensuring the consistency and stability of economic policies, particularly if regional cooperation initiatives are equipped with sanctions that could be imposed on countries violating the economic agreements made among the participating countries. The fourth is the “effective articulation” argument, which emphasizes the collective bargaining power in the world system that countries of the South could achieve by pursuing regional cooperation. The fifth is the “social stability” argument, which reinforces regional initiatives to uphold societal viability through the inclusion of social security issues and elements of redistribution (e.g., regional funds). The sixth is the “resource management” argument, which ensures the exploitation of natural resources in a sustainable way.¹⁰ The final argument is the “peace dividend” argument, where the resolution of regional conflicts could eliminate distorted investment patterns, such as military build-ups, and allow the countries in the region to use their resources for more productive purposes.

Much attention in the analysis of developmental regionalism has been given to efforts to bridge the development gap among countries within a regional framework, as well as between the region and the rest of the world. However, little attention has been given to the internal development gap that exists within the participating countries of a regional scheme, as well as the ways in which regional organizations could help address such economic disparities. For example, Dent’s analysis of the role of the Asian Development Bank (ADB) in promoting developmental regionalism in East Asia argues that its regional cooperation and integration projects have been focused on closing the gaps among countries in the region (Dent 2008: 780–81). To a large extent, this involves a capacity building process that is targeted at the periphery states to get them engaged in the economic dynamic of the region. In order to do this, Dent argues, the ADB promotes what he refers to as *proactive integration*, which includes policy cooperation, coordination and harmonization, instead of *passive integration*, which merely involves economic liberalization and deregulation. Others, such as Nesadurai (2002a; 2002b), offer some insights on the way in which developmental regionalism, particularly in the context of ASEAN, is developed into a favoured policy at the domestic level. Although such studies help explain the reasons behind the push for developmental regionalism among state and non-state actors at the domestic level, they offer little explanation of the ways in which regional cooperation could remedy the development gap within the member countries of a regional grouping. In the analysis that follows, this study attempts to address this gap by focusing on the regionalism–development nexus within the context of ASEAN.

10 As Hettne (2001: xxiv) further explains, it is increasingly becoming clear that serious environmental problems cannot be solved within the framework of the nation state alone. Regional ecological issues are often related to water. Regional resource management, such as that shown in the context of the Mekong River system, has proved to be one of the ways in which ecological problems can be tackled, while at the same time preparing the ground for sustainable development.

3. “Development” Gaps in the Existing Regional Economic Integration Initiatives of ASEAN

Although “development” and “developmental regionalism” are considered as key components to the existing ASEAN regional economic integration initiatives, the extent to which the implementation of these initiatives reflects the developmental needs of the people in the region remains to be seen. While the region has seen significant economic growth that is accompanied with a consistent rise in real per capita income over the last few decades, poverty and the unequal distribution of income remain key problems faced by ASEAN, as does the environmental and social sustainability of economic development. It remains questionable whether the grouping’s regional economic integration initiatives, such as the ASEAN Free Trade Agreement (AFTA),¹¹ the ASEAN Investment Area (AIA),¹² the ASEAN Framework Agreement on Services (AFAS)¹³ and the AEC,¹⁴ are capable of meeting the present challenges without compromising the ability of the region’s future generations to meet their own needs. Today, it is also important to critically assess the environmental and sociocultural implications of these initiatives. These are some of the pertinent questions still needing to be answered.

While many of ASEAN’s regional economic integration initiatives can be explained as projects of open regionalism, the continuous inclination of its member countries to maintain a certain level of protectionist measures suggests the grouping’s reservations about fully engaging in the process of

