



The Process of Institutionalization of the Association of Southeast Asian Nations: Evolution and Prospects for the future in East Asian Regionalism

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Abstract

This paper aims to trace briefly the process of institutionalization of the Association of Southeast Asian Nations (ASEAN) since its creation in 1967 as a response to the increasing regional trade within Southeast Asia and this region with the rest of the world. The process of regionalism in the region has been constrained by different interests of the country members and the rule of consensus in every decision making process inside the organization. Real achievements came to the scenario mostly, after the Asian financial crisis in 1997, when the regional institutions failed to respond properly and their role was highly questioned. To regain its position and influence, ASEAN has become the first multilateral mechanism to regulate economic and political relations in Asia and the first to establish a Free Trade Area among its members and other countries outside the agreement. The ASEAN charter now in force will serve to guarantee the accomplishment of the ASEAN Vision 2020 that will make ASEAN one of the strongest partnerships in Asia and in the rest of the world. Some scholars affirm that further institutionalization of ASEAN can lead to a deeper process of regionalism in Asia, especially with northeast Asia (China, Japan and South Korea), countries with historical rivalries and distinctive approaches towards regionalism.

Key words

ASEAN, regionalism, ASEAN Charter, ASEAN Community.



Introduction

Regional integration in Eastern Asia has been a process basically led by market forces that have resulted in increasing intraregional trade and investment among the neighboring countries and subsequently, creating interdependence of their economies. In respect to regional integration, Gooptu and Pangestu (2002)¹ define the concepts of regionalism and regionalization, the latter consists precisely in the informal process that has taken place in Eastern Asia motivated by the market forces in absence of regulatory mechanisms and institutions. Regionalism on the contrary, is the process by which formal institutions and regulations are established regarding integration and economic cooperation within the regions in order to promote to higher rates of trade and investment. In the mid 1980s, many Multinational Corporations took their factories of production to newly industrialized economies in China and eastern Asia; that showed an increased trade inside the region but without any regulatory framework up to those years despite the existence of the Association of Southeast Asian Nations (ASEAN) since the late 1960s.

Even the tremendous economic growth of the economies in Eastern Asia for the last four decades (mainly given to international trade and foreign direct investment in the region), proliferation of Free Trade Areas in this region have come late in the picture compared to other continents like Europe and North America.

Regional agreements and international economic cooperation in the world were born in the post cold war years. In the case of Asia, these processes started in 1967 with the creation of ASEAN based on the Bangkok Declaration on commercial preferences and 20 years later, with the creation of the Asia Pacific Economic Cooperation (APEC) in 1989.

Currently, ASEAN is the association with the highest relevance in the region given its evolution and scope of work that is still expanding and improving relations of the country members. The ASEAN was in the first place established for economic, social and cultural cooperation although; the most important achievements have been in terms of politics and diplomacy². ASEAN was founded in Thailand by 5 countries of the region: Indonesia, Malaysia, Singapore, Thailand and Philippines. Later on, the other current members joined in different years as follows: Brunei Darussalam in 1984, Viet Nam in 1995, Lao PDR³ and Myanmar in 1997 and Cambodia in 1999⁴.

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- 1 Gooptu Sudarshan and Pangestu Mari. (2002). "New regionalism: options for China and East Asia". Available at: [publicaciones del Banco Mundial](#).
 - 2 Hwee, Ye Lay. (2006). "Japan, ASEAN, and the Construction of an East Asian Community". Available at: Contemporary Southeast Asia. Vol. 28. No. 2. Pp. 259-276.
 - 3 Lao PDR: Lao People's Democratic Republic
 - 4 Association of Southeast Asian Nations (ASEAN). 2010. About ASEAN. Official website: http://www.aseansec.org/about_ASEAN.html. Accessed on October 1, 2010.



