

**Asean : A Case Study of Regional Co-operation
In South-East Asia 1976-1986**

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ABDUL HADI ADNAN

**CENTRE FOR SOUTH, CENTRAL AND SOUTH-EAST
ASIAN AND SOUTH-WEST PACIFIC STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067**

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JAWAHARLAL NEHRU UNIVERSITY

New Mehrauli Road, New Delhi-110067

Centre for South, South-East-South West Pacific
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C E R T I F I C A T E

This is to certify that the M. Phil. dissertation entitled "ASEAN : A Case Study of Regional Co-operation in South-East Asia 1976 - 1986", submitted by Mr. Abdul Hadi Adnan of the Centre for South, South-East-South West Pacific and Central Asian Studies, is his own work and has not been submitted for the award of any other degree of this University or of any other university.

Professor Dr. (Mrs.) URMILA PHADNIS

Chairperson

Centre for South, Central, and South-East Asian -
South West Pacific Studies

Dr. B. D. ARORA

Supervisor

C O N T E N T S

		Pages
PREFACE	i - v
CHAPTER I	INTRODUCTION AND BACKGROUND	1 - 22
CHAPTER II	ORGANIZATIONAL STRUCTURE OF ASEAN	23 - 49
CHAPTER III	POLITICAL AND SECURITY DIMENSIONS	50 - 91
CHAPTER IV	ASEAN ECONOMIC COOPERATION - PROBLEMS, ACHIEVEMENTS & PROSPECTS	92 - 128
CHAPTER V	CONCLUSIONS	129 - 133
A SELECT BIBLIOGRAPHY	134 - 137

P R E F A C E

This study is a modest step towards the understanding of the Association of South-East Asian Nations (ASEAN) between 1976 and 1986, a decade which was crucial for the Association to show its viability to develop more meaningfully in its various forms of cooperation, especially in the field of economic cooperation, in line with the ASEAN Declaration of 1967, which marked the birth of the Association.

If one compares the previous attempts in forming regional cooperation in South-East Asia, the survival of ASEAN for almost two decades in itself is a remarkable achievement. The reasons for the ASEAN survival, among others, are the fact that the majority of countries in South-East Asia have joined the Association, including the biggest country in the region, Indonesia. In fact ASEAN owed its birth to the active initiatives of Indonesia, after the abandonment of its previous policy of confrontation around the formation of Malaysia, and its departure from being too close to China, after the change in the presidentship from Sukarno to Suharto although the country has been implementing its independent and active foreign policy.

Studies in regionalism frequently but erroneously reflect the expectation of a progressive development which proceeds from consultation and coordination to integration. Implicit in this view is the assumption that attributes of national sovereignty will gradually be subsumed by the growing requirements of an expanding regional community. A regional organization cannot be judged only by what it has achieved along this path towards integration. Such an over-simplification does not correspond to the actuality of ASEAN's development.

The ASEAN progress over the past nineteen years has been tremendous. Over the years the ASEAN member countries had maintained significant economic growth. The question is whether it was due to their joint efforts in the form of economic cooperation, or just coincidental, e.g. thanks to their individual efforts and self achievement. During the period the ASEAN countries have enjoyed political stability, which is a prerequisite for embarking their development programme.

When the second Indochina War came to an end in 1975 it seemed that the situation was giving better chance for

all the countries in South-East Asia to relieve themselves from the major-power rivalry and to start a new era of peaceful development towards progress and prosperity.

The fact, however, brought back the region into a dangerous situation, when Vietnam invaded Kampuchea in December 1978 and China tried to "give lesson" to Vietnam a few weeks afterward. In response to the political and security considerations and to meet the rising demand for wider economic cooperation among ASEAN member countries and the necessity to strengthen the organizational structure of ASEAN, the First Summit of the ASEAN Heads of Government was held in Bali in February 1976.

During a decade under study, ASEAN has been involved in various activities, but political activities seemed to steal the show. The most significant of all has been the untiring efforts of the ASEAN countries to initiate the diplomatic efforts for the settlement of Kampuchea problem, which have become a detrimental factor for the realization of the ASEAN endeavour to create a Zone of Peace, Freedom and Neutrality for South-East Asia.

In the meantime, ASEAN countries have to face challenges in the economic fields. Economic issues, such as the fluctuations of the commodity prices exported by the ASEAN countries have to be dealt with. The forthcoming ASEAN Summit to be held

in Manila by the end of 1987 will be very important to step up further the economic cooperation in the third decade of ASEAN life.

The completion of this dissertation has been made possible through various kinds of support, advise and encouragement. It is, therefore, a great pleasure for me to acknowledge their benevolence.

First of all, I would like to express my gratitude to my supervisor, Dr. Baghwan Dass Arora, who has given me invaluable advice and guidance from the start of my work and research until the completion of this study. His broad knowledge and understanding of South-East Asia as a whole and Indonesia in particular, has contributed much in focusing certain points.

My appreciation also goes to late Prof. Dr. Vishal Singh, who encouraged me to join the Jawaharlal Nehru University. Despite my brief contact with him, I was impressed by his wide knowledge on the region as well as on Indonesia. He undoubtedly was a remarkable Indian scholar, whose sudden demise in October 1985, was a big loss, not only to JNU but also to those who have keen interest in the study of the region.

I would like to clarify that any views to be found in this dissertation are entirely my own in my individual capacity as an M. Phil. scholar. What is said in this piece of work has nothing to do with my official position as a civil servant of the Indonesian government and it does not, therefore, have to be linked up with it.

I take this opportunity, however, of expressing my sincere gratitude to the Indonesian Embassy in New Delhi, and in particular His Excellency Mr. R. Tamtomo, the Indonesian Ambassador to India for his blessings and for giving me the chance to complete this work.

Last but not least my thanks must also go to my wife and my children, who have given their support and understanding that enable me to finish this dissertation.

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Abdul Hadi Adnan

CHAPTER I

INTRODUCTION AND BACKGROUND

I. INTRODUCTION

Regionalism has its roots in recent times, and owes its birth to the urge felt for cooperation among countries in a given region in the face of a common challenge to their economic and political stability or their shared ideology. While cooperation in today's inter-dependent world is a common phrase, regionalism as a popular concept gained currency only after the Second World War. The realities of the situation in the post-war period, pregnant with all sorts of political and economic implications, made more and more countries realise the imperative need for regional cooperation which enabled them to make up for their inadequacies through combined efforts and energies without any risk to their individual national identities. The idea of regional cooperation also went half the way to meet a large demand, in some quarters, for a world order or a world community. Interestingly, Articles 52 and 53 of the Charter of the United Nations (UN) also encouraged the role of regional agencies in the process of pacific settlement of local disputes, thus promoting the concept of regionalism.¹

1. See Chapter 8 on Regional Arrangement of the Charter of the UN, in the Appendix, in Hans J. Morgenthau, Politics Among Nations: The Struggle for Power and Peace (New Delhi, 1985), p. 607.

South-East Asian region, with a combined population of nearly 8 per cent of the world's total, occupies a pre-eminently strategic position. It is a vital link in sea communications, and is rich in natural resources. Its natural wealth combined with significant geo-strategic considerations have been of special interest to foreign powers in the pursuit of their short- and long-term goals. That explains why the region had to reel under colonialism except Thailand and later face repeated external interventions in its affairs on one pretext or another. Great power interests, ambitions and rivalries had been direct causes of wars and other forms of military confrontations in the region, causing tensions all around and creating security problems. It had been especially exposed to political unrest and turmoil, with foreign interests intervening at will in the regional affairs. To add to the bitter taste of colonial rule, there were communist insurgencies raising their head under foreign inspiration, in Burma, Malaya, Indonesia and the Philippines in late 1940s and early 1950s. The tragedy of the situation was that the regional countries had been denied by interested big powers their inalienable right to set their house in order, and to work out on their own problems of security and stability. Indo-China offered a good example of how the great powers could lay their hands far beyond their own frontiers into other lands to settle disputes which were essentially local in character. The Indo-China wars and conflicts have had

(and continued to have) a direct bearing on the security of the South-East Asian region, and it has been a problem area for long. It turned communist in 1975, with the three states, namely, Vietnam, Laos and Cambodia (now Kampuchea) falling into communist hands. This caused serious concern among the non-communist states of the region. It was but natural for these states to feel concerned, with communism having found a seat next door. The regional history had taken a new turn. Thailand suddenly became a "front-line" state, whereas the Philippines experienced increasing left insurgencies.

The earliest attempt at regionalism involving South-East Asia was perhaps the Japanese attempt to unite East and South-East Asian nations under the "Greater East Asia Co-Prosperity Plan", which could have created an economic union, might be something like an Asian common market, under a single power, Japan's hegemony. However, the Japanese surrender at the end of World War II also meant the collapse of the plan before it could really take off.

Regional consciousness was alive after the War. The earliest proposals for integration of South-East Asian nations were made by the French in 1947. These proposals suggested a political union involving the three Indo-Chinese States and Thailand in a "Pan-Southeast Asian Union".² Although Thailand

2. W.T. Bucklin, Regional Economic Cooperation in Southeast Asia 1945-1969, University Microfilms International (Ann Arbor, 1975), p.16.

agreed on the Union initially, a change in government following the coup in 1948 led to the abandonment of the plan.

Other attempts which involved other Asian nations were:

1. The Asian Relations Conference, held on March 23 - April 2, 1947 in New Delhi, which was an important landmark in the history of India and all other countries in Asia. India's invitation which evoked enthusiastic response from all over Asia, enabled Nehru to hark back to the past when all the Asian nations enjoyed mutually beneficial contacts.³
2. The convening of the 18-nation Conference on Indonesia in New Delhi on January 20, 1949, in which Nehru successfully sought to turn the Indonesian issue into an all-Asian issue. He took the Dutch action as a "challenge to a newly awakened Asia".⁴
3. The "Asian Union" which was proposed by the Philippines and held in Baguio in 1950. It recommended general cooperation in non-military areas.⁵ President Elpidio Quirino of the Philippines sought an anticommunist alliance among Asian

3. B.D. Arora, Indian-Indonesian Relations 1961 - 1980 (New Delhi, 1981) pp. 12 - 13.

4. Ibid., p. 17.

5. Chong Li Choy, Open Self-Reliant Regionalism: Power for ASEAN's Development (Singapore, 1981), p.56..

states in 1950 but this objective was compromised when he tried to woo major new states like India and the meeting at Baguio did not lead to any effective follow-up. Goal displacement became obvious and the meeting was stated as one mainly designed to promote political and cultural co-operation.⁶

4. The Afro-Asian Conference held in Bandung in April 1955 which stressed the need for regional cooperation, but did not provide for an institution that should be able to carry out this objective. Sponsored by Burma, Ceylon, India, Indonesia and Pakistan, the Bandung Conference accelerated the attainment of freedom of nations in Asia and Africa. The Ten Principles of Bandung, which were adopted by the Conference, contained the principles of relations among states based on equality, independence, peaceful co-existence, peaceful settlement of all disputes, prosperity and social justice, which were eventually adopted as the basic principles of the Non-Aligned Movement (NAM) and the Group of 77.

5. The South East Asia Treaty Organization (SEATO), which was set up in September 1954, primarily being a security grouping, sought to promote economic progress and social well-being and to further the individual and collective efforts

6. Michael Leifer, "The Limits of Functionalist Endeavour: The Experience of Southeast Asia", in A.J.R. Groom and Paul Taylor, eds., Functionalism (New York, 1975), p. 279.

of governments towards these ends. The Philippines and Thailand alone were South-East Asian members of SEATO. SEATO failed to gain support from the majority of South-East Asian nations, which did not want to get themselves involved in the Cold War rivalries. Its effectiveness as a defence alliance was doubtful and its dealing with economic matters was disappointing.⁷

There were also various other proposals from the region in the immediate postwar years concerning regionalism, such as the Southeast Asian League which leftist Thai leaders formed with unofficial representations from several Asian nations, and the unmaterialized proposal of various national leaders in the region.⁸

6. Two international organizations for international cooperation in Asia, namely, the United Nations Economic Commission for Asia and the Far East (ECAFE), which later came to be known as Economic and Social Commission for Asia and Pacific (ESCAP), which had been actively encouraging regional cooperation in Asia, and the Colombo Plan, both were still active, although they did not consist exclusively of South-East Asian countries.

ESCAP is essentially an agency of the UN embracing practically all the countries of the Asia and Pacific region. Its role has been to initiate and promote forms of economic assistance and cooperation. ESCAP loses much of its effectiveness

7. Ibid., pp. 56 - 57.

8. Ibid., p. 56.

partly because of the difficulty in securing consensus or attention on specific issues of cooperation, as not all the members share similar problems. It has also too many divergent interests, with some of its subregional projects (such as the Mekong River scheme) having a tendency to be bogged down by noneconomic considerations.

Under the Colombo Plan scheme, the role of South-East Asian states was largely that of a recipient or donee, as most of the technical assistance came from the more developed countries such as Australia, New Zealand and Canada. It is only at a later stage that countries like Singapore were able to offer technical aid to trainees from other countries.

Indonesia's endeavour to promote regional order began seriously after the downfall of President Sukarno in 1966-1967 and succession by President Suharto. The latter undertook an unprecedented involvement in regional cooperation through promoting the Association of Southeast Asian Nations (ASEAN). The initial object of the exercise was to promote regional reconciliation. It was only a year since the end of Indonesia's attempt, through a policy of confrontation, to undermine the formation of the Federation of Malaysia (of which Singapore had been a constituent part until August 1965). Tensions had increased also between Malaysia and the Philippines over the latter's territorial claim to Sabah, as well as between Malaysia and Singapore over the circumstances of Singapore's

separation from the federation. "An important implication of Indonesia's policy of confrontation was its aspiration for a power role in South-East Asia. ... Sukarno, the Army leadership and all other non-Communist groups opted for 'Maphilindo' (a concept of a loose confederation of three states, Malaya, the Philippines and Indonesia), a scheme based on racial feelings of Malay unity and providing a framework in which Indonesia could play a regional power role ..."⁹ The withdrawal of Malaysia from MAPHILINDO as a result of Indonesia's confrontation with the then new federation (i.e. Malaysia), contributed to its ineffectiveness as a regional organization. MAPHILINDO thus could be described as stillborn. In spite of its failings, however, MAPHILINDO "did provide the Philippines increased identification with ... Southeast Asia and also provided an impetus for Indonesia's later participation in ASEAN."¹⁰

Prior to Maphilindo concept, another indigenous effort at regional cooperation was undertaken in 1960 when Malaya, the Philippines and Thailand agreed to a collaborative venture, which was called the South-East Asia Friendship and Economic Treaty (SEAFET), which was politically motivated and designed mainly to further the "ambitions" of the political leaders of the three countries.¹¹ SEAFET was subsequently changed to

9. B.D. Arora, n.3, p.342.

10. Chong Li Choy, n.5, p.57.

11. Chia Siow Yue, ed., ASEAN Economic Co-operation: Proceedings of the ASEAN Economic Research Unit Workshop (Singapore, 1980), p.30.

the Association of South-East Asia (ASA), with the purpose of promoting social, cultural and economic cooperation. Since the three countries were anti-communist in ideological orientation, it could be said implicitly that the regional association was to promote political cooperation.¹² Clashes of political interests among the member states, such as the Sabah claim, were too disruptive to be contained within ASA (which paradoxically means "hope" in Bahasa Indonesia). ASA fell victim to the bilateral hostilities of two of its three member states. However despite deep inter-state distrust, a positive aspect of ASA was that a common ground was established to discuss common problems (especially political cooperation), until these ventures were overwhelmed by subsequent events. That was the end of the two bodies.

President Suharto's assumption of power in Indonesia coincided with the change of presidency in the Philippines, when Macapagal was succeeded by Ferdinand Marcos. The new political environment seemed to suggest an improvement in bilateral contacts, and paved the way for the initiative for regional reconciliation. It was possible because the five founding members of ASEAN were joined in a pattern of political conformity based on common ideologies, especially marked in the case of Indonesia after the fall of Sukarno. Regional reconciliation was perceived as directly linked to the promotion

12. Ibid., p. 30.

of internal political stability among the ASEAN states, in part by denying opportunity for competitive external intervention. Moreover, regional cooperation was regarded as a means whereby member countries could give greater attention to their own internal economic development rather than to the advantage of the ruling elite. As a long-term aspiration, the ASEAN states affirmed that they shared a primary responsibility for strengthening the economic and social stability of the region, ensuring their countries peaceful and progressive national development, and that they were determined to protect their stability and security from external interference in any form or manifestation. "It is of interest to note that such views had been an intrinsic part of the foreign policy goals of President Sukarno's Indonesia and have been sustained not only by President Suharto's administration but also adopted by the Republic's new found regional partners."¹³ That was the scene about the time the Association of South-East Asian Nations came into being on August 8, 1967, when the five Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand met in Bangkok and signed the ASEAN Declaration.

13. Michael Leifer, "Attitude to the World", in Leslie Palmier, ed., Understanding Indonesia (London, 1985), pp. 108-9.

Political and security motives led to the formation of ASEAN, although its declared objectives were economic, social and cultural cooperation. The ASEAN leaders, however, resisted the formation of a military alliance which would compromise ASEAN's declared neutral posture. Political cooperation was consistently down-played, though the formation of ASEAN itself was a political act and ASEAN has been in recent years playing an active role in seeking political solution to the military stalemate in Kampuchea.

The ASEAN Declaration was a very brief document. It was merely an outline sketch of a new venture into regionalism, which was regarded as necessary for regional stability and individual nation building. The Declaration was more of a statement of intent, providing a broad policy framework as well as point of departure from which more specific schemes of regional cooperation could emerge. Besides, unlike other regional groupings, say the European Economic Community (EEC) with its Treaty of Rome, ASEAN did not have a formal charter. The ASEAN Declaration was not a legal treaty, as it did not set out the terms and conditions of membership or contain a detailed programme of cooperation as well as a time frame within which various aims should be realised. As such, its aims were open-ended, wide ranging and non-specific. After some nineteen years of existence, ASEAN as a regional organisation has a wide and complex range of cooperation activities,

both among member countries and with third parties. However, the legal framework for such cooperation, which resulted from ASEAN's evolution as a regional entity, remained loose and decentralised. In fact, ASEAN began with, and was likely to remain so, without supra-national objectives like, say, the EEC. The evolution of ASEAN institutional structure is characterized by its lack of supra-national objectives. The viability of ASEAN is the primary responsibility of each and every member country.

Based on the past experience, it seemed clear that any regional grouping in South-East Asia would be long lasting and more viable if the majority of the countries in the region would join it, and such grouping should be inspired indigenously. It is not an exaggeration to say that the participation of Indonesia, being the biggest country and nation in the area, was very important and decisive. Indeed the formation of ASEAN was motivated and made possible, not only by Indonesia's departure from the policy of confrontation to good-neighbourliness, but also from Indonesia's sudden change from its close ties with the socialist countries, especially with the People's Republic of China (PRC) and Soviet Union, after the abortive coup attempt in 1965. The commonalities of political view coupled with economic and development orientation among the member countries of ASEAN, have clearly been important unifying factors in the Association. Yet the disparity in the level of development and the differences in the

natural resources endowments, the size of population, and in social, economic and historical perceptions might be considered factors hindering the process of economic integration.