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- 11 AFTA is an agreement to liberalize trade among the member countries of ASEAN. The process of its implementation began back in 1992, but it started to take effect on January 2002. This scheme’s objective is “to increase the international competitiveness of ASEAN industries and [to make] the ASEAN region an investment location” (Tongzon, 2002: 182). AFTA’s ultimate target is the elimination of all import duties (ASEAN Secretariat, 2002: 4). To date, 20,701 tariff lines, representing some 38 per cent of the items in the inclusion list, have zero duties. By 2003 the first six ASEAN members were required to apply zero duties to 60 per cent of their inclusion list items, while the remaining four new members were given a more flexible time frame to reduce their tariffs. As a new member country, Vietnam had 35.37 per cent of its inclusion list with zero tariffs by 2006, while Lao PDR and Myanmar abolished 87.6 per cent and 3.9 per cent, respectively, of their inclusion lists by 2008. Lastly, Cambodia will be required to eliminate duties on 7.64 per cent of its inclusion list by 2010. The older member countries, however, have a deadline of 2010 to abolish all tariffs for goods coming from other ASEAN member countries. Further information concerning AFTA is available from <<http://www.aseansec.org/economic/afta/afta.htm>>.
- 12 The AIA is the formal foreign direct investment (FDI) regionalization policy among the member countries of ASEAN. The implementation of this agreement is guided by the Framework Agreement of the ASEAN Investment Area, which was agreed and signed by all member countries on 7 October 1998 in Makati, the Philippines. Its objective is to “attract greater and sustainable levels of FDI into the region and to realise substantially increasing flows of FDI from both ASEAN and non-ASEAN sources by making ASEAN an attractive, competitive, open and liberal investment area” (ASEAN Secretariat 1998). Further information concerning the AIA is available from <<http://www.aseansec.org/6480.htm>>.
- 13 AFAS is one of the key economic integration initiatives of ASEAN that governs the way in which services liberalization is undertaken in the region. The agreement was signed by the economic ministers of ASEAN member countries during the 5th ASEAN Summit, which was held in Bangkok, Thailand on 15 December 1995. The key objectives of AFAS include: (1) the enhancement of cooperation in services among ASEAN members in order to improve efficiency and competitiveness, diversify production capacity, and improve the supply and distribution of services within and outside ASEAN; (2) the elimination of substantially all restrictions to trade in services among ASEAN member countries; and (3) the liberalization of trade in services through the expansion of the depth and scope of liberalization beyond those undertaken by member states under the General Agreement on Trade in Services, with the aim of realizing a free trade area in services by 2020 (ASEAN Secretariat, 2004). Further information concerning ASEAN’s cooperation in the area of trade in services is available from <<http://www.aseansec.org/4949.htm>>.
- 14 The AEC is considerably the most ambitious ASEAN economic integration initiatives to date. According to the Declaration of the ASEAN Concord II, the AEC should serve as the end-goal for ASEAN economic integration. The initiative aims to create a stable, prosperous and highly competitive ASEAN region (ASEAN Secretariat, 2003). In the view of those who drafted this document, the free flow of goods, services, investment and capital are deemed necessary if ASEAN is to achieve equitable economic development, poverty reduction and narrowing of the socio-economic gap among its population by 2020. The AEC is also expected to be the backbone of the establishment of a single market and production base initiatives in the region. Further details on the founding document of the AEC, or the Bali Concord II, is available from <<http://www.aseansec.org/15159.htm>>.

economic globalization. It is for this reason that Nesadurai (2002a; 2002b) argues that ASEAN in general favours a developmental regional project that is normally driven largely by concern with non-economic and social values, such as distribution and social justice, instead of engaging with full economic liberalization. For example, when the AIA was adopted as a component of AFTA in 1998, ASEAN, on the insistence of Malaysia and the support of Indonesia, made a distinction between investors from the grouping and those from outside the region, with the latter confronted with a temporary discrimination policy. Among other things, this was done for the purpose of allowing member countries to nurture their domestic industries so as to enable them to compete with non-ASEAN firms operating in the region. While the original AIA agreement specifies that full market access and national treatment privileges should be accorded to all investors, it also allows member governments to set temporary exemptions in a variety of sectors and policy areas as they see fit.¹⁵

The inclination of ASEAN to embrace protectionist, inward looking regionalism measures was also evident during the current (2009) global financial crisis. Despite commitments to open regionalism, ASEAN member countries are reluctant to open up their markets fully out of fear of the negative impacts of the global crisis. At the 14th ASEAN Summit in April 2009 in Pattaya, Thailand, for example, ASEAN plus the other six countries (China, Japan, South Korea, India, Australia and New Zealand) that are part of the so-called ASEAN+6 arrangement gave their strong commitment to reject all kinds of protectionism (Thailand Ministry of Foreign Affairs, 2009: 3). Despite this, mixed messages vis-à-vis protectionism were rife among individual countries in the region. An article in the *Asia Times Online* (McDermid, 2009) highlights such a shift towards protectionism, noting that since around 2007 Thailand has imposed capital controls on foreign equity, currency and bond transactions as part of its efforts to curb the appreciation of the local currency, the baht.