Evolution

As an institution, ASEAN has shaped its legal personality throughout the time by the amendments and the additions to the aims and purposes and the fundamental principles set up in its beginnings. The constitution of ASEAN in its very beginning in 1967, was based on the aims and purposes stated in the ASEAN or Bangkok Declaration which briefly are: to increase economic growth, social progress and cultural development in the spirit of equality and partnership, to promote regional peace and stability by supporting unconditionally the rule of law and the respect to justice in the relation with the other members in compliance also with the Charter of the United Nations, to promote active collaboration and mutual assistance on matters of mutual interest, to provide assistance to each other in the form of training and research facilities, to collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade; to promote the Southeast Asian studies, and to maintain close and beneficial relations with other international and regional organizations with similar aims and purposes. These founding guidelines for cooperation were further developed nine years after the formal creation of ASEAN with the signing of the Treaty of Amity and Cooperation in Southeast Asia (TAC) in Indonesia in 1976. The content of this treaty is the fundamental principles that guide roughly all interactions of the member countries within ASEAN. These are: mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations; the right of every state to lead its national policy, non-interference in the internal affairs of members; settlement of differences by peaceful manners; renunciation of threat or use of force; effective cooperation among all members.

Nevertheless the aims, purposes and main purposes served well as the basis to the continuous cooperation inside the ASEAN, the evolution process towards a more institutionalized and regulated mechanism has been slow to achieve. From the 1990s real steps forward have been taken up to the general consensus to build the ASEAN community. In the first decades of existence, ASEAN had the most improvements as a diplomatic community rather than an economic mechanism due to high competition and protectionism among the members that made integration and reciprocity of their economies hard to accomplish⁵. With the successful resolution of the crisis in Cambodia in 1991, the ASEAN recovered much of its credibility in the region as a useful mechanism but at the same time, it had to face important challenges with the birth of new regional economic institutions and competitors in the international market. Due to the new scenario in the mid 1990s (creation of NAFTA in 1994 and the strengthen of the European Community), the conception of economic liberalization had to change in all the country members of ASEAN in order to preserve the unity of the association and to overcome the new conditions and obstacles imposed by the contemporary world.

As part of the high level meetings that take place every year certain period of time according to the agenda and the needs in the different country members of ASEAN, the 1992 ASEAN

5 Hwee, Ye Lay. (2006). "Japan, ASEAN, and the Construction of an East Asian Community". Available at: Contemporary Southeast Asia. Vol. 28. No. 2. Pp. 259-276.



meeting in Singapore had a especial outcome. In response to other regional integration processes going on in the world and based on the general will to regulate the commercial relationships of the members, the initiative to create a Free Trade Area for ASEAN, namely AFTA⁶ became part of the agenda and finally came into force in 2002. The process to finally consolidate the agreement took around ten years due to political and economic differences among its members such as: inflexible political systems in some countries, unequal levels of wealth and economic growth and income distribution. Furthermore, the topics regarding to agriculture, investment and services were highly discussed inside the AFTA negotiations. The FTA was developed in three distinctive phases⁷: the consolidation phase (1991-95) during this period of time intergovernmental meetings were conducted on an informal basis; the expansion phase (1996-97) in which agriculture, services, liberalization in investment and industrial cooperation and finally, from 1998 to 2002, the period during the Asian Financial crisis and the post crisis time, characterized by new emerging initiatives as a response to the downturn caused by the crisis. Even though the initial reluctance to the AFTA, this regional project allowed important progress in the member economies due to the lowering in barriers, officially regulated by the Common Effective Preferential Tariff (CEPT).

In spite of the size and the importance that the APEC means to the Asia Pacific region because of the number of economies involved⁸ and their share in the global trade of 43.7% in 2008⁹; ASEAN has proved in its 43 years of existence, greater relevance in terms of economic and political achievements namely, the AFTA already mentioned and the ASEAN Charter which provides the basis to the construction of the ASEAN community in 2020. For the ASEAN, has been easier to preserve higher cohesion in contrast to APEC, which involves a larger number of economies with different levels of economic growth and different cultures and to the exclusive economic nature of the forum¹⁰. In addition to the important steps taken inside ASEAN, other initiatives towards the expansion of the institution are gaining acceptance for the future, such as the ASEAN+3¹¹. Other proposal of a more extended ASEAN community is the ASEAN+6¹², a more complex idea towards regionalism, supported by few members and especially by Japan who holds a more holistic approach in terms of regionalism.

6 ASEAN Free Trade Area (AFTA).

7 Nesadurai, Helen E.S. (2003). "AFTA in perspective". Available at: Globalization, Domestic Politics and Regionalism: The Asean Free Trade Area. No.1. Routledge Taylor and Francis Group. London and New York.