II. BACKGROUND

The Association of Southeast Asian Nations (ASEAN) came into being when the five ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand signed the ASEAN Declaration, or more commonly called the Bangkok Declaration on August 8, 1967. The formation of ASEAN was based on the premise "that co-operation among nations in the spirit of equality and partnership would bring mutual benefits and stimulate solidarity which could contribute to building the foundations for peace, stability, and prosperity in the world community at large and in the ASEAN region in particular."¹⁴ The Declaration stipulated, among others, that

... the countries of South-East Asia share a primary responsibility for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development, and that they are determined to ensure their stability and security from external interference in any form or manifestation in

14. 10 Years ASEAN, (Jakarta, ASEAN Secretariat, 1978), p.9.

order to preserve their national identities in accordance with the ideals and aspirations of their peoples;

Affirming that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly processes of their national development.¹⁵

At least there were four lines of thinking in the above Declaration:

1. That all ASEAN members should collectively strengthen the economic and social stability.
2. That they should collectively ensure peace and improve their countries' economy.
3. That they should ensure the national stability, security and sovereignty.
4. That all foreign bases were temporary in nature. In assessing the ASEAN one could use the above factors as a yardstick to evaluate how far ASEAN has succeeded or failed in achieving its goals and objectives.

15. Preamble of the ASEAN Declaration, ASEAN Documents, (Jakarta, ASEAN National Secretariat, Department of Foreign Affairs, n.d.), p.1.

The Aims and Purposes
of the Association:

1. To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian Nations;
2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence of the principles of the United Nations Charter;
3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
4. To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
5. To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communication facilities and the raising of the living standards of their peoples;
6. To promote South-East Asian studies;
7. To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.¹⁶

16. ASEAN Documents, n.16, pp. 1 - 2.

The ASEAN Declaration clearly gave pre-eminence to economic cooperation. Nowhere was it stated that the ASEAN states would cooperate on political matters. Most of the aims and purposes stated in the Bangkok Declaration were related to the development needs of the founding-members, each of whom hoped that regional cooperation would contribute to its own economic growth. It should be stressed that while in favour of promoting economic cooperation, the founding-members stopped short of making commitments towards economic integration. They did not even have as an objective the creation of a free trade zone which was generally considered to be the lowest form of economic integration.

ASEAN was supposed to be open for membership to all countries in South-East Asia, as long as they subscribed to its aims, purposes and principles. Sri Lanka, a South Asian state, submitted a formal application for membership in ASEAN.¹⁷ However, the ASEAN countries were not in a position to accept Sri Lanka's application, as the country was located outside the region. Brunei joined as the sixth member of ASEAN on January 7, 1984, soon after its independence. When asked

17. See Annual Report of the ASEAN Standing Committee 1981 - 1982 (Jakarta, ASEAN Secretariat, n.d.), p. 9.

by an Indonesian magazine "Tempo" on the possibility of Papua New Guinea (PNG) to join ASEAN, and whether ASEAN kept the door open for new membership, the Indonesian Foreign Minister, Mochtar Kusumaatmadja considered the six members (of ASEAN) as adequate." In many cases we have reached consensus through a long process to get acquaintance to each other. Moreover, new membership is not necessarily making ASEAN more effective."¹⁸ Toward the end of 1986 there was indication that PNG was keen to join the ASEAN. So far it had special observer status in the Association. Indonesia raised doubt about PNG's informal request to become full member of the ASEAN, as the country was not in South-East Asia and was already a member of the South Pacific Forum. Under (unwritten) ASEAN rules, it could not be a member of both regional groupings at the same time.¹⁹

The ASEAN countries have a total land area of 3,097,948 square kilometres and a combined population estimated at 277,000,000 in 1983, with total agricultural area some 295,593,000 hectares. The ASEAN region produces about 95 per cent of the world's output of abaca, 85 per cent of its natural

18. See Tempo (Jakarta, July 26, 1986). The Statement was in Bahasa Indonesia.

19. Cited from Press Cable (Jakarta, Department of Foreign Affairs), 30 December 1986.

rubber, 83 per cent of its palm oil, 67 per cent of its tin and copra, 60 per cent of its copper along with substantial quantities of sugar, coffee, timber, various fruits and minerals.²⁰ It has substantial sources of food and energy, a large sea territory and vast forest areas. Aside from its abundant natural resources, the region is a developing and free market with a strong potential demand for consumer goods, capital goods and technical skills.

Since its inception in 1967, ASEAN had to go through some difficulties, especially at the initial stages of its birth because of the adjustments the member countries had to make to get the new regional cooperation moving forward. Differences among the ASEAN member countries and other causes responsible for the slow progress of the Association during the first few years of its life were as follows:

1. Prior to the birth of ASEAN, the "Era of Confrontation" between Indonesia and Malaysia had just ended.
2. The Sabah dispute between Malaysia and the Philippines was still unresolved. More discussions on this would be dealt with in Chapter II.

20. Figures are cited from An Overview of ASEAN: the ASEAN Information Series no. 1 (Jakarta, July 1985), p.4.

3. The Chinese ethnological problem carried wide possibilities of subversion under the patronage of China. Despite their minority status in five out of six members of ASEAN, the local Chinese dominated and controlled the economic life in the ASEAN countries. In Singapore they even formed a substantial majority.

4. The muslim minorities in Southern Philippines and to some degree also in Southern Thailand had been an issue for some time.

5. Economic disparities, with inequitable distribution of wealth and with development gains eluding the poor, the distinction between the "haves" and the "have-nots" was asserting itself more and more on the economic scene.

Although the Bangkok Declaration did not mention about political cooperation, the ASEAN did not lose sight of the security and political problems which affected the region, as the Vietnam War was escalating. The ASEAN leaders were convinced that security could be best achieved through economic prosperity, and social and cultural progress. As the ASEAN countries embarked on their economic development programmes, political and economic stability was a prerequisite. The ASEAN's concern for security and political stability found expression in the Kuala Lumpur Declaration on November 27, 1971.

✓
They agreed "to exert initially necessary efforts to secure the recognition and respect for South East Asia as a Zone of Peace, Freedom and Neutrality (ZOPFAN), free from any form or manner of interference by outside powers," and "that South-East Asian countries should make concerted efforts to broaden the areas of cooperation which would contribute to their strength, solidarity and closer relationship."²¹ The establishment of ZOPFAN was predicated on the fact that national identity, independence and integrity of the individual states within such zone should be preserved and maintained so that they could embark upon their respective national development and wellbeing unhampered and thus promote regional cooperation and solidarity in accordance with the ideals and aspirations of their peoples and the purposes and principles of the UN Charter.

From 1971 to 1975 regular ASEAN Senior Officials' meetings took place in the ASEAN capitals intermittently with a view to discuss ways and means to implement the idea of ZOPFAN. Nevertheless, despite tremendous efforts made by the ASEAN leaders in taking active steps for the early establishment of ZOPFAN, no real headway could be made.

21. See Kuala Lumpur Declaration, in ASEAN Documents, n.16, pp. 4 - 5.

The fall of Saigon in 1975 and the US pull-out from Vietnam soon after it seemed a good omen to release South-East Asia from further interference of great powers in the regional affairs. It also indicated the likelihood of realising the idea of ZOPFAN sooner. This new development would be discussed in Chapter II.

Assessing the initial first decade of ASEAN, the former Secretary General of ASEAN Umarjadi Njotowijono said that the past decade was patently the period of laying down the foundation which had enabled ASEAN to become a dynamic organization of the present times. "Accordingly, it does not seem overly presumptuous to assert that we all now have successfully developed an ASEAN SPIRIT of mutual trust, solidarity, understanding and close cooperation."²²

During the early years of ASEAN, the Association had set up not only a policy-making body and a number of Permanent Committees, but also Special and Ad-Hoc Committees as the machinery to carry out its aims and purposes and to look into all possible aspects of cooperation. The ASEAN had also issued a great number of recommendations and had approved many cooperative projects. Economic cooperation should have been the main focus of ASEAN activities, yet the political discussions during the first decade had stolen the show. This situation

22. 10 Years ASEAN, n. 15, p. 7.

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was tried to be rectified during the first ever Summit Meeting of the Heads of Government held in Bali in February 1976. This will be further elaborated in the Chapters that follow.

CHAPTER II

ORGANIZATIONAL STRUCTURE OF ASEAN

In every regional grouping, organizational structure is very important to enable it to carry out the work of the organization in achieving its objectives and in implementing its programmes. Over the years the activities of ASEAN developed to the extent, that it had not only included various governmental organizations but also non-governmental ones. Understandably, therefore, the organizational structure of ASEAN also had undergone some revisions. The most important stage in this process was reached in February 1976 when the Bali Summit of the ASEAN Heads of Government was convened. This chapter is devoted to the examination of the evolution of the organizational structure of the ASEAN before and after the Bali Summit.

A. Before 1976.

To carry out the aims and purposes of ASEAN, as noted in the third point of the ASEAN Declaration, there were four main organs: Meeting of Foreign Ministers, Standing Committee, Ad-hoc Committees and Permanent Committees, and also National Secretariat:

- (a) Annual Meeting of Foreign Ministers, which shall be by rotation and referred to as ASEAN Ministerial Meeting. Special Meetings of Foreign Ministers may be convened as required.

- (b) A Standing Committee, under the chairmanship of the Foreign Minister of the host country or his representative and having as its members the accredited Ambassadors of the other member countries, to carry out the work of the Association in between Meetings of Foreign Ministers;
- (c) Ad-Hoc Committees and Permanent Committees of specialists and officials on specific subjects;
- (d) A National Secretariat in each member country to carry out the work of the Association on behalf of that country and to service the Annual or Special Meetings of Foreign Ministers, the Standing Committee and such other Committees as may hereafter be established.¹

The highest policy-making body was of course the Meeting of Foreign Ministers, commonly known as the Annual Ministerial Meetings, which was required to convene in each of the ASEAN member countries on a rotational basis in alphabetical order. The ASEAN Ministerial Meeting came to be responsible for the formulation of policy guidelines and coordination of all ASEAN activities. It also reviewed all ASEAN decisions and handed down the approved policies and programs to the Standing Committee or other concerned bodies for implementation.

The Special or additional meetings of the Foreign Ministers might be held as required or when necessary. The discussions of the Special Ministerial Meetings included the formation of a common stand and approach to the situation in the region, relations with the big powers and the subsequent measures towards

1. 10 YEARS ASEAN (Jakarta, ASEAN Secretariat, 1978) p. 15.

the establishment of the Zone of Peace, Freedom, and Neutrality in South-East Asia.

The decisions taken by the Foreign Ministers were to be implemented by the Standing Committee. The Standing Committee carried out the work of the Association in between the Ministerial Meetings and handled the routine matters to ensure continuity and to make decisions which could not wait for the Ministerial Meetings and to submit for the consideration of the Foreign Ministers all reports and recommendations of the various ASEAN committees. It was within this working arrangement that the seat of the Standing Committee was based on rotation in conformity with the site of the next Ministerial Meeting.

For the purpose of its overall program implementation, ASEAN functioned through a system of Permanent, Special and Ad-hoc committees which were established since early years of the formation of ASEAN to hold discussions, and recommended or drew up programs of ASEAN cooperation in various field. These committees were directly responsible for the operation and implementation of ASEAN projects. These committees consisted of specialists, experts and officials on specific subjects from ASEAN countries and they were directly responsible for the operation and implementation of ASEAN projects. The seat and chairmanship of these committees were distributed among the

countries on a rotational basis. As of 1977, there were eleven Permanent Committees,² namely:

1. Permanent Committee on Food and Agriculture;
2. Permanent Committee on Shipping;
3. Permanent Committee on Civil Air Transportation;
4. Permanent Committee on Communication/Air Traffic Service/
Meteorology;
5. Permanent Committee on Finance;
6. Permanent Committee on Commerce and Industry;
7. Permanent Committee on Transportation and Telecommunication;
8. Permanent Committee on Tourism;
9. Permanent Committee on Science and Technology;
10. Permanent Committee on Socio-Cultural Activities, and
11. Permanent Committee on Mass Media.

In addition to the 11 Permanent Committees, there were two Special Committees:

1. The Special Coordinating Committee of ASEAN (SCCAN) had the primary task of negotiating for better trade terms with the European Economic Community (EEC) in its day-to-day relations as well as conducting the dialogue with the EEC. SCCAN was assisted by the ASEAN Brussels Committee (ABC), which comprised the ASEAN ambassadors/representatives accredited to the EEC in Brussels.

2. Ibid., p. 19

2. The Special Coordinating Committee of ASEAN Central Banks and Monetary Authorities dealt mainly with the areas of monetary and financial cooperation.

Other Ad-hoc Committees were:

1. The ASEAN Coordinating Committee for Reconstruction and Rehabilitation of Indo-China States (ACCRIS), which was established on February 15, 1973 by the Special Meeting of ASEAN Foreign Ministers in Kuala Lumpur, to look into the background of the Paris Agreement on Ending War and Restoring Peace in Vietnam and the subsequent start of a cease fire in the areas.
2. The ASEAN Senior Officials on Synthetic Rubber to consider the problems of competitive threat of synthetic rubber and to conduct the ASEAN - Japan Forum on Synthetic Rubber.
3. The Senior Officials on Sugar responsible for cooperation in sugar industries.
4. The ASEAN Senior Trade Officials on the Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade (GATT) and was assisted by the ASEAN Geneva Committee (AGC), which was composed of the ASEAN representatives/ambassadors to the United Nations in Geneva.

A National Secretariat in each member country was established to carry out the work of the Association on behalf of that country and to coordinate at the national level the implementation of ASEAN Ministers' decisions. The Secretaries General (after Bali Summit they were called the Directors General) heading the National Secretariats, were the senior officials in charge of ASEAN affairs in their respective countries.

The ASEAN Declaration gave ASEAN neither legal personality nor supra-national character. The third point of the Declaration merely outlined the mechanism needed to carry out the aims and objectives of the ~~Association~~. It did not clearly mention how those bodies would function. The wording of the third point stipulated that "to carry out ... aims and purposes, the following machinery shall be established ..." It appeared that even the stipulation on the highest organ of the Association, the functions and competence of the ASEAN's institutions outlined by the ASEAN Declaration were somewhat vague as that provision contained no rule regulating such important matters. Moreover, since there was no machinery set out in the ASEAN Declaration in regard to the enforcement of its provisions, from the legal point of view, there was no sanction to be imposed on any member state, which might violate or neglect the ASEAN's decisions.

Since there were no specific procedures to regulate the decision-making process in the ASEAN Declaration, it came to be common practice in ASEAN to take a consensus decision and to avoid the voting procedure. Such practice, named rightly or wrongly as "ASEAN way", was in fact in line with what was commonly practised in Indonesia as well as in other countries in the region. The phrase in Bahasa Indonesia as "musyawarah untuk mufakat", which means "deliberation to reach consensus" was accepted as useful recipe to keep ASEAN united, especially

during its first years of existence. Point 10 of the Joint Communique of the Fifth ASEAN Ministerial Meeting (AMM), held in Singapore in April 1972 stated: "They noted in particular the development of an ASEAN consensus in decision making in accordance with the ASEAN spirit of solidarity."³ In practice, a proposal should be decided upon and based on consensus before it was adopted as an ASEAN's decision, otherwise such proposal would be dropped or settled through another consensus after some compromises had been reached. Prime Minister Lee Kuan Yew said that "ASEAN countries have learned to manage their differences and to contain them. ASEAN had made progress in an Asian manner, not through rules and regulations, but through musyawarah and consensus. Most important, ASEAN countries have made a habit of working together and of consulting each other over common problems."⁴

By illustrating the above-mentioned practice, it underscored one premise that ASEAN was not a supra-national body and had no binding jurisdictional power in its institutional structure. The roots of it could be traced back to the perceptions of the founders of ASEAN at the time of its

3. ASEAN Documents (Jakarta, ASEAN National Secretariat, n.d.), p. 124.

4. See point 7, Joint Communique, 15th AMM and Post Ministerial Meeting with the Dialogue Countries (Jakarta ASEAN Secretariat, n.d.), p. 51.

establishment. At the time of ASEAN's inception, sentiments of nationalism among the ASEAN leaders were strong and overshadowed the idea of regionalism. At the Fourth ASEAN Ministerial Meeting in Manila on March 12, 1971, the Singaporean Foreign Minister, S. Rajaratnam, observed that "... ASEAN has been used by member nations as a device for promoting national rather than regional interest. This is understandable. National interests exist. We can define them. Regional interests, on the other hand, are abstract concept which ASEAN members cannot as yet clearly define or reach agreement."⁵

From the speech, one could draw a conclusion that the ASEAN leaders were more nationalistic in their way of thinking than thinking in term of regional scope. This was reflected in the organizational structure which should not take a supra-national form and that its machinery should be decentralized in nature.

Fuad Hassan, then Head of Agency for Research and Development, Department of Foreign Affairs of Indonesia, noted that "indeed, during its first decade ASEAN remained mainly as an indicator of an emerging goodwill for regional cooperation rather than a machinery in operation dealing with feasible cooperative projects. There were moments in which the question was raised on whether or not the organization will survive at all.

5. ASEAN (Jakarta, ASEAN National Secretariat, 1975), p. 41.

One must recognize the fact that the founding members have had no experience in structured cooperative efforts in the past."⁶

Starting with a community of five states with different historical and social background but with common interests and objectives and commonly shared problems, ASEAN began with modest projects which were quick yielding in results, needing low financing, beneficial to all, and non-controversial in nature. The idea was that small success at hand was better than an ambitious start with high expectation, which was bound to fail and could cause disappointment if a project ended in failure. Besides the ASEAN countries realized that being a coalition of nations united to act as one actor in their dealings with other countries or groupings gave them more weight than if an individual country dealt with another country or countries. The coalition of ASEAN was an important element in the South-East Asian balance of power, which involved the three major external powers, the Soviet Union, the United States and China. Ray S. Cline "quantified the perceived powers (asystemic) of these three nations in 1975 at 67.5, 35 and 23 units respectively. Given this situation, ASEAN was invaluable to both the United States and

6. "ASEAN, Its Status and Future Political Perspective", in ASEAN Newsletter (Jakarta, March-April 1984), p.6. (stress added).

China as an ally to maintain the balance of power in the region against the Soviet Union and Vietnam."⁷.