Although it is true that ASEAN's open regionalism goal has often been overshadowed by its member countries' inclination towards protectionism, the commitment of the grouping towards this policy has nevertheless enhanced its interaction with the global economy, and this influences the way in which the grouping pursues its development objectives. While, in the past, domestic politics in member countries often pulled ASEAN into adopting protectionist measures, today, external forces help to influence the policy direction of the grouping. Indeed, the use of neoliberal economic approaches is more prominent today than previously. This has been made possible by the region's greater engagement with the world market through, among other things, member countries' increased reliance on the international financial institutions (e.g., the International Monetary Fund and the World Bank) for flows of credit, participation in the World Trade Organization (WTO), attracting foreign investment, pursuing free trade and investment agreements, and so on. Over the years, the policy of open regionalism has generated significant impacts on the way in which development objectives are achieved in the region.

Overall, many ASEAN's regional economic integration initiatives have generated mixed results for Southeast Asia's development. Despite many scholarly analyses that favour the positive impacts of AFTA on the economic development of the region,¹⁶ the negotiations and implementation of this trade agreement have been criticized for being far from the aspirations of small and medium-sized economic actors. For example, while inefficient companies are less protected now that AFTA is under way, the scheme also encourages unemployment to emerge in the region. To a certain extent, therefore, AFTA represents a great threat to poverty alleviation in the developing and least developed countries of Southeast Asia (Hidayat and Widarti, 2005: 4). Moreover, AFTA fails to provide enough preferential

15 See, for example, ASEAN Secretariat (1998).

16 See, for example, Petri (1997), Chirativat, Paschusanond and Wongboonsin (1999) and Soesastro (2000).

margins over the already highly liberalized tariff regimes of the grouping's member countries with the rest of the world. Weighed against the cumbersome requirements, AFTA's marginal preferences do not provide sufficient incentives for the region's firms to use them. The result is persistent competition among ASEAN members for similar goods in similar markets, thus frustrating the growth of intra-ASEAN trade, which now stands at around 24 per cent of total ASEAN trade (Chandra and Chavez, 2007: 96).

Table 3: FDI inflows into ASEAN by source country, 1995–2004 (USD millions)

Host countries	1995	2002	2003	2004	1995–2004
ASEAN ¹	4,654	3,634	2,302	2,433	30,309
Rest of the world ¹	23,425	10,070	16,145	19,371	206,241
Asian newly industrialized economies	2,845	568	1,559	2,428	20,010
Hong Kong	1,271	204	100	345	7,290
South Korea	660	92	632	896	3,817
Taiwan (ROC)	914	271	827	1,187	8,903
China	137	-81	189	226	1,018
India	108	96	81	46	737
Japan	5,649	3,366	2,318	2,538	32,071
EU-15 ²	5,050	4,236	5,230	5,421	68,477
Other European countries (Switzerland, Russian Federation, etc.)	1,172	852	1,444	937	12,476
Canada	609	-192	-11	92	640
U.S.	4,318	358	1,395	5,052	42,285
Australia	535	203	181	392	247
New Zealand	35	54	89	-2	399
All others ³	2,967	612	3,670	2,240	27,880
Subtotal	28,080	13,705	18,447	21,804	236,551
FDI in Cambodia ⁴	151	-	-	-	1,236
Reinvested earning (Philippines)	-	120	-	2	191
Inter-company loans (Philippines)	-	-	-	-278	-278
Reinvested earning (Singapore)	-	-	-	3,834	3,834
Inter-company loans (Singapore)	-	-	-	293	293
Total	28,231	13,825	18,447	25,654	241,826

1 Excludes: (a) total FDI in Cambodia (1995–2000); (b) reinvested earnings in Myanmar (1995–2002); (c) reinvested earnings (1995–2002 and 2004) and inter-company loans in the Philippines (2004); and (d) reinvested earnings (2004) and inter-company loans (1995–96 and 2004) in Singapore.