8 Current members of APEC (21): Australia, Brunei Darussalam, Canada, Republic of Korea, Chile, People's Republic of China, United States, Philippines, Hong Kong (China), Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Russian Federation, Singapore, Thailand, Taiwan and Viet Nam.

9 Asia Pacific Economic Cooperation (APEC). 2010. About APEC. Official website. http://www.apec.org/apec/about_apec.html. Accessed on October 5th, 2010

10 Bustelo, Pablo. (2005). "Regionalismo y las relaciones económicas en Asia oriental". En: ponencia dirigida por Sean Golden, "Regionalismo y desarrollo en Asia: modelos, tendencias y procesos", Consorci UIMP de Barcelona.

11 ASEAN+3: The 10 member countries of ASEAN plus China, Republic of Korea and Japan.

12 ASEAN+6: The 10 member countries of ASEAN plus China, Republic of Korea, Japan, Australia, New Zealand and India.



The overall evolution of ASEAN up to the level of institutionalization reached until now has passed through different stages of involvement and commitment of the country members. Starting by the Bangkok or ASEAN Declaration of 1967, the document of formal foundation of the association that established its existence on the collective will of the fathers of ASEAN, expecting that other countries of the Southeast Asian region could join in the following years. The other four countries members (Brunei Darussalam, Viet Nam, Lao PDR, Myanmar and Cambodia) of the region joined the association, years after its creation. The following milestone in the evolution of ASEAN is the Treaty of Amity and Cooperation in Southeast Asia (TAC) of 1976 which drew up the fundamental principles and basis for further integration.

The next important milestone takes place in the 30th anniversary of ASEAN in 1997¹³. This could be one of the most relevant moments in the history of ASEAN. All leaders of the member economies, agreed on the ASEAN Vision 2020 which refers to an outward looking, peaceful, stable and prosper Southeast Asian community, bonded in partnership. This represented the first step forward for this regional project. Further commitment was materialized during the 9th ASEAN Summit in 2003 when all members resolved that the ASEAN community had to be established. More recently, in the 12th ASEAN Summit in 2007, all members pushed the goal to be fulfilled before than planned, for 2015 by the signature of the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015¹⁴ which is basically supported on collective will and commitment. The ASEAN community along with the AFTA is one of the most ambitious projects inside ASEAN that have tangible outcomes so far. In respect to the ASEAN community, there are three pillars that sustain the whole idea to construct the community: the ASEAN Political-Security Community, the ASEAN Economic Community and the ASEAN Socio-Cultural Community¹⁵. Each of these pillars has its own blueprint or specific project in the region and they encompass the holistic approach of the community-building process. Together with the ASEAN community, the Initiative for ASEAN Integration (IAI) Strategic Framework and the IAI Work Plan Phase II (2009-2015) work hand in hand in order to achieve further integration in the region by bridging the gaps in development of the member states in ASEAN, becoming into more competitive economies inside and outside ASEAN¹⁶.

As to summarize the process of evolution within the ASEAN institution building process, the ultimate achievement in terms of institutionalization is the establishment of the ASEAN Charter, already mentioned. The ASEAN charter came into force in December, 2008 as a legally binding agreement among the 10 member states of ASEAN. The Charter serves as a strong basis to accomplish the ASEAN community by providing legal status and institutional framework to ASEAN. This document codifies all customary and non-mandatory rules, norms and values

13 Association of Southeast Asian Nations (ASEAN). 2010. About ASEAN. Official website: http://www.aseansec.org/about_ASEAN.html. Accessed on October 4th , 2010.

14 Ibid.

15 Ibid.

16 Ibid



up to that year. Everything concerning members, the complete structure of ASEAN and its main bodies, entities related to ASEAN, the decision making process, dispute settlement of disputes between states, budget and finance, administrative procedures and identity and symbols are codified in the Charter¹⁷. Additionally, it outlines the main targets the institution aims to achieve in the short and the long term presenting accountability and compliance of the members. With the creation of the Charter, it is expected that a number of new organs will be born to boost the community creation process which is stipulated to start in 2015.