As ASEAN activities and programmes expanded in response to national, regional and international developments, a move to review the structure of ASEAN was agreed upon in April 1972 at the Fifth ASEAN Ministerial Meeting held in Singapore. They "agreed that an overall review of ASEAN's organisational and procedural framework including the consideration of the need and desirability of a central secretariat should be undertaken ..."⁸ This had been earlier proposed by Philippine Foreign Minister Carlos P. Romulo in 1967, but political and practical factors were not conducive to its adoption.⁹

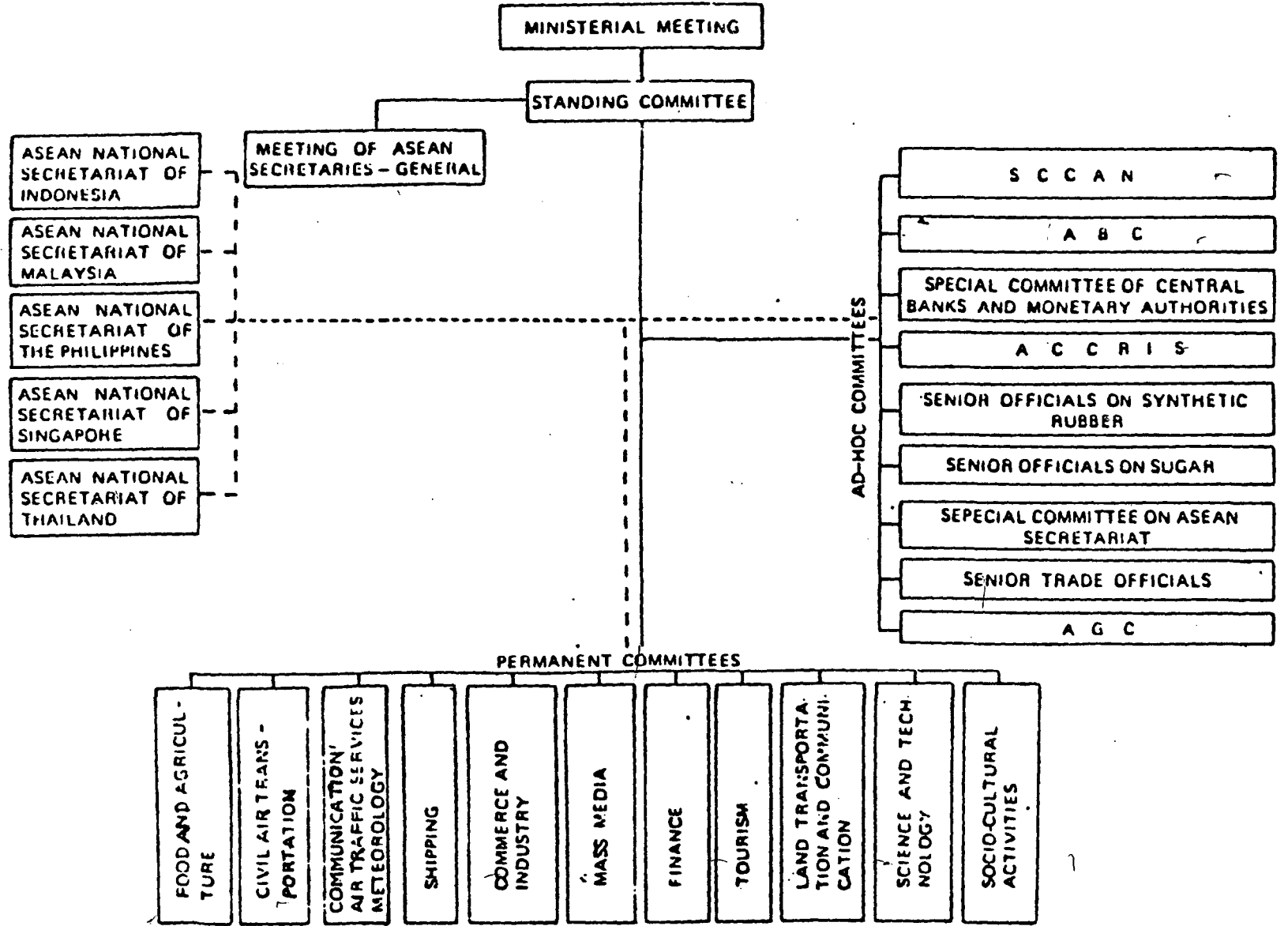
In the early years of ASEAN, its activities were confined mainly to studies and exchanges of information, both of which could be done at home. Besides both Jakarta and Manila were eager to be the site of ASEAN Secretariat and to reach a consensus in this matter would require a number of approaches. Moreover, to run a Central Secretariat would be burdensome financially. The organizational structure of ASEAN prior to the Bali Summit in 1976 appears in Table 1.

7. Ray S. Cline, World Power Assessment: A Calculus of Strategic Drift (Colorado, 1979), cited in Chong Li Choy, Open Self-Reliant Regionalism: Power for ASEAN's Development (Singapore, 1981), p.46.

8. ASEAN Documents, n.3, p. 124.

9. Estrella D. Solidum, Bilateral Summitry in ASEAN (Manila, 1983), p. 7.

Table 1 : ORGANIZATIONAL STRUCTURE OF ASEAN 10



10. Source: ASEAN (Jakarta, ASEAN National Secretariat of Indonesia, Department of Foreign Affairs, August 1975), second ed., p. 46.

B. Post 1976

The Declaration of ASEAN Concord, which was signed at the Bali Summit in February 1976, adopted, among others, improvement of ASEAN machinery:

- "1. Signing of the Agreement on the Establishment of the ASEAN Secretariat.
2. Regular review of the ASEAN organizational structure with a view to improving its effectiveness.
3. Study of the desirability of a new constitutional framework for ASEAN."¹¹

The Preamble of the Agreement on the Establishment of the ASEAN Secretariat stipulated that the ASEAN Heads of Government were "mindful of the rapidly growing activities of ASEAN since its establishment ... in the implementation of the aims and purposes of ASEAN embodied in the ASEAN Declaration." They recognized "that the growth has increased the need in ASEAN for central administrative organ to provide for greater efficiency in the coordination of ASEAN organs and for more effective implementation of ASEAN projects and activities."¹²

Although the ASEAN Heads of Government constituted the highest authority in ASEAN, their meetings such as the first

11. ASEAN Documents, n.3, p. 10.

12. Ibid., p. 45.

in Bali in February 1976 and the second in Kuala Lumpur in August 1977 were convened only "as and when necessary".¹³ There was no indication of these summit meetings getting institutionalized. It should be pointed, however, that bilateral meetings of heads of government or bilateral summitry in ASEAN, which consisted of numerous visits made between presidents or prime ministers of ASEAN states were quite phenomenal. Some of the visits were made formally but many of them were done in rather informal way, without rigid protocol that characterized state visits. The leaders often wore safari suits and the visit were programmed, termed as working visits. They met not only in the capitals but quite often in remote island or small town. Such meetings could be held within short notice and the discussions were usually done frankly, and ended with renewal of their commitments to ASEAN. The top political leaders took counsel with one another, advised and restrained one another, and encouraged each one to proceed to other aspects of cooperation especially to areas in which the functional committees had no competence. The usefulness of the bilateral summitry might be understood in terms of enhancing ASEAN's effectiveness defined as the ability to maintain its level of work and its capability to expand its scope of concern without sacrificing the fundamental principles which underlay the life of the organization.

13. Estrella D. Solidum, n. 9, p. 8.

To understand the beneficial role of bilateral summitry, Estrella D. Solidum had studied and observed that

Bilateral summitry enhances the effectiveness of ASEAN if the outcome 1) gives direction to ASEAN's policies such as by contributing to the preservation of its fundamental principles and enabling it to accept new responsibilities for mutual benefit; 2) smoothens its processes such as by facilitating transactions and cutting down time for decision-making and action; 3) provides a congenial environment for the members by increasing their vitality to work, their mutual responsiveness, and their will to play down conflicts; 4) increases the members' desire to search for new areas of cooperation and for new collective efforts, and 5) improves the quality and quantity of ASEAN's resources, to include the credible assets such as symbols and values which create ASEAN's appeal.¹⁴

According to Estrella D. Solidum, there had been ninety six bilateral meetings between 1976 and 1981. The largest number of meetings, around 19 of them, were made between Malaysia and Thailand, followed by Singapore and Thailand which had 14. Singapore had about 12 meetings with Malaysia, and 13 with Indonesia. Thailand and Indonesia had 9 meetings between them. The Philippines had the lowest number of bilateral meetings of heads of state, namely 7 with Indonesia, 6 with Thailand, 5 with Singapore, and 2 with Malaysia.¹⁵

The issues that were taken up in the meetings included ASEAN cooperation, intra-ASEAN problems, foreign policy, security,

14. Ibid., p. 11.

15. Ibid., p. 12.

international developments and the organization itself. Bilateral summits were considered useful in providing explanations for an understanding of the policy perceptions of the political leaders at the highest level, and contributed to the attainment of peace, progress, and security in the region.

During its nineteen years of existence, ASEAN had experienced only two ASEAN Summit Meetings, rare occasions indeed. The third ASEAN Summit Meeting was planned to take place in Manila by the end of 1987. It is understandable, therefore, that bilateral summitry had the function to fill up the gaps which might have developed. Hans H. Indorf, however, was doubtful that inter-country visits could substitute for ASEAN summit meetings. Such an assumption (on the usefulness of bilateral summitry) could only be correct if, over a reasonable period of time, all the ASEAN heads of government exchanged visits with each other. This ideal situation did not correspond to reality. Furthermore, the hypothesis that all significant intra-ASEAN issues could be discussed on a bilateral basis (and did not require a summit) was theoretically correct. In fact, there was little agreement among the ASEAN governments on this point since the degree of importance accorded to an issue was a relative judgment.¹⁶

16. Hans H. Indorf, Impediments to Regionalism in Southeast Asia: Bilateral Constraints Among ASEAN Member States (Singapore, 1984), p. 74.

The Agreement on the Establishment of the ASEAN Secretariat signed by the ASEAN Foreign Ministers in Bali on February 24, 1976 stipulated that the Secretariat should have its seat in Jakarta. Further Article II of the Agreement mentioned that "The Secretariat shall comprise the Head of the Secretariat who shall be known as the Secretary-General of the ASEAN Secretariat ... a Staff and a Locally Recruited Staff." Article III stipulated that "The Secretary-General shall be appointed by the ASEAN Foreign Ministers upon nomination by a Contracting Party on a rotational basis in alphabetical order. The tenure of office shall be two years." Of the fourteen functions and powers of the Secretary-General, some could be mentioned:

- "(1) be responsible to the ASEAN Ministerial Meeting when it is in session and to the Standing Committee at all other times;
- (2) take charge of the Secretariat and be responsible for the discharge of all the functions and responsibilities entrusted to him by the ASEAN Ministerial Meeting and by the Standing Committee;
- (3) have authority to address communications directly to the Contracting Parties;
- (4) (a) attend personally all the ASEAN Ministerial Meetings as Secretary,
 (b) be in attendance at all meetings of the Standing Committee; and
 (c) attend or designate a representative to attend the meeting of all ASEAN Committees and other similar bodies;"¹⁷

17. ASEAN Documents, n.3, pp. 45 - 46.

The ASEAN Secretariat was established in Jakarta in 1976 "to fill the need in ASEAN for a central administrative organ to provide for greater efficiency in the coordination of ASEAN organs and for more effective implementation of ASEAN projects and activities."¹⁸ To head the Secretariat, the Foreign Ministers appointed Lt. Gen. H. R. Dharsono of Indonesia, as the first Secretary-General. He was supposed to hold office for a term of two years, after which the office would rotate to the next ASEAN country in alphabetical order. The appointment of the first Secretary-General, however, was not so smooth as it looked like. As it has been mentioned earlier in this Chapter, the Philippines withdrew its offer to be the site of the Secretariat, although it had "tendered land 'fronting Manila Bay', construction costs and operating expenses for two years. Only the personal intervention of President Suharto, with an indirect assurance of support for the Philippines to be first in assuming the secretary-general's post (later overruled by the other countries which insisted upon an alphabetical sequence) could avoid an embarrassing stalemate. Foreign Minister Romulo confessed 'sensing the strength of their feelings' and withdrew the offer, but the Philippine's enthusiasm for the organization has never been the same since this incident."¹⁹

18. Facts on ASEAN, (Kuala Lumpur, Min. of Foreign Affairs), p.17.

19. Hans H. Indorf, n. 16, p.67.

In January 1978, the Indonesian Secretary-General of ASEAN Dharsono was asked by the Indonesian Government to quit his post because of his public criticism on some issues of domestic policy. The other ASEAN partners quietly but strongly objected to the step as damaging to the image of ASEAN. But Indonesia persisted.²⁰ The Chairman of the ASEAN Standing Committee, Thai Foreign Minister Upadit, was induced to write to Dharsono, requesting "a transfer of the position at the earliest convenience." In the meantime, Indonesia's Foreign Minister Dr. Mochtar travelled to all the other ASEAN capitals seeking informal consent for the removal. Despite deep misgivings, the four ASEAN partners agreed on strictly legal grounds. According to Chapter II of the Secretariat Agreement, the Secretary-General "shall be appointed ... upon nomination by a Contracting Party ..." Rotation was by country, not by individual. Consequently Dharsono resigned on February 18, 1978, and was succeeded by Ambassador Umarjadi Njotowijono for the remaining fifteen weeks of Indonesia's term ... The precedence of a recall had an inhibiting effect upon the selection and performance of subsequent secretaries-general.²¹

The following secretaries-general were appointed among the countries' senior diplomats, with the rank of Ambassador, as in the cases of Datuk Ali bin Abdullah from Malaysia who took office

20. Ibid., p. 68.

21. Ibid., p. 68.

from 1978 to 1980, followed by Narciso Reyes of the Philippines (1980 - 1982). Singapore let it be known, however, that "it was unable to spare such a person (a senior career diplomat), thereby indicating its priorities vis-a-vis ASEAN, and raising consternation in neighbouring capitals."²² Eventually, Chan Kai Yau was nominated and was approved to occupy the office from 1982 to 1984. The next Secretary-General was from Thailand, when Phan Wannamethee, former Thai Ambassador to Britain, was appointed for the position from 1984 to 1986. The two-year term for a Secretary-General to perform his duty was considered too short, therefore, with all the five original members of ASEAN having had their rotational turn to hold the key-position at the Secretariat, the ASEAN Foreign Minister at the 18th AMM signed the Protocol to Amend the agreement on the Establishment of the ASEAN Secretariat which would extend the term of office of the Secretary-General from two to three years. The following year they appointed Roderick Yong Yin Fatt of Brunei Darussalam as Secretary-General of the ASEAN Secretariat "for a period of three years, effective 16 July 1986."²³

22. Ibid. p. 69. words between brackets are added.

23. See point 71 of the Joint Communique of the 18th AMM and point 81 of the Joint Communique of the 19th AMM, in 19th AMM and Post Ministerial Conferences with the Dialogue Partners (Jakarta, n.d.). p. 52 (stress added)

In accordance with the Declaration of ASEAN Concord, the Ninth AMM in Manila in June 1976 agreed "that the review of ASEAN organization structure be completed within the framework of the Bangkok Declaration. The Annual Ministerial Meeting remains the principal organ responsible for overall policy direction of ASEAN and coordination of all activities. The Standing Committee continues to be the policy arm between sessions of the Annual Ministerial Meeting. In addition, it shall be primarily responsible for the conduct of ASEAN external relations."²⁴

After the Bali Summit the ASEAN activities became more complex, in line with the increasing cooperation among ASEAN countries in the fields of economic, social welfare, labour, education and information, and meetings at ministerial level in their respective fields, therefore, might be held as and when necessary to discuss or lay out the programmes or activities for cooperation in such fields. However, the coordination between meetings of other ministers and the ASEAN Ministerial Meeting should be maintained.

Upto 1986, there were five other Ministerial Meetings which had been officially held to discuss the ASEAN cooperation

24. Point 22 of the Joint Communique of the Ninth AMM, in Facts on ASEAN, n. 18, pp. 98-99.

programmes in the concerned fields of competence, namely:

ASEAN Economic Ministers,
 ASEAN Labour Ministers,
 ASEAN Ministers Responsible for Social Welfare,
 ASEAN Ministers of Education,
 ASEAN Information Ministers.²⁵

With the main objective of helping ASEAN progress more rapidly with a systematic machinery as the areas of co-operation kept on expanding, the regrouping of various Permanent Committees (aforementioned in the previous part of this Chapter), resulted in the forming of new committees.

Since the beginning of 1976, former ASEAN Permanent Committees functionally dealing with the economic matters were merged into Committees under the Economic Ministers, namely:

1. Committee on Trade and Tourism (COTT);
2. Committee on Industry, Minerals and Energy (COIME);
3. Committee on Food, Agriculture and Forestry (COFAF);
4. Committee on Transportation and Communication (COTC), and
5. Committee on Finance and Banking (COFAB).

In this connection, the Permanent Committees whose functions had been absorbed by the above committees were considered abolished.²⁶

25. 10 Years ASEAN, n. 1, pp. 20 - 21.

26. Ibid., p. 21.

With regard to the increasing development programmes and the establishment of committees under the Economic Ministers, ASEAN decided to reorganize the remaining permanent committees, namely:

1. Committee on Science and Technology,
2. Committee on Culture and Information,
3. Committee on Social Development.²⁷

All of the above newly-established committees were directly responsible to their respective Ministers, taking into account, the role of the ASEAN Ministerial Meeting outlined in the Bangkok Declaration of 1967 as the machinery responsible for the formulation of policy guidelines and coordination of all ASEAN activities.

A National Secretariat in each member country was established to carry out the work of the Association on behalf of that country and to coordinate at the national level the implementation of ASEAN Ministers' decisions. They also functioned as the Secretariats for the meetings of Ministers, the Standing Committee, and the Special Ad-hoc and Permanent Committees which were held in the respective capitals or places where the meetings were convened. The Directors General, heading the National Secretariats, were senior officials in

27. Ibid., p. 18, and Facts on ASEAN, n. 18, p. 18.

charge of ASEAN affairs in their respective countries. Since the establishment of ASEAN Central Secretariat in Jakarta, the name "ASEAN National Secretariat" was changed to "Office of the Director-General, ASEAN - (name of member country)", in order to avoid confusion with the Central Secretariat. The former Secretaries-General were called Directors-General.²⁸

The organizational structure of ASEAN after 1976 as compiled by the author of this dissertation from various primary source documents appears in Table 2 on page 46.