2 Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the U.K.

3 Includes Pakistan and the rest of Asia, Central and South America and others, consisting of the rest of the world.

4 1995–2000 figures are aggregates.

Source: ASEAN Secretariat (2006: 60)

Similar negative implications have also emerged as a result of investment liberalization in the region. With its open economic policy, for example, ASEAN has made FDI an important component of achieving its development objectives. In reality, however, the adoption of economic openness is still solely used to facilitate FDI from non-ASEAN countries in the Southeast Asian region. Data in Table 3, for example, illustrates that the bulk of foreign investment between 1995 until 2004 in Southeast Asian countries came from non-ASEAN member countries. Some member countries, for instance, though still lacking domestic financial resources to support their export-oriented economies, have even relied on FDI as a cornerstone of their industrial growth. Although recent studies show that there is a

very clear link between FDI and growth,¹⁷ as a policy, efforts to attract FDI in ASEAN have been made with little regard for its quality, and this tends to create significant problems for the region (Chandra and Chavez, 2007: 96). From ASEAN's experience in attracting FDI so far, it is also important to note that significant inflows of FDI are not necessarily accompanied with the guarantee of technology and knowledge transfer, or that resources for infrastructure development will be made available (Arnold, 2004: 7).

Similar concerns also apply to liberalization in the area of services. In order to comply with WTO requirements, AFAS takes a General Agreement on Trade in Services (GATS)-plus approach. As with many developing countries and regions in the world, however, ASEAN is a net importer of services, with a service trade deficit reaching as much as USD 23 billion in 2004 (Karmakar, 2005: 16). Of the total of FDI in the service sector received by ASEAN in 2004, for instance, only 23.4 per cent, or a total of USD 1,570.6 million, out of the total of USD 6,710.3 million came from ASEAN investors (Lamberte, Arboleda and Reyes, 2006: 14–15). Although as a block ASEAN is relatively a large services exporter, thus far only Singapore has a positive net export ratio (the difference between the value of exports and imports relative to their sum) (Findlay, 2005: 173–76).

While it is true that services comprise an increasingly important sector in developing countries in general (constituting about 50 per cent of these countries' total GDP), estimating the negative and positive impacts of service sector liberalization is difficult due to the lack of data on the trade flows of the services sector (Raghavan, 2002).¹⁸ The lack of data has made it impossible for most ASEAN member countries to fulfil all GATS conditions, let alone the GATS-plus approach followed by ASEAN (Goh, 2003). Goh (2003) adds that inappropriate and over-rapid liberalization in the services sector could cause a range of problems for developing countries, including most ASEAN member states, such as financial instability (resulting from opening up the financial sector to the vagaries of capital flows and speculation), unemployment (due to the displacement of local firms by the entry of foreign service providers) and significant net foreign exchange outflows (as a result of profit repatriation by foreign firms).¹⁹ To date, the region is still being given the space and time to adjust to service sector liberalization due to the slow progress of AFAS, not only because of the limited political support given to the scheme (Findlay, 2005: 190), but also because of the general resistance towards trade liberalization by wider elements of society in the region.

Moreover, ASEAN is also engaging itself in alternative forms of trade and investment liberalization with its external partners through so-called bilateral free trade agreements (BFTAs) or bilateral economic partnership agreements (BEPAs).²⁰ While policymakers in ASEAN, such as the former ASEAN secretary general, Ong Keng Yong, and the Indonesian trade minister, Mari Pangestu, are convinced that BFTAs can be used as a means to lock the grouping into more complex negotiations with its trading

17 See, for example, Chowdury and Mavrotas (2003) and Alfaro *et al.* (2006).

18 Prakash, Ray and Anbatkur (1996: 120) also argue that “a special feature of trade in services has been lacked of disaggregated data on them.” Services are normally classified as a separate item outside merchandise and form part of the current account statistics in most countries' balance of payments. The difficulty of producing relevant analysis on the ASEAN services sector is more pronounced, since data on the region's services transactions are virtually unavailable.