Prospects for the future in East Asian Regionalism

In contrast to the loss of relevance of APEC, the ASEAN has recently assertively responded to the changes and new challenges in the region, the imminent rise of China in Asia and in the world, bonding relationships with this new giant through high level and informal dialogues such the ASEAN Regional Forum (ARF). Other dialogues going on with other regions is the one with Europe through the Asia-Europe meeting (ASEM). The other important initiative with interesting prospects for the future is the ASEAN+3, which emerged after the Asian financial crisis hit the region and questioned the effectiveness of regional mechanisms to respond to its effects. The initiative was born with the intention to complement the role of ASEAN with the participation of more developed economies such as Japan, South Korea and China.

The ASEAN is therefore born as a new initiative of regionalism in eastern Asia, in its origins picked up former Indonesian Prime Minister Mahatir Mohamad proposal of 1990 to create an East Asian Economic Caucus (EAEC) that in essence presented the need to create an institutionalized mechanism in the region. Even though the proposal could not be achieved as such as a result of objections from both the United States and Japan, the idea for a community in eastern Asia reflected the need to forge common identity among the peoples in the region¹⁸. Objections to the construction of the EAEC by Japan and the United States were based on their conception of a regional institution that would include as well other countries of the Asia Pacific rim.

The first summit as ASEAN plus three, took place in Kuala Lumpur, Malaysia by the end of 1997 when informal negotiations of the ASEAN+3 started. Later on, ASEAN+3 summits became formal by 1999 when during the high level meeting in Manila the general consent

17 Association of Southeast Asian Nations. 2008. ASEAN Charter.

18 Park, Chang-Gun. (2006). "Japan's Emerging Role in Promoting Regional Integration in East Asia: Towards an East Asian Integration Regime (EAIR)". Available at: Journal of International and Area Studies. Vol. 12. No.1. Pp 53-71.



to establish the institution of the ASEAN+3 community was discussed and agreed among all members to set up a framework of cooperation with the countries in the region. Since then, these summits take place every year by the 10 members of the association and along with China, Japan and South Korea¹⁹.

ASEAN+3 summits are organized every year by the foreign ministers of the 10 country members of ASEAN and together with China, Japan and South Korea. During negotiations, countries like Japan reflected a proactive approach in favor to regionalism in eastern Asia. The starring role that Japan has played in this process was proved in the ASEAN+3 2001 summit in Brunei Darussalam, in which by Japanese initiative, two working groups were established made up of academic authorities namely, East Asian Vision Group (EAVG) and East Asian Study Group (EASG). They were created in order to assess the political and economic possibilities for a possible Free Trade Area in the region before the one purposed by the APEC in 2020, including other topics like cooperation, transfer of technology and as the ultimate goal, the creation of a regional regime for eastern Asia²⁰.

The process of integration of ASEAN with the three countries of East Asia has been different and has been conducted separately with each. China is the main partner in the region of Southeast Asia in terms of trade.

ASEAN + China Free Trade Area (ACFTA)

A Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China was signed in November 2002 during a ministerial meeting in 2002 in Cambodia²¹. This came into force in July 2003. Under the framework agreement, both parties agreed to establish a FTA between China and the six founding members of ASEAN (Brunei Darussalam, China, Indonesia, Malaysia, Philippines, Singapore and Thailand) for the year 2010 and another deadline for the FTA of China with the other four ASEAN members (Cambodia, Lao PDR, Myanmar, and Viet Nam) for the year 2015. China has a positive relation with the ASEAN which represents an important challenge for both Japan and South Korea work towards a beneficial negotiation process with the association.

19 From 1997, the ASEAN+3 summits have taken place in the following countries: Kuala Lumpur, Malaysia (1997); Manila, Philippines (November 28th, 1999), Singapore (November 24th, 2000), Brunei Darussalam (November 6th, 2001); Phnom Penh, Cambodia (November 4th, 2002); Bali, Indonesia (October 3th, 2003); Vientiane, Lao PDR (November 29th, 2004); Kuala Lumpur, Malaysia (December 12th, 2005), Singapore (November 20th, 2007), Singapore (July 22nd, 2008), Phuket, Thailand (July 22nd, 2009) and Ha Noi, Viet Nam (July 21st, 2010).