Having discussed the organizational structure of ASEAN before and after the Bali Summit, certain observations can be made:

In spite of restructuring attempts of the ASEAN institutions, some overlapping activities and some ambiguities still existed. Take for example, the five permanent committees, which worked under the coordination of the Economic Ministers. In practice the committees could not submit their reports directly to the Economic Minister, but they had to go through the Standing Committee and the Foreign Ministers, who then channelled the matters to the Economic Ministers. Even the decisions made by the Meetings of the Economic Ministers, according to the working procedure, had to be referred to the Annual Ministerial Meeting for signature by the Foreign Ministers. As a consequence, to some

28. Ibid., p. 18, and Facts on ASEAN, n. 18, p. 18.

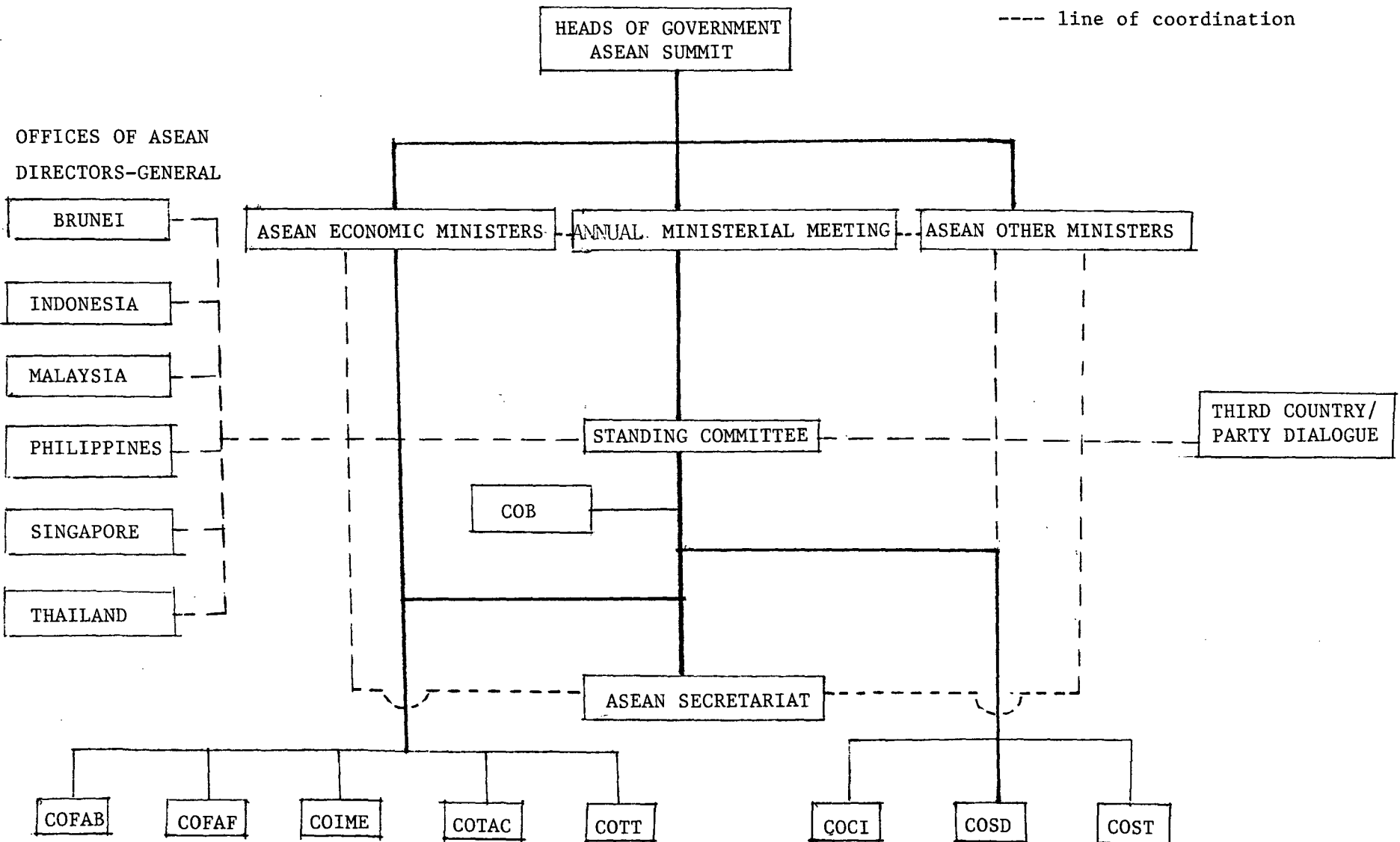
ORGANIZATIONAL STRUCTURE OF ASEAN

29

SINCE 1976

Table 2

— line of command
 ---- line of coordination



29. Source: based on personal observations and experience.

extent progress was liable to be slow. Against such shortcomings, the reorganizational process was still going on.

Upto 1986 there were two decision-making processes which were applicable within ASEAN:

1. Non-formal decision-making procedure, which was neither stipulated in the Bangkok Declaration of 1967 nor in Bali Declaration of 1976. That was why one could say that political cooperation was not within the ASEAN organizational structure. If one of the ASEAN members would like to submit a political proposal, it could submit it through a Senior Officials Meeting(SOM), i.e. a meeting which was attended by the Directors General for Political Affairs of the member countries or the Secretaries-General of the Ministry for Foreign Affairs of the individual countries plus other senior officials or such proposal could be channelled direct to the ASEAN Ministerial Meeting, which would then refer it to SOM. SOM could then discuss the proposal. On this stage, there could be two possibilities:
 - a. If the proposal could be accepted by the SOM, the execution of the agreement could be realized soon.
 - b. Otherwise, if the SOM could not accept the proposal, but they could accept in principle the basis of the proposal, it could be returned to the member concerned for a reformulation.

2. Formal decision-making procedure, which was applicable to economic, social, cultural, scientific and technological and information matters, could be found in the formal organizational structure of ASEAN. If there was any proposal on one of the subjects, a project proposal should be submitted in the form of a working programme, together with proposed budget to the Committee concerned. The Committee then considered the plan. There were two possibilities:

- a. If the proposal could not be accepted, it would be returned to the member which proposed it.
- b. If the proposal could be accepted, it would be submitted to the Standing Committee. At this stage, there would be other possibilities:
 - 1) If the proposal could not be accepted by the Standing Committee, it would be returned to the Committee concerned.
 - 2) If the proposal could be accepted, there would be an approach to the third party, or to the dialogue partner(s), which could be expected to provide the fund for implementing such project. But if the proposal could not be accepted by the dialogue partner(s), the proposal would be returned to the Standing Committee, which would discuss the considerations of the dialogue partner(s).

If one compared both the decision-making procedures, one could say that decision process on political matters was shorter, i.e. through SOM and AMM, whereas decision-making process for other matters would take longer, and this could impose an impediment to certain ASEAN cooperation.

As ASEAN had expanded to six members, Singapore suggested that the principle of consensus in decision-making process should be more flexible. According to Singapore, innovation was not possible when consensus was based on the lowest common denominator, therefore, the ASEAN leaders needed to consider what was called as a "Six minus X" principle. "Broadly stated this is the principle that where there is agreement among some members on a certain activity, and the interests of other members are not harmed nor is their future participation prevented, then those who agree should be allowed to proceed. Given six members of different development levels and interests, progress will be very slow if we insist that we should all move in tandem at all times. Instead of viewing the 'Six minus X' principles as a divisive one, we should try to see it as a way of propelling ASEAN ahead into new heights of cooperation. Members would then have the option of choosing the timing of their own involvement."³⁰

30. Opening Statement of Foreign Minister of Singapore S. Dhanabalan at the 19th AMM, in 19th AMM and Post Ministerial Conferences with the Dialogue Partners (Jakarta, n.d.), p. 14.

CHAPTER III

POLITICAL AND SECURITY DIMENSIONS

The conclusion of the second Indochina War in 1975 following the Communist victories in Indochina brought fundamental change in the pattern of international relations in South-East Asia. For a time, the withdrawal of the U.S. from Vietnam seemed to augur well for South-East Asia in the sense that it marked the end of a period of outside intervention in the region. Furthermore, the end of hostilities in Indochina seemed to promise a prospect of freedom from any further interference in South-East Asia by the great powers, which, in the absence of conflicts, would give little room for them to engage in such activities. Such a prospect would bring the region closer to the realization of the idea of a Zone of Peace, Freedom and Neutrality (ZOPFAN) as initiated by ASEAN in 1971. The nations in the region then seemed to have hope for a new era of peaceful development towards progress and prosperity. In

his opening address to a conference organized by Institute of Southeast Asian Studies and the Pacific Forum on 7 - 10 July 1976, S. Rajaratnam, the Singapore Foreign Minister said that "Now that peace has come to Indochina I have no doubt that its people can, if they so will it, achieve as much for themselves economically as we in ASEAN, in happier circumstances, have been able to do for ourselves ... there is

nothing we would like better than enter into mutually fruitful economic relations with our Communist neighbours..."¹

Although ASEAN countries were alarmed by the speed and scope of the Communist success, they were not in a position to contemplate a challenge to the pattern of power in Indochina. The ASEAN governments responded to the political polarization of South-East Asia into Communist and non-Communist countries by convening the First ASEAN Summit Meeting of the Heads of Government, which was held in Bali on February 23 - 24, 1976². In fact the meeting was held not only in response to the political and security considerations but also to meet the rising demands for wider economic cooperation among ASEAN member countries and the necessity to strengthen the organizational structure of ASEAN.

The Bali Summit reviewed the activities of ASEAN since its inception in 1967, and expressed satisfaction with its progress especially in fostering the spirit of cooperation and solidarity among the member states. They discussed developments affecting the ASEAN region. They reaffirmed the determination of their respective Governments to continue to work for the

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1. See Lloyd R. Vasey, ed., The Economic and Political Growth Pattern of Asia-Pacific, (Singapore, 1977), p. 15.
 2. Estrella D. Solidum, Bilateral Summitry in ASEAN (Manila, 1983), p.13. The author noted that the highest number of bilateral meetings of heads of states occurred in 1976 when there were sixteen of such visits.... topics taken up in 1976 were the political conditions as aftermaths of the Indo-China war, possible relations with China, and growing communist insurgencies in each ASEAN state.

promotion of peace, stability and progress in Southeast Asia, thus contributing towards world peace and international harmony. To this end they expressed their readiness to develop fruitful relations and mutually beneficial cooperation with other countries in the region. They expressed the hope that other powers would pursue policies which would contribute to the achievement of peace, stability and progress in Southeast Asia.³ The meeting led to the signing of Treaty of Amity and Cooperation in South-East Asia and also the Declaration of ASEAN Concord.

The Treaty articulated publicly their common political perceptions and interests, and also offered an instrument of regional accommodation designed to serve as a code for interstate conduct. Due provision was made for an amicable settlement of intra-regional disputes. The Bali Summit further underscored the importance of sorting out internal disputes among the member states without resorting to force. Elimination of external and internal threats to security was among its main aims. This initiative seemed to represent an adjustment to new circumstances and it was explicitly made open for accession by other regional states, including Indochina and Burma.⁴

3. See points 3 and 4 of the Joint Press Communique, Meeting of ASEAN Heads of Government, ASEAN Documents (Jakarta: ASEAN National Secretariat, n.d.), p. 93.

4. See Chapter III on Cooperation, Chapter IV on Pacific Settlement of Disputes and Article 18 of the Treaty, in ASEAN Documents, n.3, pp. 17-20.

"This opening by ASEAN was ignored by Vietnam, which also repudiated the Association's symbolic aspiration for a Zone of Peace, Freedom and Neutrality for South-east Asia. As the squabble between ASEAN governments and a Vietnam supported by Laos developed over the appropriate formula which might serve as a basis for a system of regional order, conflict between Vietnam and Kampuchea gathered momentum."⁵

The Declaration of ASEAN Concord stated to "undertake to consolidate the achievements of ASEAN and expand ASEAN cooperation in the economic, social, cultural and political fields." In point 2 of the Declaration it was stated: "Member states, individually and collectively, shall take active steps for the early establishment of the Zone of Peace, Freedom and Neutrality."⁶

According to Estrella D. Solidum, political cooperation is an activity of two or more individuals or groups who are brought together by their shared interest on commonly accepted goals. An important differentiating characteristic of political cooperation is the level of decisional authority possessed by the cooperating individuals or groups.⁷ In ASEAN, political cooperation by foreign ministers and heads of states or governments give direction to the work of the organization on social, economic, political, military, and organizational matters

5. Michael Leifer, Conflict and Regional Order in South-east Asia (London, 1980), pp. 2-3.

6. ASEAN Documents, n.3, p. 7. (stress on "political" added)

7. Estrella D. Solidum, n.2, p.10.

The Bali Summit's reaffirmation of the ZOPFAN call made a fuller meaning when viewed in the context of the ASEAN's endeavour to promote peace, progress, prosperity and the welfare of the peoples of member states. The emerging trend towards political cooperation among the ASEAN countries thus took a concrete shape at Bali. The developments during the nineteen sixties had their full impact on the ASEAN countries, which were naturally anxious to ensure the security of the region against the threatening spill-overs of the second Indochina War and the political uncertainties around the scene. Their anxiety had found its expression in the Kuala Lumpur Declaration in November 1971 in the ZOPFAN call. The Bali Summit put its own seal on it, and pushed it forward with a growing realisation that it held the key to the stability of the region. Despite persistent efforts and calls for the realization of ZOPFAN, however, it could not make any real headway. A very much cherished dream of the ASEAN countries, it still remained to be realised. The lukewarm attitude of the concerned big powers, the US, the USSR and the PRC, towards the move was mainly to be held responsible for its having remained in the cold storage for so long.

The importance of Bali Summit in 1976, as distinct from 1967 when the Bangkok Declaration was signed, among others, was that the involvement of the ASEAN Heads of Government in the ASEAN process was formally recognized. This was in contrast with the ASEAN Declaration of 1967 which placed ministerial

meeting at the apex of the structure. Besides, political cooperation was formally institutionalized.

The Bali Summit went on to open a new chapter in the ASEAN's history -- a chapter showing the way for the furtherance of the cooperation, taking into account the economic and political realities of both the regional and international situations in the preceding years. Both the Treaty and the Declaration, apart from providing ASEAN with a solid ground for its future programme of action, sought to resolve internal disputes among the member countries.

The South-East Asian history had been full of intra-regional or inter-state disputes and rivalries . some of which date back to the pre-colonial times. Leading to conflicts and tensions, they had the effect of disturbing peace of the region. A look at the regional history would show that there had been all sorts of disputes within the region, such as those arising from border delineation, refugee problems, illegal border crossing, territorial adjustments, differences in outlook on political, economic, social and cultural matters, etc. To mention some of them, Sabah was very much a bone of contention between Malaysia and the Philippines which led to the rupture of diplomatic relations between the two countries in 1963 following the creation of Malaysia. This new Federation was not recognized by the Philippines. Ambassadors were withdrawn from each other's capitals, and diplomatic relations

were suspended. When Ferdinand E. Marcos took over as Philippine President and President Sukarno was also removed from power in Indonesia at that time, the new political environment seemed to suggest an improvement in bilateral contacts. President Marcos recognized the new Federation of Malaysia in June 1966, and both sides agreed in a Joint Communique to "the need to sit together" for clarifying the claim and for discussing the means of a settlement.⁸ ASEAN was established the next year, but the Sabah problem did not disappear. Ten years later, during the Second ASEAN Summit Meeting, held in Kuala Lumpur in August 1977, "President Marcos used the occasion to reassure his hosts that he would undertake definite steps upon his return to Manila to eliminate the claim to Sabah. The years since then have shown little progress on either assurance."⁹ In June 1980, the Philippine Minister of State for Foreign Affairs, Arturo Tolentino, declared in Kuala Lumpur that "as far as we are concerned, there is no more Sabah claim. It's closed," adding "the Sabah claim is not in the Philippine Constitution nor was Sabah shown in Philippine maps."¹⁰ Despite the Philippine assurances, till the end of 1986 no Malaysian Prime Minister paid official visit to Manila. It has yet to be seen whether the Prime Minister will be among the Heads of

8. Hans H. Indorf, Impediments to Regionalism in Southeast Asia: Bilateral Constraint Among ASEAN Member States, (Singapore, 1984), p. 24.

9. *Ibid.*, p. 25.

10. New Straits Times (Kuala Lumpur), 24 June 1980; see also Far Eastern Economic Review (FEER), 4 December 1981, cited in Indorf, n.8, p. 25.

ASEAN Governments present in the Third ASEAN Summit, scheduled to be held in Manila in December 1987.

Another claims and strains over Brunei is worth mentioning, before the tiny but rich Sultanate joined ASEAN as the sixth member soon after its birth as an independent state, on January 1, 1984. Because of Brunei's location and its cultural affinity, Malaysia harboured special designs for the Sultanate. "Most basic, of course, was the (Malaysian) desire to see it as a part of the federation... The 1962/63 overtures, during the formation of Malaysia, were rejected by Brunei and opposed by Indonesia. In return, the Sultanate laid claim to Limbang and the Muara district of Sarawak which divide the territory into two separate areas. At the same time it maintained close personal relations with the East Malaysian leadership, thus raising outside concerns over the possible creation of a North Borneo federation."¹¹ In the mid-1970s, Malaysia tried a different approach, while still adhering to its ultimate objective, by proposing early independence for the Sultanate and free elections through UN decolonization efforts. During the voting on the UN resolution which was passed in November 1977, all ASEAN states except Singapore voted with Malaysia.

In May 1978, Malaysian attitude changed from one of incipient hostility to that of reconciliation when Prime Minister Hussein Onn and President Suharto envisaged Brunei

¹¹. Indorf, n.8, p. 43.

as eventually becoming a full-fledged member of ASEAN.¹² By November 1981, the former Sultan declared that "... Brunei's decision not to join Malaysia is final."¹³

During the decade under study, there were some frictions between neighbouring countries of South-East Asia, among others, the muslim separatist movement in Southern Thailand near to the border between Thailand and Malaysia; the Laotian minority problem in North-East Thailand between Laos and Thailand. All of these were relatively minor compared to the clashes between Kampuchea and Vietnam before the latter eventually invaded the former by the end of 1978, followed by China's "lesson" to Vietnam a few months later. These two developments will be specifically discussed in the later part of this Chapter, as they involved much of the ASEAN diplomatic activities and complicated political and security considerations of the region as well as the resumption of great powers' interests in the region.

In about fifteen months after the Bali Summit, the Second ASEAN Summit Meeting was held in Kuala Lumpur on 4 - 5 August 1977. It nearly coincided with the tenth anniversary of the ASEAN. The Heads of Government reviewed the development and progress of ASEAN in its first ten years and, in particular,

12. Ibid., pp. 43-44.

13. Ibid., p. 44.

they examined the progress in the implementation of the programme of action adopted at the previous Bali Summit, as contained in the Declaration of ASEAN Concord. They "expressed satisfaction that ASEAN countries have made significant progress in building their national resilience through the acceleration and intensification of economic, social and cultural cooperation In the context of ASEAN consolidation, ... ASEAN countries have intensified their collaboration in all fields. This has contributed significantly to the solidarity, cohesion and maturity of ASEAN."¹⁴

In the regional context the Heads of Government reviewed developments affecting the ASEAN region. They agreed that

"the situation as it exists today presents an opportunity for countries in the region to shape their own destiny without the involvement and interference by outside powers. In this regard they emphasized the importance of developing and improving the relations among Southeast Asian countries on the basis of respect for sovereignty, territorial integrity and non interference in the internal affairs for the progress, peace and stability of the region."¹⁵ Further they emphasized "the desire of ASEAN countries to develop peaceful and mutually beneficial relations with all countries in the region, including Kampuchea, Laos and Vietnam. In this regard they noted with satisfaction that exchanges of diplomatic and trade visits at high level have enhanced the prospect of improved relations between ASEAN countries and the countries of Indochina. They agreed that further efforts should be made to enlarge the areas of understanding and co-operation with those countries on the basis of mutuality of interests."¹⁶

14. Point 3 of Joint Press Communique, Meeting of ASEAN Heads of Government, Kuala Lumpur, 4-5 August 1977, in ASEAN Documents, n.3, p.95.

15. Ibid., point 5,

16. Ibid., point 6 (stress added).

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High expectation nurtured by ASEAN leaders was soon frustrated by the outbreak of new hostilities in the region. American researcher William S. Tutley recalled that "Pol Pot's Khmer Rouge broke away from Vietnamese tutelage even before the Second Indochina War ended. As Hanoi tilted toward Moscow, China supported the Khmer Rouge against the Vietnamese."¹⁷ Open conflict between Kampuchea and Vietnam was manifested on the last day of 1977 when the government in Phnom Penh announced a temporary suspension of diplomatic relations with its counterpart in Hanoi. Differences between the Communist parties of Kampuchea and China had been resolved the previous September, when Party Secretary-general Pol Pot paid a visit to Peking, presumably moved by growing military pressure from Vietnam.¹⁸ However, Hanoi noted that "from 1975 to 1978, China on the one hand intensified its military pressure and its acts of provocation along the northern border of Vietnam ... on the other, along the South western border of Vietnam, it made use of the subversive Pol Pot clique, turning Kampuchea into a stepping board from where to attack Vietnam immediately following the liberation of the South."¹⁹

17. William S. Tutley, "Vietnam/Indochina: Hanoi's Challenge to Southeast Asian Regional Order", in Young Whan Kihl and Lawrence E. Grinter, ed, Asian-Pacific Security: Emerging Challenges and Responses (New Delhi: 1987), pp.177-78.