19 A study conducted by Kortland (2006) suggests that another technical challenge facing AFAS is the protection of the rights of migrant workers in the region, as well as the recognition of the importance of these economic actors in the region.

20 China, Japan, South Korea, the U.S., the Australian–New Zealand Closer Economic Relation Trade Agreement and the EU are some of the countries and regional groupings that have been either forming or are still negotiating BFTAs or BEPAs with ASEAN. Further details on each of these BFTAs and/or BEPAs are available from <<http://www.aseansec.org/4920.htm>>.

partners, prominent sceptics, particularly the former Malaysian premier, Mahathir Mohammad, contend that such a policy is risky, as it may provide major developed countries with a back door into ASEAN, as well as a way to undermine local industries in the region. In the context of the ASEAN–China Free Trade Agreement (ACFTA), for example, Thailand’s agricultural imports from China surged by about 180 per cent, which resulted in a plunge in local fruit and vegetable prices of about 30–50 per cent. While it is true that this economic condition could lead to more efficient production in the long run, policymakers have overlooked the short-term negative implications of the ACFTA that severely affect small agricultural producers in the region. The danger of BFTAs is more apparent when countries in the region are locked into such agreements with major developed countries such as the U.S. where trade liberalization is pushed at an accelerated phase. Despite this, countries in the Southeast Asian region are still keen to pursue this trade policy, fearing that they will be left behind by their competitors if it is abandoned. BFTAs and BEPAs are, therefore, one of the major challenges that the grouping has to face at the moment, and will dictate the way in which ASEAN trade policies will be pursued in the future.

Overall, it has been effectively argued that BFTAs and BEPAs are in general detrimental to states’ (particularly developing ones) objectives in achieving sustainable development (Chandra, 2005; Khor, 2005). Most BFTAs that are currently implemented or under negotiation between the member and non-member countries of ASEAN are very imbalanced, in the sense that many of these agreements are between a developing member country of ASEAN and a more developed ASEAN trading partner.²¹ Indeed, the relatively weaker ASEAN member countries tend to possess limited bargaining power when BFTAs and BEPAs have to be negotiated with larger partners. Market access, for instance, remains one of the contentious issues in BFTA and BEPA negotiations. Despite this, the likely outcome of many BFTA and BEPA negotiations between ASEAN members and non-members is greater market access for the latter, but little for the former. As a result, the objective of ASEAN developing members to achieve sustainable development is often under pressure in these negotiations. Currently, ASEAN is still relatively weak economically, even if it attempts to pursue BFTA and BEPA negotiations with its trading partners as one bloc.

Meanwhile, as far as ASEAN’s major economic project to date—the AEC—is concerned, the scheme is also far from perfect. The inadequacy of the AEC becomes more pronounced when weighed against the challenges that ASEAN must address to realize a more people-centred economic community. For example, despite the recognition of poverty as a key problem confronting the region, radical economic liberalization leading towards the creation of the AEC does not necessarily help the region to address this problem. While it is true that Southeast Asia remains one of the most prosperous regions in the world, with an average per capita GDP of around USD 2,581.7, inequality still persists in the region. The data in Table 2 also indicates that while poverty levels tend to be higher in the so-called CLMV countries, they are still a major concern for some of the more established members, notably the Philippines.

There are also a host of other examples to illustrate the distance between the AEC grand project and the aspirations and concerns of marginalized economic groups and societies within ASEAN. As an effort to anticipate liberalization in the area of services and investment, ASEAN commits itself to facilitating freedom of movement for professionals and skilled labours. Despite this, the grouping has failed to discuss the importance of the unskilled and semi-skilled migrant workers that constitute the majority of migrant workers in ASEAN.²² The content of the AEC Blueprint, which is a document to guide the

21 See also, for example, a study on the impacts of the proposed ASEAN–EU Free Trade Agreement by Chandra *et al.* (2007).