20 Hong, Peng. (2006). "East Asian New Regionalism and China". Prepared for the Third Annual CEPIL-ADB Conference "The New Regionalism: Progress, Setbacks and Challenges". Washington DC.

21 Association of Southeast Asian Nations (ASEAN). 2010. ASEAN-China Free Trade Area. Official Website: <http://www.aseansec.org/19105.htm>. Accessed on November 4th, 2010.



ASEAN + South Korea

The process between the two players was basically established with the signature of the Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of the ASEAN and South Korea²². The feasibility study began in 2005 reaching the first agreement in goods and services. In terms of investment, rounds of negotiations were conducted until 2009 reaching also an agreement.

ASEAN + Japan

Japan started the study of feasibility of a possible agreement with the ASEAN in 2002 and finally in 2007, both parties signed the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP)²³ in which every country member of the ASEAN has a specific deadline to gradually liberalize trade between Japan and the member country. With this agreement Japan intends to strengthen the commercial relations in terms of trade of goods and services and regional cooperation looking forward to establish a FTA with ASEAN by the year 2012.

Nonetheless negotiations with China, South Korea and Japan with the ASEAN have been conducted separately; the most important objective in the long run for the ASEAN+3 proposal is to establish an East Asian Free Trade Area (EAFTA) like the existent one among the members of the association, with the intention to further expand cooperation and reach what Park (2006) calls the East Asian Integration Regime (EAIR) as the ultimate stage of integration in the region of East Asia. In preliminary negotiations of the EAFTA, economic differences of the potential members of this community raise many questions. China recently overpassed Japan as the second largest economy in the world and Japan on the third place, both countries with highly marked differences in development and income distribution. Other countries in Southeast Asia like Cambodia and Lao PDR require structural and urgent reforms. Therefore, reciprocity shall be present among all potential countries in the agreement and a balanced power structure in order to guarantee an effective community-building process.

Important initiatives in regional integration have been proposed by Japan who has also been an important donor to the countries in the southeast region, especially after the financial crisis of 1997. Basically three main initiatives have been Japanese creation and these are:

22 Association of Southeast Asian Nations (ASEAN). 2010. ASEAN-Republic of Korea Free Trade Area. Official Web site: <http://www.aseansec.org/22557.htm>. Accessed on November 4th, 2010.

23 Association of Southeast Asian Nations (ASEAN). 2010. ASEAN-Republic of Korea Free Trade Area. Official Web site: <http://www.aseansec.org/22572.htm>. Accessed on November 4th, 2010.



East Asia Free Trade Area, the development of an East Asian Market and the establishment of an East Asian Monetary Fund²⁴. Due to differing interests of the United States, China and the International Monetary Fund, the first two initiatives have not been well received and thus, they have not been developed deeper. The third proposal to build an East Asian Monetary Fund is supported by China but to be developed in the long term as a strategy to enhance financial cooperation.

The EAFTA and the EAIR initiatives have been discussed in the annual meeting of the ASEAN+3 since 1999. According to Park (2006) the process of integration in East Asia is based on three factors: first, on the geopolitical environment of the region; second, on institutional capability and third, on the will to regulate a mechanism of integration. These issues will be crucial in the last phase of integration which is the construction of an East Asian community.

The construction of an East Asian community is still a vague idea to develop formally given the many discrepancies among the parties and the processes that need to occur before the development of a wider community. ASEAN as itself has to deepen its process of institutionalization taking into account the level of economic development and reciprocity of the economies to further consider on including more members to the scenario. That means, the association has to reach a higher point of maturity before including economies that could jeopardize national economic conditions and international trade of the least developed nations of the ASEAN.

It is still interesting to mention the initiative to strengthen the dialogue of the ASEAN+3 proposal by inviting other states that could be beneficial for the whole process such as: Australia, New Zealand and India; into an ASEAN+6 initiative with observer states like the United States and Russia. Their participation might result in better and greater changes in the region. The question that remains is if the inclusion of all these states is actually economic and politically sustainable over time for the community-building process the ASEAN and the northeast Asian states are looking for.

²⁴ Park, Chang-Gun. (2006). "Japan's Emerging Role in Promoting Regional Integration in East Asia: Towards an East Asian Integration Regime (EAIR)". Available at: Journal of International and Area Studies. Vol. 12. No.1. Pp 53-71.



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