18. Michael Leifer, n.5, p.3.

19. Para 4, 'Memorandum of the Ministry of Foreign Affairs of the Socialist Republic of Vietnam' on March 10, 1986, a circular of the Embassy of SRV in New Delhi.

As the pressures on Vietnamese northern and south-western borders grew intense, the Vietnamese leaders started making gestures of goodwill toward the ASEAN. During his visit to the five ASEAN capitals in September-October 1978, Vietnamese Prime Minister Pham Van Dong made gesture to illustrate Vietnam's desire to have amicable relations with its ASEAN neighbours. Among other things, he gave an assurance that Hanoi would not support, directly or indirectly, subversive activities in their territories. He also declared that "Vietnam was independent and neutral and that its foreign policy would be guided by such principles as respect for sovereignty and territorial integrity and non-interference in the affairs of other states."²⁰ The Vietnamese Premier's assurances, according to Philippe Devillers, "were not to be interpreted as a Vietnamese surrender to Peking's line or as Hanoi having unlimited patience vis-a-vis Khmer attacks and harassment ..."²¹

In August 1978, Hanoi realized that a combined attack by Cambodia and China against North and South Vietnam was likely, and decided to secure Phnom Penh by a swift offensive before China could move. "To ward off a possible China offensive while the Cambodian operation was under way, Hanoi signed a 'friendship and cooperation' treaty with the Soviet Union (November 3, 1978) and assured anti-Pol Pot Cambodian

20. Cited in Khaw Guat Hoon, "ASEAN in International Politics", in Diane K. Mauzy, ed., Politics in the ASEAN States (Kuala Lumpur, 1984), p. 237.

21. Philippe Devillers, "An Analysis of the Vietnamese Objectives in Indochina", in K. Theerairt, ed., Indochina and the Problems of Security and Stability in South-East Asia (Bangkok, 1983), p.93.

groups that the moment to rise up had come, and promised Vietnamese support".²² When, on December 23, 1978, Pol Pot's Army launched a new and massive offensive in the direction of Tay Ninh, the Vietnamese responded with a general counter-offensive.... The task was to conquer the whole of Cambodia, to overthrow Pol Pot and his regime, and to replace it by a new one which would no longer be a card in China's game.²³

Phnom Penh fell on 7 January 1979. The Pol Pot regime was replaced by the People's Republic of Kampuchea (PRK), proclaimed on 11 January 1979 under the leadership of Heng Samrin. In its manifesto, the People's Revolutionary Council (the interim government of the new Kampuchea) declared its principal goals: "to build a peaceable, independent, and non-aligned Kampuchea, a society developing on democratic principles towards socialism."²⁴

On February 18, 1979 Vietnam and the PRK signed a treaty, which stipulated friendship and cooperation in all fields, including defence. According to Philippe Devillers, "Vietnamese troops would remain in Cambodia as long as the new Republic requires their presence."²⁵ China was unable to intervene in time to save Pol Pot from defeat. But Peking decided then to "teach Vietnam a lesson". Chinese armies invaded North Vietnam

23. Ibid., p. 93.

24. E.V. Kobelev, ed., Kampuchea: From Tragedy to Rebirth (Moscow, 1979), p. 9.

25. Philippe Devillers, n. 22, p. 94.

on a thousand-mile front. They met stiff resistance. Provided with modern Soviet weapons, the Vietnamese Army broke Chinese penetration. After a few days, Peking ordered its troops to withdraw on 5 March 1979. "Cambodia had moved from the Chinese to the Vietnamese orbit. It was no longer a Chinese satellite in Southeast Asia, nor was it a buffer state between Thailand and Vietnam."²⁶ "No matter how complex the factors may have been in Hanoi's decision-making with respect to the invasion of Kampuchea, for a worried ASEAN, the first Southeast Asian 'domino' had fallen to aggressive Vietnamese expansionism."²⁷ Australian researcher Milton Osborne wrote that Vietnam's action against Kampuchea was all too readily seen in ASEAN capitals as yet another step in a long history of Vietnamese expansion. "At the very least, Vietnam is interested in pursuing goals in relation to the other countries of Indochina that have undeniable links with the past. In particular, Vietnam in 1980 quite clearly expects its immediate Southeast Asian neighbours to be responsive to its interests. The failure of Kampuchea to act in such a manner and instead to act in an extraordinarily provocative style brought the eventual Vietnamese invasion ..."²⁸

26. Ibid., p. 94.

27. Donald E. Weatherbee, "ASEAN: Patterns of National and Regional Resilience", in Young Whan Kihl, ed., Asian-Pacific Security: Emerging Challenges and Responses (New Delhi, 1987), p. 201.

28. Milton Osborne, "Historical Patterns of Regional Conflict in Southeast Asia", in Regional Security Developments and Stability in Southeast Asia, papers presented at International Conference (Singapore, 1980), p.6.

Just as Vietnam's invasion of Kampuchea awakened historical echoes, so did China's invasion of Vietnam conjured up memories of earlier Chinese invasions. What was special about the conflict that emerged was the fact of Vietnam's geographical position as China's immediate neighbour combined with hostility stemming from ideological and power politics considerations.

The conflict in Indochina had (and continues to have) destabilizing effects upon South-East Asia. ASEAN's interests in reaching a political settlement of the problem was not solely based on short-term considerations but also reflected its longer-term objectives, namely, the creation of South-East Asia as a Zone of Peace, Freedom and Neutrality (ZOPFAN), which was stipulated in the Kuala Lumpur Declaration of November 27, 1971.

As ASEAN political activities during the past eight years were dominated by the Association's initiatives in seeking the political settlement of Kampuchea problem, it needs special discussion and also how the problem had affected the prospects of realizing the idea of ZOPFAN.

ASEAN Diplomatic Initiatives

The day following the PRK came into power after eliminating Democratic Kampuchea (DK) government under Pol Pot, the five ASEAN ministers met in Bangkok on January 12-13, 1979 for a special meeting to discuss the current political

developments in the region. They were "determined to demonstrate the solidarity and cohesiveness of ASEAN in the face of the current threat to peace and stability in the Southeast Asia region, and recalling the Vietnamese pledge to ASEAN member countries to scrupulously respect each other's independence, sovereignty and territorial integrity, and to cooperate in the maintenance and strengthening of peace and stability in the region..."²⁹ Whereas the preamble of the statement above mentioned Vietnam explicitly, the main clauses of the statement did not. Points 2 and 3 stated that "the ASEAN Foreign Ministers strongly deplored the armed intervention against the independence, sovereignty and territorial integrity of Kampuchea (and) ... affirmed the right of the Kampuchean people to determine their future by themselves free from interference or influence from outside powers in the exercise of their rights of self-determination."³⁰

The ASEAN Special Meeting also discussed the problem of refugees and displaced persons or illegal immigrants from Indochina. They expressed their grave concern over the increasing influx of these persons into ASEAN countries. They emphasized that "the influx is causing severe economic, social, political and security problems particularly in those countries bearing the main brunt of the influx, such as Thailand and Malaysia."³¹ The number of refugees, nearly a quarter of a million Kampuchean civilians were forced to seek temporary asylum inside Thai territory while some 200,000 Thai villagers

29. ASEAN Documents, n.3, p.147 (stress added).

30. Ibid., p. 147.

31. Ibid., p. 149.

living along the Thai-Kampuchean border had to be relocated because of the intensity of the Vietnamese military operations and numerous intrusions into Thai territory.³² The Foreign Ministers took note once again that since 1978 hundreds of thousands of Indo-chinese refugees and displaced persons still remained in the ASEAN countries and reiterated that, ever since the first influx of the Indochinese refugees in 1975, asylum in ASEAN countries was granted on the understanding that resettlement in third countries would be guaranteed and that there would not be residual problem in the ASEAN countries.³³ Gerald E. Walzer, a UN High Commission for Refugees (UNHCR) official in Thailand estimated that over the past ten years some 1,500,000 Indochinese people had fled their home countries... Although over 500,000 refugees had left Thailand for resettlement in some 30 countries -- with the USA taking close on 70 per cent of them - the Thai Government was making it clear that it was no longer prepared to shoulder the bulk of refugee problem more or less alone and, if necessary, would repatriate refugees back to their own countries.³⁴

32. Point 44, Joint Communique of the 18th AMM, 18th AMM and Post Ministerial Conferences with the Dialogue Countries (Jakarta, n.d.), p.49

33. Point 45, Ibid., pp. 49 - 50.

34. See "Refugee! A Cambodian Problem that threatens Thailand's own Economic Plans", in Southeast Asia Development Digest (London, April/May 1986), p. 37.

The Vietnamese invasion of Kampuchea strained Vietnamese-ASEAN relations. First, ASEAN felt betrayed, as only a few weeks before Premier Pham Van Dong, while visiting ASEAN capitals had declared that Vietnam would adhere to such principles as respect for sovereignty and territorial integrity as well as non-interference in the affairs of other countries. Secondly, the invasion brought Vietnamese troops right up to the doorstep of an ASEAN country, Thailand. Thirdly, the Vietnamese action gave rise to uneasy suspicion about Hanoi's intentions with regard to the rest of the region.

In a retroactive move to justify the presence of Vietnamese troops in Kampuchea and to strengthen control over the country, a Vietnamese delegation led by Pham Van Dong visited Phnom Penh in February 1979 "to sign a 25-year Treaty of Peace, Friendship and Cooperation with the newly-installed Heng Samrin regime (The Treaty was modelled on a similar agreement signed between Vietnam and Laos in 1977). Article 2 provided for Vietnamese assistance 'in all domains and in all necessary forms' in the defence of Kampuchea. The Treaty 'legalised' Vietnamese troops presence."³⁵

On February 17, 1979, while the Vietnamese delegation was still in Phnom Penh, about 100,000 Chinese troops launched attacks on northern borders of Vietnam to teach it a "lesson" for having invaded Kampuchea. The next day Kampuchea and

35. See Asia Yearbook 1980 (Hong Kong: FEER, 1980), p. 301.

Vietnam concluded a Treaty of Peace and Friendship. The Chinese attack put into jeopardy peace and security in the entire region and increased manifold the ASEAN's concerns about the same. In a statement issued in Bangkok on February 21, 1979, the Chairman of the ASEAN Standing Committee said: "In order to avoid further disruption of peace and stability in the South East Asia region, the ASEAN countries urgently appeal to the conflicting parties to cease all hostilities and urge that all foreign forces be withdrawn from all the areas of conflict in Indochina. The ASEAN countries furthermore appeal to powers outside the region to exercise the utmost restraint and refrain from any acts which may lead to a further escalation and widening of the conflict."³⁶

The Chinese military campaign was relatively short. On March 5, 1979 China announced a unilateral pullout and withdrew its forces on March 16. However, a kind of protracted war went on. SRV Ambassador to India Hoang Anh Tuan said at a seminar held at Jawaharlal Nehru University in New Delhi on March 12, 1986: "After their defeat in the war of aggression in Northern border of Vietnam, the Chinese authorities have constantly maintained a type of land nibbling war and a multi-faceted war of sabotage along with aiding, abetting and directing Pol Pot remnants (Khmer Rouge) to undermine the PRK."³⁷ He further said that Vietnam, after shedding

36. ASEAN Documents, n.3, p. 150a.

37. Cited from the SRV Ambassador's presentation paper, p. 10.

countless blood in defence of its territorial sovereignty and security and in rendering help to brotherly nation to free themselves could not subsequently leave them alone for the genocidal clique and their masters to come back with another disaster endangering not only the destiny of the Kampuchean people but Vietnam's as well."³⁸

The ouster of the DK government and the installation of PRK regime led to international row over the question of which political group should represent Kampuchea at international conferences. The ASEAN countries were in the forefront in arguing for the right of the DK regime to represent Kampuchea. They adopted a common stand on the issues of recognition and international representation of Kampuchea. They refused to recognize the PRK and sustained recognition of the DK regime. Those ASEAN countries which were members of the non-aligned movement (NAM) argued for the retention of the Kampuchean seat by the DK regime at NAM conferences. Despite their efforts to keep DK represented at the NAM Conference of the Heads of Government held in Havana in 1979 Cuba unilaterally barred the representatives of DK from the Havana Summit and the Kampuchean seat was declared vacant. Cuba as the Chairman insisted that the decision could be reversed only by a "consensus". Singapore stressed that if the Summit could not arrive at a conclusion, the status quo,

38. Ibid., p. 5 (stress added).

which was the continued seating of the incumbent DK should have prevailed. ASEAN stand seemed to be reflected by Singapore, which argued that the unseating of DK was not the decision of the Summit but it was a Cuban decision.³⁹ ASEAN efforts were more successful at the UN General Assembly (UNGA).⁴⁰

The matter of Kampuchean representation was first raised in the Credentials Committee of the UNGA in September 1979. Those favouring Heng Samrin regime tried to adopt a vacant seat formula, which had led to the unseating of the DK regime but not its replacement by the PRK regime at NAM Conference at Havana. After deliberations, a draft resolution to accept the credentials of DK was adopted by 6 votes to 3 without any abstentions. "The report of the Credentials Committee then came before the UNGA where it was endorsed by 71 votes to 35 with 34 abstentions."⁴¹

In the following years, the majority of the UN members continued to vote for the retention of the Kampuchean seat by DK in the UN. The ASEAN's resolution on Kampuchea was passed by the UNGA on October 21, 1986 with an overwhelming majority. The resolution was sponsored by 60 countries and called for:

39. See Havana and New Delhi: What's the Difference (Singapore, Ministry of Foreign Affairs, 1983), pp. 7-11,
40. Khaw Guat Hoon, n.21, p. 245.
41. Ibid., p. 245.

the withdrawal of all foreign forces from Kampuchea; the restoration of Kampuchean independence; the exercise of self-determination by the Kampuchean people and the rehabilitation and reconstruction of Kampuchea and its neighbours." From 1979 to 1986 the voting results at the UNGA sponsored by the ASEAN countries were as follows:

Year	1979	1980	1981	1982	1983	1984	1985	1986
For	91	97	100	105	105	110	114	115
Against	21	23	24	23	23	22	21	21
Abstention	29	22	20	20	19	18	16	16" 42.

The ASEAN position at the UN regarding the Kampuchea issue did not necessarily condone what had happened during the Pol Pot regime. The brutality of the DK regime was well-known. The atrocities committed during its rule over Kampuchea not only alienated the Khmer people but also foreign governments. Left on its own to canvass for votes, one could be doubtful if the DK delegation could have obtained enough votes in the UNGA. "Many countries which might otherwise have voted against its seating or abstained from voting finally cast votes in its favour in deference to ASEAN. However, other factors have also influenced the voting, such as the Soviet invasion of Afghanistan in late 1979, which caused some countries to vote for the DK regime in 1980 as an indication of displeasure towards the USSR and its ally, Vietnam."⁴³

42. See ASEAN Newsletter (Jakarta, September-October 1986) no.17, p.8

43. Cited in Khaw Guat Hoon, n.20, p. 245.

The search for a political settlement in Kampuchea was initiated by ASEAN member countries at the UN by sponsoring the International Conference on Kampuchea (ICK), which was held under the UN auspices during 13-17 July 1981, participated by 92 nations. Vietnam and some of its supporters were not taking part for various reasons, including the fact that the Kampuchean seat at the UN was held by the DK government, headed by Prince Norodom Sihanouk.

At the Conference, ASEAN called for, among other things, the disarming of all Khmer groups, including the Khmer Rouge, in the wake of Vietnamese withdrawal and the setting up of an interim administration pending the holding of free elections.⁴⁴ These two proposals reflected ASEAN views that the Khmer Rouge should not automatically be allowed to resume power in Kampuchea against the wishes of the Khmer people. They underlined ASEAN consensus that it was up to the Khmers to decide who should rule the country and, given its past brutalities, ASEAN doubted that the DK regime would win in any free elections. If the DK forces were not disarmed in the wake of a Vietnamese troop withdrawal, they could return to power by force. A resumption of power by the Khmer Rouge could mean a resumption of Chinese influence in Kampuchea, and while ASEAN wanted the Vietnamese troops out of the country, ASEAN did not want to see a return of Chinese influence.

44. FEER, July 24-30, 1981, p. 13.

The ICK Declaration called for negotiations, inter alia, on the following elements of a comprehensive political solution:

- An agreement on ceasefire by all parties to the conflict in Kampuchea and withdrawal of all foreign forces from Kampuchea in the shortest time possible under the supervision and verification of a United Nations peace-keeping force observer group.
- Appropriate arrangements to ensure that armed Kampuchean factions will not be able to prevent or disrupt the holding of free elections, or intimidate or coerce the population in the electoral process; such arrangements should also ensure that they will respect the free elections.
- Appropriate measures for the maintenance of law and order in Kampuchea and the holding of free elections, following the withdrawal of all foreign forces from the country and before the establishment of a new government resulting from those elections.
- The holding of free elections under United Nations supervision which will allow the Kampuchean people to exercise their right of self-determination and elect a government of their own choice; all Kampucheans will have the right to participate in the elections.
- Following the peaceful resolution of the Kampuchean problem in which Kampuchea will be neutral and non-aligned, an international committee will be set up to consider programmes of assistance for the reconstruction of the Kampuchean economy and for the economic and social development of all states in Southeast Asia.⁴⁵

45. See Dept. of Press and Information of MFA of the CGDK, Kampuchea Under Foreign Occupation, the Struggle Progress March, 1986, pp. 5 - 6.

At the opening statement during 15th AMM the following year, the Indonesian Foreign Minister said that the Declaration and Resolution adopted by the UN ICK "should have provided an equitable framework for a comprehensive political settlement of the problem, taking into account the legitimate interests and security concerns of all parties concerned. It is to be deeply regretted that these efforts by the international community to find a peaceful and honourable solution continue to meet with Vietnamese intransigence and the rigid position adopted by some of those involved."⁴⁶

Thus far the strategy adopted by ASEAN to deal with the Indochina conflict might be summarised as follows:

- 1) to isolate Vietnam diplomatically and economically by mobilising international censure against it for the invasion of Kampuchea and the refugee problems.
- 2) to refrain from according recognition to the Vietnamese installed Heng Samrin government while supporting DK. This involved diplomatic efforts to deny representation to Heng Samrin delegates at international meetings.
- 3) to maintain an open line of communication at all times with Vietnam on the Kampuchean issue or any other matter.⁴⁷

46. See 15th AMM and Post Ministerial Meeting with the Dialogue Countries, Singapore, 14-18 June 1982 (Jakarta, n.d.), p.16.