22 In Singapore, which is a migrant labour-dependent country, for instance, only 14 per cent of migrant workers are classified as highly skilled professionals or specialists, while the large majority of the country’s migrant workers, about 86 per cent, are still classified as semi-skilled.

implementation of agreements leading to the establishment of the AEC, is a testament to this failure. This is not to mention other labour that is often displaced as a result of stiff competition among firms in particular industries, as well as other small and medium-sized economic actors in the agricultural, fisheries and other sectors. There are also wider economic concerns that are not clearly addressed in the AEC grand project, such as environmental concerns (e.g., pollution and climate change, the loss of biodiversity, etc.), the protection of traditional knowledge amid a stronger intellectual property rights regime under the new economic community, and openness and transparency in ASEAN's economic policymaking processes.

At the macroeconomic level, AEC is also confronted with the challenges to increase the complementarity of economies in the region. The homogeneous nature of ASEAN economies is often blamed for relatively low intraregional trade (refer to Table 4), which at the end of 2008 stood at 26.8 per cent. Although the ASEAN Secretariat has estimated that the average could reach as much as 30 per cent in 2010 (Basri, 2005), this estimation is still far below the average of intraregional trade of major developed regions in the world, such as the EU. At the moment, ASEAN has what it refers to as priority integration sectors, which is an effort to identify possible economic complementarities among and accelerate integration of ASEAN economies. As it stands, ASEAN has identified 12 priority sectors, i.e., agro-based products, air travel, automotives, e-ASEAN, electronics, fisheries, health care, rubber-based products, textiles and apparel, tourism, wood-based products, and logistics. While this is an encouraging movement, the key to addressing the low intra-ASEAN trade levels does not only rest on the effort to seek economic convergence among member countries, but also the way in which the development gap between the older and newer ASEAN member countries can be addressed.

Table 4: ASEAN trade by selected partner country/region, 2008

Partner country/region	Value (USD millions)			Share of total ASEAN trade (%)		
	Exports	Imports	Total share of trade	Exports	Imports	Total share of trade
ASEAN	242,469.4	215,579.8	458,040.2	27.6	25.9	26.8
Japan	104,871.8	107,116.4	211,988.2	11.9	12.9	12.4
EU-25	112,948.3	89,554.7	202,503.0	12.8	10.8	11.8
China	85,556.5	106,976.6	192,533.1	9.7	12.9	11.3
U.S.	101,457.5	79,735.8	181,193.3	11.5	9.6	10.6
South Korea	34,937.5	40,783.9	75,721.5	4.0	4.9	4.4
Australia	33,682.1	17,907.7	51,589.9	3.8	2.2	3.0
India	30,082.8	17,329.1	47,411.9	3.4	2.1	2.8
Canada	5,296.8	5,128.9	10,425.7	0.6	0.6	0.6
Russian Federation	2,703.3	6,910.1	9,613.4	0.3	0.8	0.6
New Zealand	4,161.0	3,262.0	7,423.0	0.5	0.4	0.4
Pakistan	4,386.4	460.1	4,846.5	0.5	0.1	0.3
Total selected partner countries/regions	762,544.4	690,745.2	1,453,289.6	86.7	83.1	85.0
Others	116,598.1	140,483.9	257,082.1	13.3	16.9	15.0
Total ASEAN	879,142.6	831,229.1	1,710,371.7	100.0	100.0	100.0

Source: ASEAN Secretariat (n.d.)

ASEAN has special programmes to “narrow the development gap” between the CLMV countries and the ASEAN-6²³ known as the Initiative for ASEAN Integration (IAI). The IAI was launched in November 2000 and covers the areas of infrastructure, human resources development, information and

23 The ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore and Thailand) plus Brunei Darussalam.

communication technology, and economic integration. The launching of such an initiative was initially aimed at allaying fears over the entry of the newer ASEAN members (or the CLMV countries) that could further set back the grouping's earlier integration efforts. While the general objective of the IAI is to provide certain flexibilities to the CLMV countries until they are ready to function at the same pace as the ASEAN-6, such an initiative also means that ASEAN considers the entry of new members beneficial because, among other things, it enhances ASEAN's bargaining position in international forums (Pomfret, 1998: 8). Despite this, ASEAN remains incapable of mobilizing all the necessary resources to finance the IAI. In May 2004 the ASEAN Secretariat announced that due to lack of funding, only 35 per cent of projects were accomplished, with programmes like the IAI requiring 20 per cent more funding (Lim and Walls, 2004). It is interesting to note that the funding deficit is covered by mostly non-ASEAN countries. The main fund that bankrolls the IAI, the ASEAN Development Fund, gets more contributions from Japan (USD 70 million) than from the ASEAN members (USD 1 million each), raising concerns that IAI projects may be unduly influenced by external partners' priorities (Chavez, 2007).