47. Chang Heng Chee, "the Interests and Role of ASEAN in the Indochina conflict", in K. Theerairt, ed., n.21, p. 192.

Tommy Koh, Singapore's Permanent Representative to the UN, reflected the thinking of the ASEAN countries when he said before the UNGA in October 1980 that: "If Democratic Kampuchea were to lose its seat in the United Nations, it would be tantamount to saying that it is permissible for a powerful military state to invade its weaker neighbour, to overthrow its government and to impose a puppet regime on it."⁴⁸ ASEAN countries did not find the vacant seat formula acceptable because the unseating of the DK regime could eventually lead to the seating of the PRK regime. The Association made it clear, however, that it was against a Khmer Rouge resumption of power in Kampuchea against the wishes of its people. In this regard, Indonesian Foreign Minister said that "the problem with the Kampuchians is and that what they need is reconciliation and unity, because if the factions in Phnom Penh, the KPNLF, the Sihanoukists and the Khmer Rouge, except for the notorious leaders, if they could get together and be united, then they can tell both the Chinese and the Vietnamese to buzz off. I mean this is a tragedy of Kampuchea. It is not their lack of arms and all that, but this is lack of unity. And until and unless that happens, there is always going to be intervention. The intervention is a consequence of a lack of unity rather than the cause, because one faction does not feel strong enough to oppose the other and it calls in another, be it the

48. Cited in Khaw Guat Hoon, n. 20, pp. 245-46.

Vietnamese or the Chinese If you want to stabilise Kampuchea, what you should do is to bring about reconciliation and national unity among the Kampuchean people. But that is for them to decide. You see, it is not for us or for anybody to force them to unite."⁴⁹

The ASEAN countries played a prominent role in encouraging the two non-communist groups, the Khmer People's National Liberation Front (KPNLF) under Son Sann and the Moulinaka group under Norodom Sihanouk, which had fighting forces of about 9,000 and 1,000 men respectively, to form a coalition with the Khmer Rouge, with an estimated 30,000 men. Singaporean Foreign Minister, Suppiah Dhanabalan noted in late 1981 that the Khmer Rouge "is the only group that offers resistance at the present moment. One must be realistic and practical. Without the resistance of that group, Vietnam would have consolidated its hold on Cambodia and we would not be talking about a political solution."⁵⁰

The leaders of the three groups met in Singapore in September 1981. ASEAN hoped that they would be able to produce a declaration of principles which would show to the world that they could work together. On September 4, 1981 the three leaders issued a joint declaration in which they expressed a desire to form a Coalition Government of Democratic Kampuchea (CGDK).

49. Transcript of Press Conference on January 18, 1985
(New Delhi, Indonesian Embassy) p.6, (stress added).

50. FEER, November 13-19, 1981, p.9.

The coalition government became a reality on June 22, 1982 when Norodom Sihanouk, Son Sann and Khieu Samphan signed a declaration to form a CGDK, held in Kuala Lumpur.

While the ASEAN countries agreed to and supported the formation of CGDK, they disagreed about whether ASEAN should provide it with aid in any form other than political and moral support. The Deputy Prime Minister of Singapore, S. Rajaratnam stirred up some controversy when he stated in early 1981 that ASEAN was ready to supply the coalition with aid, including arms.⁵¹ The other ASEAN countries, in particular Indonesia and Malaysia, objected to the suggestion that the grouping would supply arms to the coalition. Subsequently, the issue was dropped from ASEAN discussion.

In the UNGA, ASEAN sponsored resolutions calling for a cessation of hostilities by all parties to the conflict and total withdrawal of Vietnamese troops from Kampuchea to enable the Kampuchean people to exercise their right of self-determination, in accordance with the UN resolutions. However there were instances when some of the ASEAN countries were thought to have been amenable to solutions which deviated from the UN resolutions. A notable example which was given much attention was the "Kuantan formula". The Kuantan Principle was worked out by Indonesia's President Suharto and former Malaysia's Prime Minister Hussein Onn, when they met at Kuantan in March 1980.

51. Ibid., February 13-19, 1981, p.10.

Both agreed that an early solution to the Kampuchean conflict should be sought since a protracted war might weaken Vietnam and subject it to greater Soviet influence. Both saw the need to wean Hanoi away from Moscow and work towards a Vietnam free from Chinese and Soviet influence. The Kuantan Principle in fact called on China and the Soviet Union to leave Vietnam alone. The formula allowed for a deviation from the UN resolutions calling for total Vietnamese troops withdrawal as long as the sovereignty and territorial integrity of Thailand was safeguarded.⁵² The "Kuantan Doctrine" raised consternation and resentment in ASEAN diplomatic circles: a serious regional problem was sought to be solved through a bilateral initiative of two states not even bordering Kampuchea. Hussein Onn's assurance that "...we have agreed to consult the leaders in Bangkok ... (and) myself and President Suharto are of the view that there is no urgency for holding an ASEAN summit", aggravated the situation further.⁵³

Not well disposed towards it, Singapore and Thailand greeted the Kuantan Principle coldly. While concurring with the idea of keeping Vietnam free from both Soviet and Chinese influence, they disagreed with the notion that UN resolutions be compromised. When Hussein Onn visited Singapore in May 1980, both he and Lee Kuan Yew did not mention the Kuantan principle. Both leaders agreed that a solution to the Kampuchean issue should be based on the U.N. resolution of 1979.

52. Ibid., May 16-22, 1980, p. 12.

53. Hans H. Indorf, n. 8, p. 77.

On June 23, 1980 Vietnamese troops made incursions into Thai territory, on the eve of the ASEAN Foreign Ministers' Meeting which was to be held in Kuala Lumpur. This put a damper on the Kuantan initiative of Indonesia and Malaysia. The communique issued at the end of the meeting stated, among other things, ASEAN's commitment to the UN resolutions on the Kampuchean issue. Without mentioning Kuantan Principle, the ASEAN Ministers emerged united.

How have the three major communist countries -- Vietnam, the USSR and the PRC responded to ASEAN's proposals for a political solution in Kampuchea? Vietnam has often declared that the situation in Kampuchea is "irreversible"⁵⁴. It ignored ASEAN-sponsored resolutions at the UNGA calling for a total withdrawal of Vietnamese troops. It denounced the 1980 UN resolution calling for the convening of an ICK as a "flagrant encroachment" on the sovereignty of the PRK and refused to attend it when held in 1981. Hanoi consistently declared that the UN discussions on Kampuchea were tantamount to interference in Kampuchean affairs.⁵⁵

Since the establishment of the PRK, the three Indochinese states, led by Vietnam, have coordinated their foreign policies, including their policies towards ASEAN. The first Indochinese Conference took place in Phnom Penh in January 1980, at which common positions were enunciated. At the Third Indochinese Conference held in Ho Chi Minh City in January 1981,

54. See e.g. the SRV Ambassador's paper, at a JNU Seminar, n.37, p.6.

55. Cited in Khaw Guat Hoon, n. 20, p. 252.

the three countries countered ASEAN's proposal for an ICK with a proposal of their own, which "called for a regional conference between the "two groups of countries" -- the Indochinese and the ASEAN groupings. The purpose of the conference would be to 'discuss problems of mutual concern', although the issue of Kampuchea would not be an item for discussion. If such a conference "result in the signing of a treaty of peace and stability in Southeast Asia, a broad international conference will be convened for the purpose of recognizing and guaranteeing that treaty."⁵⁶ ASEAN was averse to the proposal. Apart from the fact that Kampuchea would not be discussed, for the ASEAN countries to sit at the same negotiating table with the Hanoi-backed rulers of Kampuchea would imply recognition of the Heng Samrin regime. Moreover, ASEAN still preferred a UN sponsored conference on Kampuchea to a regional meeting.

The CGDK could not accept the Indochinese proposal regarding the "regional dialogue", as "it tries to create the impression that as Vietnam and ASEAN are actively engaged in a 'dialogue' to resolve the Kampuchean problem, there is no need for the international community to bother with the problem. Bilateral discussions between ASEAN member countries and Vietnam take place in the context of the objective of international negotiations."⁵⁷

56 Huynh Kim Khanh & Hans Indorf, "Southeast Asia 1981: Two Currents Running", Southeast Asian Affairs 1982, p.7

57. Department of Press and Information of MFA of the CGDK, n. 45, p. 8

On the pattern of Vietnam's diplomatic tactics, the CGDK was of the opinion that "before the UN General Assembly, declarations of peace initiatives emanate from the bi-annual meetings of the Indochinese Foreign Ministers under Vietnam's aegis. These communiquees of apparent goodwill are coupled with announcements of Vietnamese troop withdrawals from Kampuchea which are carefully timed to deceive international opinion and deflect the stand of the General Assembly over Vietnam's non-compliance of resolutions passed since 1979."⁵⁸

The question of Vietnamese troops withdrawal was central to ASEAN's proposed settlement to the Kampuchean issue. To ASEAN, these troops constituted an occupation force. To Vietnam, its troops were in Kampuchea at the request of the government in Phnom Penh and under the Vietnamese-Kampuchean Treaty of Friendship and Cooperation. Vietnam linked the presence of its troops to the security requirements of the Indochinese states. Its foreign minister, Nguyen Co Thach declared that Vietnam "will withdraw completely whenever the Chinese stop their threat against Indochina. And we will withdraw partially if the Thais will stop (giving) sanctuary on Thai territory and the supplying of arms to Pol Pot."⁵⁹ As long as Vietnam perceived that a Chinese threat existed, it would not withdraw its troops completely from Kampuchea. In July 1982, Nguyen Co Thach announced a partial withdrawal of Vietnamese troops from Kampuchea, saying that the

58. Ibid., p.8

59. FEER, January 29 - February 4, 1982, p. 16.

move was a gesture of goodwill. Later in March 1986 the Vietnamese Ambassador to India stated that "since 1982, Vietnam has been able to carry out annual partial withdrawals ... and the completion of these would be done by 1990. If there is a political solution among the concerned parties this process could be achieved earlier."⁶⁰

As regards the Soviet approach, it was generally held that Soviet backing and its Treaty of Friendship and Cooperation with SRV signed on November 3, 1978 were important factors in the Vietnamese decision to invade Kampuchea. Moscow also denounced UN discussions on Kampuchea as interference in its domestic affairs. It refused to attend the 1981 ICK. For the Vietnamese, "the relation between Vietnam and the Soviet Union is that of fraternity and equality between two socialist countries which share the same ideals, objectives and strategic interests ..."⁶¹

Vietnam has been strategically important to the USSR in its policy of containing China and in its naval activities in the Indian and Pacific Oceans. The ouster of DK regime also served Soviet interests in denying China a foothold in that country. As long as Sino-Soviet rivalry continued, and likelihood of a resumption of power by the Khmer Rouge was anathema to Moscow, since it might also entail a return of Chinese influence, Vietnam's stand on Kampuchean issue was in line with Soviet interests. Although the USSR was opposed to ASEAN's

60. Cited from the SRV Ambassador paper, n.37, p. 5.

61. Ibid., p. 7.

proposals for a political solution to the Kampuchean issue, it apparently advised the Vietnamese to show restraint and keep a dialogue going.⁶²

Of these three communist powers, China was the only one to attend the 1981 ICK. In some ways China's approaches to the Kampuchean conflict were similar to ASEAN's. Both did not recognize that PRK regime and wanted DK to retain the Kampuchean seat at the UN. They called for the withdrawal of Vietnamese troops from Kampuchea. Both were concerned about the possible threat posed to Thailand by the Kampuchean situation and they assisted in the formation of CGDK. Although some similarities existed in the ASEAN and Chinese approaches to the Kampuchean issue, there were differences as well. Their attitude towards the Khmer Rouge differed. ASEAN was not in favour of a return to power of the Khmer Rouge. China would like to see the Khmer Rouge group resume power in Kampuchea. ASEAN stressed an early political settlement of the issue. China preferred the conflict in Kampuchea protracted. Deng Xiaoping reportedly told the Japanese Prime Minister Ohira in December 1979 that it "is wise for China to force the Vietnamese to stay in Kampuchea because that way they will suffer more and more, and will not be able to extend their hand to Thailand, Malaysia and Singapore".⁶³

62. New Straits Times (Kuala Lumpur), October 19, 1982.

63. FEER, October 31 - November 6, 1980, p. 24.

Whereas no political settlement of the Kampuchean issue were at sight, Sino-American rapprochement came in as a new power equation in the political calculation and might affect the Southeast Asian region. As Ray S. Cline observed in his essay contributed to the 1982 Hoover International Study "A US Foreign Policy for Asia", that the Carter/Brzezinski "China Card" ploy was based on three debilitating myths. First, that the US tilt toward China would strengthen the US strategic posture in Asia and inhibit Soviet advances; second, that China was a loyal friend, virtually an ally of the US; and third, that Deng Xiaoping had firm control over a stable regime in Peking.⁶⁴ Attainment of a dominant policy position in Indochina and South-East Asia has always been an age-old Chinese objective, and after the failure of the early 1960s policy to achieve it through subversion and insurrection (in Indonesia and Malaysia), a new opportunity now presented itself and was exploited in every way possible. Some analysts have gone so far as to suggest that :the deliberate massacres in Cambodia were simply a prelude to a planned resettlement of parts of Cambodia with a Chinese population."⁶⁵

Although the US-China rapprochement could be understood as a means to contain Soviet power and to maintain a balance of power in the world, it inevitably had an impact on the

64. Cited in Uwe Parpart-Henke, "Strategic parameters of Pacific Basin development", Executive Intelligence Review (Washington, October 11, 1983), p 32

65. Ibid.

ASEAN countries, which got used to Sino-American hostility and the concomitant American policy of containing China. Could American support for China possibly be at the expense of the ASEAN? Then Foreign Minister Tan Sri Ghazali Shafie of Malaysia noted: "If the Americans do not take into account China's policies in Asia ... then the assistance (the US) gives to China might be negative to us. It is all right for the US to support China in its global strategy, but if its support for China will hurt us then we have to tell them (the Americans) that arms could be used for subversion against us by the guerillas."⁶⁶ Prime Minister Lee Kuan Yew of Singapore said that "we were premature in assuming that the congruence of American and Chinese interests in containing Soviet expansion will make them de-facto allies. The present balance of relationships amongst US, USSR, and PRC is more fluid and uncertain ... In Southeast Asia, the Soviet Union has underwritten Vietnam's designs in Indochina. In return, the Soviets have acquired access to bases in Vietnam and probably Kampuchea. This Soviet intrusion has predictably drawn a response from China. Over Indochina, China and Soviet Union are engaged in a sustained contest of will and power for pre-eminent influence. Until one side finds it burdensome and not worth the cost, there is little hope for peace."⁶⁷

66. FEER, October 9 - 15, 1981, p. 8.

67. Opening Address at 15th AMM, n.46, p.10.

For the last eight years the Kampuchean question has been the biggest political challenge confronting ASEAN. So far there has been lack of Vietnamese response to the initiatives of ASEAN. However, as a further reflection of ASEAN's continuing efforts to seek a negotiated settlement, Indonesia have been assigned the role of an interlocutor of ASEAN vis-a-vis Vietnam in promoting dialogues. While these efforts have contributed to mutual clarification of some of the issues, differences continued to exist over some important aspects. For instance, differences on the meaning of withdrawal of Vietnamese troops, on what the Vietnamese meant by national reconciliation, what they meant by the terms, Khmer Rouge Group and the Pol Pot clique. Also there were different interpretations on the "Safety Zone". These matters were not yet revealed publicly as per mutual understanding between Indonesian and Vietnamese sides. However these were discussed among the ASEAN officials.

Indonesian Foreign Minister Mochtar Kusumaatmadja introduced a new factor, namely the normalization of relations between the US and Vietnam, which was expected to create a new political configuration in South-East Asia, where competition between Vietnam (supported by the USSR) and China in gaining influence would be balanced. "In this framework, Indonesia has offered its good offices in helping solve the problem of American soldiers missing in action (MIA)",

adding that the "normalization will free South-East Asia from a protracted turmoil, making the situation in the region more stable".⁶⁸ After having discussion with the Deputy Foreign Minister., Mikhail Kapitsa, in Jakarta the Indonesian Foreign Minister said that the Soviet Union did welcome it, because good relations between the U.S. and Vietnam and between Vietnam and China would be good for all. But the Soviet Minister said that Indonesia should not over-estimate Soviet capability to influence the political attitude of Vietnam.⁶⁹

On Indonesia's role in US-Vietnam relations, Mochtar observed in an interview with *Asiaweek* that "the most important thing, though the Americans do not consider it a condition, is MIAs. I was able to persuade the Vietnamese that they should remove this obstacle. They realised how important it was to change public opinion in the States. I told them the only sure and quick way to recoup the lost understanding was to solve the MIA question..."⁷⁰

In the meantime, a process of "Vietnamisation" has taken place in Kampuchea. A French researcher Marie-Alexandrine Martin, in her two articles, namely "The Process of Vietnamisation in Cambodia" and "The Advancement of Vietnamisation in Cambodia" documented the process of Vietnamisation based on her analysis of PRK documents and extensive interviews with

68. Press Cable (Jakarta; Department of Foreign Affairs), 2 April 1985, p.1.

69. *Ibid.*, p.2.

70. *Asiaweek*, May 4, 1986, p. 39.

Kampuchean refugees. "It has been established that Vietnamese settlers are being sent to areas in eastern Kampuchea, around the Mekong River, and the Tonle Sap lake. The 'Vietnamisation' of Kampuchea is the basis of Vietnam's assertion that it would withdraw all its troops in 1990."⁷¹ Singapore's Foreign Minister held that "the Cambodian problem has grown from aggression and foreign occupation to one of total colonization. Vietnamese colonial policies and practices threaten to end the Cambodians as a culture and nation."⁷²

Faced with a changed security environment in the late 1970s, the ASEAN states indicated what their new security priorities were in the reallocation of scarce state budgetary resources. The period 1979 - 1982 saw a sharp upward jump in defence expenditure. ASEAN's rising defence budgets were meant to finance increases in military personnel, infrastructure development, acquisition of modern weapons systems, and training. "Historically in ASEAN ..., defence planning, force structure, and tactics have been responses to threats originating from internal insurgencies. ASEAN military establishments were built around counterinsurgency (COIN) warfare. The post-1978 militarization programs in the ASEAN states have focused on the creation of a

71. Department of Press and Information of MFA of the CGDK, n. 42, p. 17.

72. See Opening Statement, 18th AMM and Post Ministerial Conferences with the Dialogue Countries (Jakarta: ASEAN, n.d.), p.19.

conventional warfare capability, particularly in the strengthening of naval and air arms, the poor relations in COIN."⁷³

The sharp increase in ASEAN defence expenditure could be seen from the following details. The defence and security development budget (as opposed to the routine budget) jumped 500 per cent between 1978 and 1983 ... Although Indonesia's defence expenditures were in absolute terms the largest in ASEAN, they still remained only about 7 per cent of the total development budget.⁷⁴ Malaysia's total defence and security budget increased by nearly 200 per cent between 1979 and 1982.... in 1983 defence still ate 5.8 per cent of GNP, more than any other ASEAN country.⁷⁵

If ASEAN countries had to increase their military spending due to the continuing Kampuchea imbroglio as they were worried about the Vietnamese real intentions beyond its borders, one might question as to the length of time Vietnam could afford its adventure in Kampuchea. A country of 60 million people had an average income of a pauperous \$ 150 or so a year, a third of the workforce was thought to be unemployed in a society where work was supposed to be a guaranteed right, an unwinnable guerrilla war in neighbouring Kampuchea occupied one in eight of Vietnam's one million

73. Denald E. Weatherbee, n.28, p. 203.

74. Ibid., p. 209.

75. Ibid., p. 203.

soldiers, more than even India had. "... Vietnam is dependent for its economic survival on Russian aid, said ... to be running at \$ 3 million a day ... Vietnam has become so addicted to a destructive combination of war and aid that its leaders can barely comprehend how other countries live in peace ... But so long as Vietnam keeps all those soldiers in Kampuchea, it is making its eventual return to economic good sense that much harder. And so long as Vietnam seems expansionist, its nervous neighbours will spend too much money on their own armies."⁷⁶ If the Soviet Union continued to be bogged down in the Afghanistan quagmire it might be less than willing to continue supporting Vietnam, which would then inevitably feel the deadly pain of the war; but until that stage was reached a modification of Vietnam's position was unlikely.