4. "Development" Opportunities in ASEAN

ASEAN can exploit a number of "development" opportunities in order to advance its development objectives. These opportunities should balance the desire of the grouping to advance its open economic regionalism and the economic concerns of the marginalized communities in the region.

The first opportunity derives from the existing ASEAN economic integration initiatives themselves. While it is true that there are numerous gaps in the existing economic integration initiatives of the grouping, regional economic integration is still a promising tool to promote sustainable development in the region, and ASEAN can certainly facilitate this in Southeast Asia. In fact, the grouping is not short of economic integration initiatives capable of lifting millions out of poverty. For this to happen, however, ASEAN must have strong political will and the commitment to fully implement many of its economic integration initiatives. In addition, the grouping should also consider reforming its outdated principle of non-interference, which often claimed by observers of ASEAN and the region to have clouded progress and advancement in the region (Chandra, 2008b: 13). In relation to this, member countries should also put aside the issue of sovereignty and excessive national interests, particularly as each country in the region cannot stand on its own and the challenges that confront these countries are similar in nature. Reconstructing ASEAN certainly requires these elements to be adjusted in the future modus operandi of the grouping's economic cooperation.

The second development opportunity lies in the effort to empower marginalized groups. ASEAN has committed itself to pursuing open economic regionalism, and there is little chance that it would favour an alternative approach to development. Policymakers in the region should be reminded, however, that the pursuit of such aggressive economic liberalization, although done for the purpose of advancing economic development in the region, may have detrimental effects on to the marginalized sectors of society. As mentioned in an earlier section, the facilitation given to the large economic actors and professionals should also be extended to those easily marginalized from the grand economic project of the grouping. In the agriculture sector, for example, ASEAN and its grand economic projects could certainly be welcomed by small-scale farmers should they prove able, for example, to initiate joint production projects as a target for agricultural cooperatives and the development of small and medium-sized enterprises. This would not only facilitate the exchange of information and knowledge among farmers and farm workers throughout the region, but also encourage joint production, which would also be complementary to the ASEAN's efforts at improving its intraregional trade. Similar recognition

should also be given to expanding the number of migrant workers in the region. Undocumented or irregular migration, for instance, has become a major economic, social, humanitarian, political and security dilemma for many countries in the region. Official recognition given to the semi-skilled migrant workers in the region could help ease some of its political, economic and social tensions.

The third “development” opportunity derives from the effort to manage the negative impacts of economic integration. While it is true that, officially, the social costs of economic integration are addressed under the ASEAN Socio-Cultural Community pillar of cooperation, member authorities have made minimal efforts to link up initiatives on the economic front and sociocultural initiatives. There is certainly increased awareness among officials at the ASEAN Secretariat about the need to establish social safety nets and protection programmes to minimize the impacts of economic globalization and regional integration at the national level.²⁴ However, the achievement of such programmes is often faced with difficulties due to, at least officially, financial and human resource constraints both at the regional and national levels. So far, ASEAN has an arm-length body known as the ASEAN Foundation that deals with the grouping’s sociocultural cooperation and works to address challenging issues, such as unequal economic development, poverty alleviation and socioeconomic disparities. Unfortunately, minimal attention has been paid by member governments to the potential of this foundation in playing a more active role in promoting ASEAN’s development objectives (Chandra, 2007). To date, instead of member countries, the ASEAN Foundation has to rely for funding on sources outside ASEAN, including private firms such as Microsoft, to remain afloat and carry out its activities.