Nuclear Weapons Free Zone (NWFZ)

While the Kampuchea issue had hampered the ASEAN efforts towards the realisation of ZOPFAN one thought that it would have been a serious setback to the ZOPFAN concept if the ASEAN leaders had to wait the final resolution of the Kampuchea problem before they began to exert the necessary steps towards the realisation of the concept. Tengku Ahmad Rithauddeen, then Malaysia's Foreign Minister and Chairman

76. "Bottom of Marx's League", The Economist (London), 1 November 1986, p. 15.

of the ASEAN Standing Committee for the 1984/1985 session, said that "ASEAN had agreed to look seriously at the idea of a NWFZ in Southeast Asia", adding that "the concept of NWFZ was inherent in the ZOPFAN".⁷⁷

Speaking about ASEAN's political achievements, Rithauddeen said that the ASEAN countries had been able to formulate "a sophisticated and coherent strategy for peace and stability in the region of which the framework of ZOPFAN is its finest manifestation. Needless to say, the cohesiveness of ASEAN as a regional grouping has enhanced our standing in the councils of the world where our voice is heard loud and clear and is listened to with respect and attention - a voice that argues persuasively for pragmatism and moderation in international relations while not sacrificing our commitment to the fundamental principles of international intercourse."⁷⁸

77. See ASEAN Newsletter (Jakarta), Sept.-Oct. 1984
no.5, p.3.

78. Ibid., p.3.

CHAPTER IV

ASEAN ECONOMIC CO-OPERATION

Problems, Achievements and Prospects

During a decade under study (1976-1986) the ASEAN economic development had not been spared from the effects of a changing global economy and technological trends. Technology has changed production methods radically. Micro-chips, automation and robotics have reduced the attraction of lower wages for foreign investors to locate factories in developing countries (including ASEAN) to produce for exports to industrial countries. In addition, the political and economic pressures for protectionism in the American and European markets are forcing investors to set up factories there to avoid trade barriers. For this reason, too, ASEAN countries have become less attractive to foreign investors.

ASEAN has a significant record of economic diplomacy in the last few years when they collectively rose to meet the challenge of protectionism and falling commodity prices. They had coordinated their diplomatic efforts with some success to protect their market access and investment flows with their dialogue partners of the industrialised countries. This has been a vital area of ASEAN economic cooperation that needs to be systematically addressed. They could no longer think of their economic diplomacy as an incidental activity to be carried out sporadically.

While the ASEAN countries had realized the difficulties in their economic cooperation, they had good reasons to be confident for the tremendous potential of ASEAN's economic future, as they had a large combined population and resource base. They had international linkages and for more than a decade they had invested in physical and social infrastructure. The ASEAN countries remained committed to the concept of a free market economy. This enabled them to improve and change in response to the requirements of economic growth. They have translated the concept into intra-ASEAN trade, tourism, investment and other areas of cooperation.

Critics have been addressed to the performance of ASEAN economic cooperation, especially with regard to the possibility of forming a kind of economic integration.

This chapter is devoted to the analysis of the problems faced by the ASEAN countries in the field of economic cooperation, the nature and extent of progress they have achieved and its prospects.

Problems

All of the ASEAN states except for Singapore have large rural populations primarily engaged in agriculture, especially wet rice cultivation, whereas their economies rely heavily on the export of a few primary products such as copra, coffee, tea, natural rubber, palm oil, tin, various kinds of

wood and wood products, oil and natural gas, and are, therefore, dependent upon fluctuating world market prices for these commodities.

The low degree of intraregional trade links was due primarily to the lack of complementarity of the ASEAN economies, as the ASEAN countries are essentially producers and exporters of similar above-mentioned products as a result of their common geographical location in tropical region. Conversely, they tended to compete each other in marketing their products in the developed countries, mostly to Japan, Western Europe and North America. Besides, in spite of geographical contiguity, the ASEAN member countries are divided by a diversity of ethnic groups, religions, cultures, sizes of population and land area, and also economic level of development. "The desired form of regional cooperation was ... where all members were nearly in the same level of development in order to avoid any occasion for dominance by any one of them, where issues on which conflict would outweigh cooperative potential would be avoided ..."¹

Philosophically and politically the ASEAN states seemed to be closer to the industrialised and Western countries. This in part "stems from the free market models of the domestic economy adopted in all ASEAN states. This, to some

1. Estrella D. Solidum, Bilateral Summitry in ASEAN (Manila, 1983), p. 4.

extent, made it rather difficult to conduct trade with the socialist bloc. The patterns of trade and investment, therefore, represent the manifestations and cause the directions of trade and trend investment."²

Prior to the establishment of ASEAN, experience in economic cooperation had been limited. This could be attributed to some factors, among which was the legacy of periodic internecine warfare by political entities before the region was carved up by the western colonial powers, which did little to promote cooperation. They were also responsible, to some extent, for the psychological barriers of the post-independence period as the economic structures and orientations of these former colonies were attuned to the specific colonial powers. Thus, after independence was attained and with political elites more concerned with the tasks of national consolidation, it was expected that regionalism would have but only limited appeal.

The ASEAN Declaration of 1967 described the aims and purposes of the Association, among others, "to accelerate the economic growth, social progress and cultural development in the region through joint endeavours."³ In the early years, ASEAN concentrated largely on social and cultural cooperation with a view to promoting goodwill and understanding among its members.

2. Robert O. Tilman, The Enemy Beyond: External Threat Perceptions in the ASEAN Region (Singapore, 1984), p.37.

3. ASEAN Documents (Jakarta, ASEAN National Secretariat, n.d.), p. 1.

Progress of ASEAN economic cooperation was minimal, yet ASEAN's achievement in this period was not economic progress but in the mutual trust and greater understanding of each other's problem. These were essential considering the facts that prior to the establishment of ASEAN, there were differences among Indonesia, Malaysia and the Philippines regarding regional issues, and Singapore had separated itself from Malaysia.⁴

ASEAN countries are economically oriented towards the industrialized countries rather than towards each other. This trade structures reflect their extraregional orientation. Intra-ASEAN trade was small relative to extra-ASEAN trade and this position remains to date. Figures of 1976 showed that four of the five ASEAN member countries are suppliers of industrial raw materials to the world markets, whereas Singapore was for long a service centre for the British Empire in the Far East and remains as an entreport centre in agricultural products for its neighbouring countries.

Table 1: Export of Certain Products from ASEAN (1976)⁵

<u>Type of Products</u>	<u>Percentage of World Trade</u>
Tropical hardwoods (Indonesia, the Philippines and Thailand)	90.2
Natural rubber (Indonesia, Malaysia, Thailand)	85.0
Coconut products (Indonesia, Malaysia, Philippines)	80.0
T i n (Indonesia, Malaysia and Thailand)	62.0
Palm oil (Indonesia and Malaysia)	85.0
Tapioca (Indonesia and Thailand)	95.0
Pepper (Indonesia and Malaysia)	50.0

4. See the "Background" of this dissertation, p.8.

5. Cited from Bangkok Bank Monthly Review, vol.18, no. 4, April 1977, p. 5.

The figures mentioned in the previous page revealed the fact that the economies of ASEAN member countries are basically competitive rather than complementary. It is understandable, therefore, that these countries had their own considerations in promoting economic cooperation. Singapore, for example, being a strategic entreport centre for the region, would like to maintain its role by having close and constructive trade relations with the other ASEAN countries. Indonesia, being the least developed among the Community of Five (before Brunei joined ASEAN in January 1984) felt that its own industrial growth required the preservation of its domestic market for its own production and therefore was reluctant to the idea of economic integration.⁶

Regional economic cooperation can take various forms. Some types of it require for domestic readjustment and therefore meet with few domestic political obstacles. Other types of cooperation, however, involve important domestic changes which affect established vested interests.

In his study to examine how the contrasting domestic political structure of the countries of ASEAN might affect the prospects of regional economic cooperation and integration, Harold Crouch wrote that "certain governments lack the 'political will' needed to implement policies designed to enhance regional cooperation and integration. Many economists

6. The issue of economic integration will be discussed in more detail in the later part of this Chapter.

in the ASEAN countries seem to believe that regional economic integration is self-evidently desirable and in the interests of all. They argue that economic integration leads to a more rational and efficient distribution of economic resources within the region with the result that the economic product of the region must increase and thus bring about a general rise of prosperity."⁷

The regional interest does not necessarily coincide with the interests of the individual states. This is so in the case of regional economic integration and its impact on industrialization. The creation of a regional free trade area or a customs union might lead to enhanced rationality in the distribution of regional resources through encouraging greater specialization within the region and thus result in faster economic growth in the region as a whole, but inevitably, the distribution of such growth would be uneven. Economic integration would provide a much larger market for countries with more advanced industries. In the case of ASEAN, economic integration would enable the high-technology industries of Singapore to dominate a vastly expanded market and thus block the prospect of such industries from developing in the other five member-countries. Economic integration might also provide increased opportunities for certain industries in the Philippines, Thailand and Malaysia, although the benefits from gaining access to wider market for some industries would have to be

7. Harold Crouch, Domestic Political Structures and Regional Economic Cooperation (Singapore, 1984), p.1.

balanced against the consequence of opening their own markets to penetration by more advanced neighbours in other areas. In the case of Indonesia, which is industrially the most backward state, however, the opening of its market to the industries of other ASEAN states would be disastrous for its prospects of industrialization. As long as the ASEAN political leaders regard the individual state rather than the region as the basic political unit, economic integration which stimulates development in some states while obstructing industrial growth in others will not be welcomed by those states which stand to fall further behind, even though it might be shown that the region as a whole would be better off.

Not all economic cooperation, however, conflicts with national interests. The individual states of a region might find it to be in the national interests of all to engage in particular forms of limited cooperation. Agreements might be reached to back up each other in the event of international shortages of basic commodities such as rice and oil, as applicable among ASEAN member countries.

In the field of foreign trade, Tables 2 and 3 revealed the extent of the ties between each of the ASEAN states (except Brunei) and the giants of the free market world trade -- Japan and the United States. The following figures indicate that only Singapore exported less than a quarter of its total to the US and Japan (23.3 per cent); Malaysia exported almost a third; Indonesia and the Philippines exported more than half

their world totals to the US and Japan; moreover Indonesia exported more than its products to Japan alone and more than 80 per cent to the two combined. In terms of imports, only Singapore took less than a third of its world total from the US and Japan, while Thailand took 35.3 per cent and Indonesia took 43.8 per cent from these two countries. By contrast, exports and imports to and from the two socialist giants, the USSR and the PRC, were almost insignificant in the context of the total trade systems, the largest percentage occurring in the case of Thailand's exports (6.9 per cent) and imports (3.9 per cent).

8

Table 1: Exports of the ASEAN States, 1981
(Expressed as percentage of each ASEAN
state's world total

ASEAN State	Exports to				Other significant Partners *
	USA	Japan	China	USSR	
Indonesia	26.3	54.6	n/a	0.3	
Malaysia	10.4	22.0	0.8	2.3	Singapore: 23.6 Netherlands: 6.2
Philippines	30.4	22.2	1.3	2.5	
Singapore	13.2	10.1	0.8	0.8	Malaysia : 15.6 Hong Kong: 8.8
Thailand	13.4	14.4	2.0	4.9	Netherlands: 9.7 Singapore: 7.4 Germany : 5.0 Malaysia : 5.0

* Representing 5.0 per cent or more of the state's total world figure.

The magnitude and directions of foreign trade may determine the broad pattern of international political relationships.

8. Source: Cited from IMF, Direction of Trade Statistics Yearbook, 1982 (Washington: IMF, 1982, pp.60-363, in Robert O. Tilman, n.2, p.38.

Trade deficits and surpluses create the environment of day-to-day political interchanges. Only Indonesia enjoyed a favourable ratio of imports and exports with its major trading partners. On the contrary, no other ASEAN state enjoyed a surplus with either the US or Japan.

With regard to foreign investment, figures tended to be out-dated and imprecise. The data in Table 3 below reinforced the observation made in the trade figures. The investment ties of the ASEAN states with the capitalist giants of the West were strong and remained so.

Table 3: Imports of the ASEAN states, 1981⁹
(Expressed as percentages of each ASEAN
state's world total

ASEAN State	Imports from				Other significant partners *
	USA	Japan	China	USSR	
Indonesia	10.6	33.2	1.4	1.5	Germany : 9.3 Saudi Arabia:8.3 Hong Kong : 6.8
Malaysia	14.6	24.4	2.4	0.2	Singapore :13.1
Philippines	22.0	19.1	2.7	0.1	Saudi Arabia:13.2
Singapore	12.6	18.8	2.8	0.2	Saudi Arabia:18.5 Malaysia :12.4
Thailand	11.5	23.8	3.8	0.1	Saudi Arabia:14.6 Singapore : 8.0

*Representing 5.0 per cent or more of the state's total world figure.

9. Source: Cited from IMF, in *ibid.*, p. 39.

"Foreign investments are likely to create long term ties as well as short-term friction. In some states they may also contribute to internal dissension between the 'haves' (probably the direct beneficiaries of foreign investments) and the 'have-nots' (those who do not benefit, or those whose benefits are so indirect as not to be apparent. In the latter case the government, or government leaders, are presumed to be among the 'haves' (or the foreign investment would not have been permitted), while many ordinary citizens regard themselves as 'have-nots'. Thus, foreign investments, at least in the short term, may actually contribute to domestic instability. It is probably this consequence that some ASEAN leaders had in mind when they expressed more concern about the internal threats occasioned by accelerated development than the external threats to their countries' physical security." ¹⁰

Achievements

Since the founding of ASEAN, member countries had enjoyed sustained growth. From 1967 to 1976, the year of the first ASEAN Summit, the GNP of the member countries had grown between six per cent and eleven per cent per annum. From 1977 to 1985, the average GNP grew between two per cent and seven per cent per annum. Because of the satisfac-

10. Robert O. Tilman, n. 2, p.40.

tory domestic economic growth for the nearly two decades, except for the last two years, Singaporean Foreign Minister S. Dhanabalan made some observations that the ASEAN countries were not particularly concerned with the lack of progress in intra-ASEAN economic cooperation. However, as they entered a period of economic difficulties, especially with regard to primary commodities, including petroleum, on which ASEAN countries were greatly dependent for the economic performance, they witnessed a period of depressed demand and prices. Also, because the manufactured goods were facing threats of increasing protectionist barriers from developed countries, he thought that it was time for ASEAN to take stock of economic cooperation. He further regarded the decision for an ASEAN Summit by the end of 1987 as a clear sign that there was a swelling tide to accord higher priority to economic cooperation.¹¹

The achievements of ASEAN economic cooperation upto 1986 are discussed in the following sections, which will be stressed on the trade liberalization and the idea of economic integration, and industrial cooperation.

Intra-ASEAN Trade Liberalization

The basic framework for the promotion of intra-ASEAN trade was provided by the Agreement on ASEAN Preferential Trading

11. Figures mentioned by Foreign Minister S. Dhanabalan in his Opening Statement at the 19th AMM, Manila, 23-24 June 1986, in 19th ASEAN Ministerial Meeting and Post Ministerial Conferences with the Dialogue Partners (Jakarta, ASEAN Secretariat, n.d.), p. 12.

Arrangements (PTA), signed in Manila on February 24, 1977 by the five ASEAN Foreign Ministers. The Agreement noted:

Recalling the Declaration of ASEAN Concord ..., which provides that Member States shall take co-operative action in their national and regional development program, utilizing as far as possible the resources available in the ASEAN region to broaden the complementarity of their respective economies;

Emphasizing that preferential trading arrangements among ASEAN Member States will act as stimulus to the strengthening of national and ASEAN economic resilience and the development of national economies of the Member States by expanding investment and production opportunities, trade and foreign exchange earnings. 12

The rationale for ASEAN economic cooperation to liberalize intra-regional trade rested on the following -- the limitation of the individual domestic markets and the difficulties of penetrating export markets, in particular, for manufactured goods. The development of a protected larger regional market, however, should not imply reduced efforts to promote extra-regional exports; it should offer the scope for the rationalization of industrial structures, development of regional specialization and achievement of scale economies. 13

Progress towards a free trade area implies gradual and scheduled across-the-board lowering of tariffs and other barriers to intra-regional trade. The UN Study Team rejected such an approach for ASEAN, and advocated instead a selective product-

12. ASEAN Documents, n. 3, p. 52.

13. Chia Siow Yue, "ASEAN Economic Co-operation- Developments and Issues, in ASEAN Economic Co-operation: Proceedings of the ASEAN Economic Research Unit Workshop (Singapore, 1980), p. 8.

by-product approach on the following grounds:

(a) the resultant distribution of economic activities among the five countries might not be politically acceptable, because it might lead to a polarization of industrial activities in the more advanced member-countries;

(b) even if the benefits of trade liberalization could be evenly distributed somehow, the probable distribution of the types of economic activities as between countries might not be politically acceptable if, for example, there was a polarization of large scale and modern science-based industries in some countries;

(c) the resultant degrees of economic interdependence, especially for basic and key commodities, might not be politically acceptable; and

(d) a process of complete trade liberalization by itself might not be adequate to produce results, because of various institutional rigidities typical of developing countries. 14

Gerald Tan, who studied the impact of the ASEAN PTA observed:

...large increases in intra-ASEAN trade should not be expected to occur as a result of the PTA, particularly in the early years of its implementation as the member countries ... enter cautiously into this new form of regional cooperation. Instead the PTA should be viewed as the beginning of an era in which deeper and wider tariff cuts would be made, once the tariff negotiating machinery has been set up and institutionalized. 15

The stated aims of the PTA was to encourage greater intra-regional trade through the granting of long-term quantity contracts, preferential terms for the financing of imports, preferential procurement by government agencies, pre-

14. Report of a UN Team, Economic Co-operation Among Member Countries of the Association of South East Asian Nations, in Journal of Development Planning (New York, United Nations, 1974), p.30.

15. Gerald Tan, Trade Liberalization in ASEAN (Singapore, 1982), p. viii.

ferential tariffs, and the liberalization of non-tariff barriers in intra-regional trade.

The product-by-product approach which has characterized tariff negotiations thus far has now been complemented by across-the-board tariff reduction for imports of certain values. In April 1980, the ASEAN countries agreed to reduce by 20 per cent tariffs on all imports into the ASEAN countries which had values of less than US\$ 50,000 each in 1978. In May 1981, this ceiling was raised to include all imports which had values below US\$ 500,000 each. In addition, the ASEAN countries agreed to look into the feasibility of raising the ceiling further to include imports which had values of less than US\$ 1 million each. These across-the-board tariff reductions were, however, subject to the exclusion of "sensitive items" in order to protect certain industries of the member countries. In addition, tariff concessions might be suspended if import enjoying preferential tariffs threatened "serious injury" to domestic industries; or if a country had serious balance-of-payments difficulties; or if a country needed to limit exports in order to ensure sufficient domestic supplies; or if a country felt that one or more member countries were not abiding by the rules of the PTA. 16

16. Ibid., pp. 3 - 4.

In order to qualify for preferential tariffs under the PTA, various rules of origin had to be satisfied. Products for which preferential tariffs might apply fell into two categories. In the first category were products which were "wholly produced or obtained" in ASEAN exporting countries. These included mineral and agricultural products, live animals, products obtained from animals, from hunting or fishing, products made on-board factory ships, etc. The second category consisted of products which were "not wholly produced or obtained" in the ASEAN exporting countries. For these products, the non-ASEAN content must not exceed 50 per cent of free on board (f.o.b.) value (40 per cent in the case of Indonesia), and the final stage of manufacture must be performed in the ASEAN exporting countries. There was also a "cumulative rule of origin" which said that products which used for their manufactured imports which were themselves subject to tariff preferences must have an aggregate ASEAN content of not less than 60 per cent of f.o.b. value. 17

Various studies which were undertaken to evaluate the effects of ASEAN PTA on intra-regional trade flows pointed to its limited effectiveness. A. Armas in 1978 estimated the direct effects of a 10 per cent across-the-board tariff cut on Philippine imports from the ASEAN countries.