The effort to develop regional economic solidarity is central to the fourth development opportunity for ASEAN. For this to happen, however, ASEAN needs to deliver programmes and policies that are relevant for people in the region. Apart from encouraging economic complementarities among the economies of Southeast Asia, regional economic solidarity helps the grouping to advance common regional policies and positions at the international level. For example, common regional positions in trade negotiations, which are still largely absent in ASEAN, will help ASEAN members with weaker negotiation skills, as well as strengthening the grouping’s standing as a bloc. Apart from that, having common positions would also enable ASEAN to better manage different country interests, which, hopefully, would better represent those of the weaker ones. Historically, however, it has been rare for ASEAN members to take up common positions in multinational trade negotiations. In the WTO agricultural negotiations, for example, the position of Indonesia and the Philippines that favour the so-called Special Products and Special Safeguard Mechanism to minimize the negative impacts of agricultural imports flooding into developing country markets is often challenged by Thailand and Malaysia, two ASEAN countries with strong agricultural export interests. Aside from re-evaluating how they relate to one another, ASEAN members should move beyond managing competition, embark on more proactive regional projects and take common positions in international forums.

Related to the fourth point above, the final “development” opportunity for ASEAN depends on its ability to promote transparency and inclusiveness in the policymaking process. Given the increased push by civil society to reform ASEAN in recent years, the grouping has indeed made some improvements in engaging with wider sections of society. Apart from the recently launched ASEAN Charter,²⁵ which

24 As articulated by Puspanathan Sundram, the deputy secretary general of ASEAN for the AEC, in an informal discussion with the author that took place at the ASEAN Secretariat in Jakarta in April 2009.

25 After its adoption at the 12th ASEAN Summit on January 2007, the ASEAN Charter finally came into force on January 2009. It is the “constitution” that serves as the legal institutional framework through which ASEAN could achieve its goals and objectives. In essence, the Charter helps to codify all ASEAN’s norms, values, as well as reaffirms many other agreements the grouping signed prior to the establishment of this key document. The content of the ASEAN Charter is available from <<http://www.aseansec.org/ASEAN-Charter.pdf>>.

reaffirms the grouping's commitment to becoming a more people-oriented organization, many ASEAN policymakers are increasingly realizing the importance of civil society in complementing the grouping's development objectives. However, it remains to be seen how capable ASEAN is of opening its doors to welcome inputs and deeper engagement from civil society. Among other things, the majority of ASEAN member countries still consider working with civil society as taboo. Secondly, ASEAN has shown willingness to accommodate inputs from and work with civil society groups only insofar as the latter are capable of working according to the grouping's terms and conditions.

5. Conclusion: Policy Recommendations for Sustainable Development in ASEAN

The attainment of development has always been a rhetorical aim of ASEAN economic cooperation schemes. Internal and external cooperation, including AFTA, the AFAS, the AIA, the AEC and BFTAs or BEPAs, are all aimed, at least on paper, at achieving equitable economic development, as well as the reduction of poverty and socioeconomic disparities. It is for this reason that the potential of ASEAN to become a "development-oriented regional organization" has not yet materialized. Among other things, the region is still vulnerable to severe poverty, while unequal development is still prevalent not only among different countries in the region, but also within individual countries. Furthermore, although liberalization has the potential of bringing about economic benefits in the long term, the decision to adopt such a policy by the region's policymakers often generates short-term negative implications harmful to the welfare of the small economic actors.

Having said this, ASEAN still has the ability to advance its sustainable development ambitions. In order to achieve this, however, policymakers in the region need to take into account the following issues:

1. balancing the desire of the grouping to adopt the principle of open regionalism, on the one hand, and the imperative to lift millions out of poverty, on the other;
2. providing the necessary political and economic commitments to the full implementation of various socioeconomic initiatives, such as a social safety net, to minimize the impacts of economic globalization and regionalization;
3. reforming ASEAN's outdated principle of non-interference, which often hinders the progress of economic advancement in the region. Poverty is a collective concern of the member countries, and, as such, could be better tackled collectively by the members of the grouping;
4. recognizing the importance of marginalized economic groups in its economic policymaking process. In practice this can be done in many ways, including, for example, the recognition of non-professional migrant labourers that make up the majority of inter-state employment in the region;
5. encouraging greater economic solidarity and the pursuance of common regional policies and positions at wider multilateral forums among the member countries; and
6. democratizing the economic policymaking process. While there are now significant improvements in the quantity of engagement between policymakers and regional stakeholders, the quality of such interactions can still be improved and expanded.

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