17. Ibid., pp. 4-5.

By applying import demand price elasticities to 1975 import values ... the estimated increase in Philippine intra-ASEAN imports was shown to be only 2.5 per cent. 18

Akrasanee and Koomsup in 1979 estimated the increase in Thailand's imports from ASEAN as a result of the tariff cuts agreed upon for the first batch of products under the PTA. On the assumption that only trade creation effects would be generated by the reduction in tariffs, Akrasanee and Koomsup estimated the increase in six Thai imports from ASEAN to be "very small, ranging from 0.6 to 22.2 per cent."¹⁹

The general conclusion that emerged from some studies above was that the trade creating effects of tariff cuts on intra-ASEAN trade was likely to be very small. However, since the estimated increases in intra-ASEAN trade depended critically on the import demand price-elasticities used, result could vary.

Tariff cuts under the PTA were not expected to yield large increases in intra-ASEAN trade in the initial stages of the scheme since both the breadth and depth of the tariff reductions were kept small as ASEAN countries embarked cautiously on this area of regional cooperation. Enthusiasm

18. A. Armas, Philippines Intra-ASEAN Trade Liberalisation (Manila, 1978), in Gerald Tan, n. 15, p. 6.

19. N. Akrasanee and P. Koomsup, Economic development of Thailand and ASEAN Economic Co-operation (Canberra, 1979), p. 54.

for the scheme was based on the view that the PTA, by institutionalizing the tariff negotiating machinery, represented the beginning of a new phase of regional cooperation -- one in which deeper and wider tariff cuts would be made once initial problems were overcome. This would eventually give rise to significant increases in intra-ASEAN trade as ASEAN member countries, encouraged by the preferential tariffs, began to specialize in areas of production in which they had comparative advantage.

Thus, the longer-term aim of the PTA was to encourage changes in the structure of the economies of the ASEAN countries in order to generate more complementarity through the specialization of production based on comparative advantage. Until such changes began to occur, it was unlikely that tariff reductions would be able to generate significant increases in intra-ASEAN trade. However, the potential for increased intra-regional trade could only be realized if the ASEAN countries had the capability to produce the products concerned for the competitive export market.

Nineteen years after the Association's founding, a sort of frustration was growing -- especially in the private sector -- over the slow pace of progress. The question was whether ASEAN would emphasize intra-group trade or look outside the region for economic cooperation. Quite a number of experts agreed that the results of intra-ASEAN economic cooperation had been meagre. Some members had suggested that

the group concentrated instead on economic cooperation with outside partners.

When asked by a reporter in Jakarta on September 12, 1986 regarding the Philippine's proposal brought up during the 18th ASEAN Economic Ministers (AEM) Meeting, held in Manila on August 28-30, 1986, Indonesian Foreign Minister Mochtar Kusumaatmadja said that he was doubtful as to whether ASEAN Common Market (ACM) would be useful to ASEAN member countries, therefore ... Indonesian and Singaporean delegations could not agree on the proposal. Mochtar added that Indonesian efforts were to cooperate in facing marketing abroad.²⁰ However, Indonesia was not totally opposed to the idea of ASEAN Common Market by the year 2000 as proposed by the Philippines. In his "1986 Year-End Press Statement", the Indonesian Minister gave short comment that "the Intra-ASEAN Free Trade theory will be given more study."²¹ Indonesian Minister of Trade Rachmat Saleh had earlier stated also that the suggestion on the creation of ACM in the year 2000 needed to be studied thoroughly. "It is one of the fundamental idea ... of course we cannot respond easily. In the talks yesterday (August 25, 1986), we said we would study it first

20. See Kompas daily (Jakarta, September 15, 1986), p. 1. The statement was given in Bahasa Indonesia.

21. See Jurnal Luar Negeri (Jakarta, Department of Foreign Affairs, April 1987), p. 27.

because we see this idea very fundamental, so it is difficult to quickly give our decision."²² Philippine Minister of Trade and Industry Jose Conception Jr. on August 25, 1986 revealed that officials of the two countries had discussed the idea of forming an ACM in the year 2000 and would bring the issue to the ASEAN Summit, scheduled to be held in Manila in December 1987.

The ASEAN Chambers of Commerce and Industry Council Meeting in Jakarta on July 12, 1986, in a move seen by delegates as a step towards an ACM, recommended that the ASEAN initiate much closer trade cooperation. The meeting released a statement saying they had formed a special study group with a Malaysian Chairman and an Indonesian Vice-Chairman to recommend ways of integrating the market. The group's idea would be ready by the end of November 1986 and would be submitted to ASEAN governments.²³

As distinct from Minister Mochtar's view, four Indonesian economists were of the opinion that the proposed ACM by 2000 could stimulate the Indonesian producers to improve their efficiency so that they could be competitive with their fellow ASEAN producers. They said that if Indonesia was keen

22. Press Cable (Jakarta, Department of Foreign Affairs, August 27, 1986), p. 1.

23. Radio Monitoring (New Delhi, Indonesian Embassy), July 12, 1986.

to step up efficiency, Indonesia should have welcomed the proposal. They said that Indonesia's apprehension on the idea, as if Indonesia would be flooded with products from other ASEAN countries, especially Singapore, was baseless. The reasons, basically, were that the percentage of Indonesia's imports from ASEAN countries were relatively small, only 14 per cent. Whereas Indonesia's imports from Singapore which was nearly 50 per cent were mostly re-export in nature or indirect trade, which in the proposed common market scheme could be specifically arranged, so were the exports from countries outside ASEAN. The four Indonesian economists, namely, Djisman Simandjuntak of Centre of Strategic and International Studies (CSIS), former Minister of Mining and Energy Mohammad Sadli, Chairman of Indonesian Chamber of Commerce and Industry (KADIN) Sukamdani Sahid Gitosardjono, and TAM Simatupang of the University of Indonesia reminded of the stages needed in fulfilling the idea, giving a transition period, say for 14 years, or if necessary such period could be extended further, upto 20 years. They said it was unbelievable that Indonesia, with its ambition for industrialization would feel that by the year 2000 it would not be able to compete with Malaysia, the Philippines and Thailand. Moreover Djisman Simadjuntak said that Indonesia had comparative advantage over the other ASEAN countries, among others, lower wages of workers. ²⁴

24. See "Pasaran Bersama ASEAN, Cambuk Efisiensi Pengusaha Indonesia" (ASEAN Common Market, Incentives for Indonesian Entrepreneurs' Efficiency), in Kompas, September 15, 1986, pp. 1 and 8.

In this regard Singaporean Foreign Minister S. Dhanabalan stated during the 19th AMM in Manila that "abundant and relatively cheap labour no longer guarantees competitiveness in the world market."²⁵ Djisman further said that whatever decisions were to be made by ASEAN, be it common market, free trade area or customs union, there would be little possibility that Indonesian market would be flooded by goods from other ASEAN countries because for the individual ASEAN country the US would remain to be promising market, despite its tendency towards protectionism.

Regional trade liberalization, according to TAM Simatupang was necessary, considering that motivation to improve competitiveness for the Indonesian market in itself was difficult to expect. To date there were many industries in Indonesia whose survival depended on the excessive Government protection, and if the ASEAN Common Market was to be materialised, it would not be surprising if the more efficient products coming from neighbouring countries could dominate Indonesian market.²⁶

The road to ACM would be difficult to achieve if Indonesia was still shadowed with its policy of self-sufficiency in all fields. Would it be worth it to apply such a policy if it was too expensive to achieve? One could not use self-

25. 19th AMM, n. 11, p. 13.

26. Kompas, n. 24, p. 8.

sufficiency as criterion to judge economic performance. To date the policy could be maintained by Indonesia by using funds from its exports of oil, gas, timber and other commodities. As they were no more readily available, the high cost for implementing the policy was no longer justifiable.

Sukamdani said that if it was more economical to import than to produce domestically, it would be better if the former was chosen. He gave an example of the cotton cultivation, which might not be suitable for Indonesian climate. But if the commodities were suitable and cheaper for Indonesia to produce, e.g. rubber, tea and coffee, then such a policy should be maintained. He also mentioned that if ASEAN was to go ahead with its proposed common market, ASEAN businessmen should be involved. The role of ASEAN Chambers of Commerce and Industry had been important. Any decision in this regard would be more realistic and feasible.²⁷

Mohammad Sadli was of the opinion that if ACM was to be materialised, its realization should be done stage-by-stage only by the end of the century. Moreover, Indonesia should show great political will in achieving it. Sadli's opinion was based on the ASEAN's experience on implementing PTA scheme

27. Ibid.

for the last decade and ASEAN Industrial Projects and ASEAN Industrial Joint Ventures, for which so far only two projects had been in operation, both fertilizer plants in Indonesia and Malaysia.²⁸

ASEAN Industrial Projects (AIPs)

The Declaration of ASEAN Concord stipulated, among others, that " (i) member states shall cooperate to establish large-scale ASEAN industrial plants, particularly to meet regional requirements of essential commodities" and "(ii) priority shall be given to projects which utilize the available materials in the member states, contribute to the increase of food production, increase foreign exchange earnings or save foreign exchange and create employment."²⁹

The ASEAN Economic Ministers (AEM) met in Kuala Lumpur in March 1976 to identify the first package of regional projects for the feasibility studies; these were urea fertilizer, superphosphates, soda ash and diesel engines. "The psychological impact of the decision was dramatic and became quickly identified, unfortunately, as a demonstration of the political will of ASEAN leaders to pursue regional economic co-operation. The haste in announcing the intention to establish such regional projects and in identifying the first five schemes

28. Ibid., p. 8.

29. ASEAN Documents, n.3, p.8.

contrasted sharply with the caution shown in adopting schemes for liberalizing intraregional trade."³⁰ The AEM agreed to establish an Experts Group to review the industrial co-operation, and allocated five industrial projects to the ASEAN member countries, namely two urea projects to be erected in Indonesia and Malaysia, a superphosphate project for the Philippines, a diesel engine project for Singapore and a rock salt soda ash for Thailand.

At the Sixth AEM Meeting held in Jakarta in June 1978 the AEM "agreed on the text of the Basic Agreement on ASEAN Industrial Projects (AIPs), which covered for the first five AIPs the principles governing their establishment, equity participation, membership in the board of directors, the manners of obtaining projects financing, entitlement of products to Preferential Trading Arrangement, treatment on the tax and incentives, laws of the host country, and pricing of the product to the member countries."³¹

Further, the AEM also agreed on the texts of Supplementary Agreements for the ASEAN Urea Projects in Indonesia and Malaysia. "Those Supplementary Agreements contain the special provision needed to supplement the Basic Agreement for these two projects, and cover gas price, the nature of the market support required and the details of the product pricing mechanism."³²

30. Chio Siow Yue, n. 13, p.14.

31. See point 8 of the Joint Press Release of the Sixth AEM, in ASEAN Documents, n. 3, p. 166.

32. See point 10, in ibid., p. 166

The main idea of the AIPs was that each plant in every ASEAN country was to be set up as a joint venture with all ASEAN member countries participating in the equity and sharing the profits and risks. The industrial projects seemed easier to implement than trade liberalization because the idea was to establish new regional industries in fields where there were no existing national industries or where existing industries could not meet the needs of the regional market. The projects were also in areas of cooperation which did not, on the whole, meet with opposition from politically influential vested interests. "On the contrary, the construction of huge, foreign-financed projects in fact promised opportunities for politically connected enterprises to use their influence to obtain construction and other contracts associated with the projects. It is perhaps only coincidental that the only nation to withdraw from the industrial projects scheme was Singapore where business interests expecting to benefit from the project could be easily disregarded."³³

The reason for Singapore's withdrawal from the diesel-engine project which had been allocated to it was the problem of competition with national diesel-engine projects. In this regard, the acting Foreign Minister of the Philippines Pacifico A. Castro, during the 18th AMM in July 1985, recognized the difficulties

33. Harold Crouch, n.7, p. 98.

inherent in the competitive rather than in the complementary nature of ASEAN economies. He admitted that "even under the ASEAN industrial complementation programme, there were some difficulties where regional industrial complementation projects had been launched only to meet competition from identical national projects."³⁴ Unlike the other four projects, the diesel-engine project competed with established national projects, and Indonesia refused to open its market to the products of the Singapore project. "Moreover, business interests in the other states did not regret Singapore's decision as they too were keen to set up their own diesel-engine plants. Almost immediately after Singapore's withdrawal, the Thai Board of Investments gave its approval to the setting up of three plants, and 'crony' companies became locked in battle for the Philippines diesel-engine projects."³⁵

It appeared, therefore, that the root cause of the Singapore's withdrawal was not political but poor selection in the first place and the hasty decision by the AEM in the allocation of projects. If the project had not competed with an established national industry, it would not have run into difficulties it eventually faced.

The Singapore's decision was made known to the Sixth AEM in June 1978. Singapore indicated its intention to withdraw

34. ASEAN Newsletter (Jakarta, 1985)no.10, p. 8

35. Harold Crouch, n.7, p. 98.

temporarily from the regional industrial project scheme. "To allow other regional projects to qualify for Japanese financial aid and to conform to the established ASEAN operating principle of consensus, Singapore agreed to take a nominal 1 per cent equity interest in each of the other projects and to have a nonvoting director on the boards of companies concerned. As a result, the equity participation of the regional projects was as follows -- 60 per cent by the host country, 1 per cent by Singapore, and 13 per cent each by 3 remaining ASEAN countries. When implemented, these projects would be eligible for preferential treatment under the PTA."³⁶

The first ASEAN Industrial Project went on stream, when President Suharto dedicated the ASEAN Aceh Fertilizer project sited in Lhokseumawe, the northern-most of Sumatra, Indonesia, in January 1984. The plant went into production in October 1983 and had produced 1,725 tons of urea and 1,000 tons of ammonia per day. The equities participated by five ASEAN countries amounted to US\$ 93.9 million. The rest of the funds for the project costing US\$ 410.09 million was secured through loans from the Overseas Economic Co-operation Fund, Japan, and the Export Import Bank of Japan totalling US\$ 220.14 million and US\$ 96.05 million respectively. The output of the Indonesian fertilizer project reached 535,000 metric tons by the end of December 1984.³⁷

36. Chia Siow Yue, n.13, p.15.

37. See ASEAN Newsletter (Jakarta, November-December 1983)p.9 and Annual Report of the ASEAN Standing Committee 1984-1985 (Jakarta, n.d.) p. 9

The ASEAN Urea Project in Bintulu, Malaysia, commenced production of ammonia and urea in September 1985. By the end of May 1986, 125,994 metric tons of ammonia, and 174,367 metric tons of fertilizer, had been produced with market support from the Philippines. Part of this product was exported to non-ASEAN markets as well, with the first urea bulk shipment of 15,748 metric tonnes made on October 31, 1985 to India.³⁸

In 1981 another bilateral conflict arose over the AIP that threatened to undermine ASEAN cooperation. By mutual agreement, Thailand had selected a soda ash plant as its AIP. The AEM at its seventh meeting held in Kuala Lumpur in December 1978 "accepted the ASEAN Rock Salt-Soda Ash Project to be established in Thailand as the third AIP."³⁹ Earlier, however, Indonesia had announced its own plans for soda ash production. "The Thai and the Indonesian facilities were both to be completed by 1985."⁴⁰ At the end of 1983, only the Indonesian project was on schedule; Thai efforts had not gone beyond the planning phase, and the project might even be scratched as a non-viable investment. "The Thai Council of Economic Ministers decided not to proceed with the ASEAN Rock Salt-Soda Ash as Thailand's AIP. Thailand is presently considering a new industrial project, to replace

38. See Annual Report of the ASEAN Standing Committee 1985-1986 (Jakarta, n.d.), p.7 and p.32.

39. ASEAN Documents, n.3, p. 170, point 12.

40. Hans H. Indorf, Impediments to Regionalism in Southeast Asia: Bilateral Constraints Among ASEAN Member States (Singapore, 1984), p. 58.

the ASEAN Rock Salt-Soda-Ash Project."⁴¹ Whereas the Annual Report of ASEAN Standing Committee 1981-1982 still said that "the ... project ..., after some initial delays is now all set for launching with the initialling of the Supplementary Agreement ..."⁴² It should be pointed out, however, that internal and external problems faced by Thailand could not be ignored.

"Teething problems include the security issue in Northeast Thailand where the deposits of rock salt are located, the heavy infrastructural development costs, and the competitive pricing of the soda ash output in view of the high infrastructural cost and adverse global price trends."⁴³

The same fate happened to two of the other AIPS which were supposed to be undertaken by the Philippines and Singapore. First, the Philippine side considered that the superphosphate project would not be feasible and indicated its preference to a copper project. The Standing Committee Report stated that "the ASEAN Copper Fabrication Project (Philippines) has also started moving. A study confirmed its commercial viability and the Twelfth AEM Meeting agreed that it should have a capacity of 100,000 tons per year to serve both the ASEAN as well as external markets."⁴⁴ The Philippine side postponed the commercial bids for this project for unspecified time due to a

41. Annual Report of the ASEAN Standing Committee 1985-1986, n. 38 p. 32.

42. Annual Report of the ASEAN Standing Committee 1981-1982, (Jakarta, n.d.), p. 13.

43. Chia Siow Yue, n.13. n.16.

44. Ibid., p. 13.



Thai report on its plan to produce copper cubes with a capacity of 3000 tons per annum. The Philippine side appealed that as its AIP was only to be postponed, other ASEAN countries were expected not to build similar copper project. The Thai side responded that what it planned to erect was not of the kind of product as was planned for the Philippine.⁴⁵ With regard to Singapore's choice for an AIP, after its abandonment of diesel-engine project, it had explored the possibility of having other project. But on ASEAN Hepatitis-B Vaccine Project (Singapore) the Standing Committee report in 1986 disclosed that "the latest development in the technology considered for use in this AIP is in the process of being evaluated."⁴⁶

By the end of 1986 only two out of the planned five projects were successfully executed, namely the two fertilizer projects in Indonesia and Malaysia.

In view of a projected global surplus capacity of urea in the 1980s, exports of urea outside the ASEAN region would not be easy. The projected world surplus would continue to depress urea prices. If the ASEAN plants had to produce at below optimum capacity, their production might be at uncompetitive prices. It was not clear whether preferential

45. Cited from unpublished report on this subject by the Department of Foreign Affairs of Indonesia (in Bahasa Indonesia), to which this scholar had an access.

46. Annual Report of the ASEAN Standing Committee 1985-1986
n. 41, p. 32.

market access involved also a price subsidy by ASEAN consumers; this could raise other issues of induced inflation and equitable distribution of costs and benefits. It could be added in this regard, that the marketing of fertilizer in Indonesia tended to be kept to a level affordable to the majority of farmers. For this reason the Indonesian Government gave subsidy to the existing fertilizer plants in Indonesia by selling the liquefied natural gas (LNG), which is the main raw material for urea, at subsidized level. The same policy seemed to be applicable to the ASEAN fertilizer plant, but for how much and for how long, these were not clear. The readiness of the Indonesian Government to sell the LNG at subsidized level could be interpreted as a kind of "political will", in order to keep the ASEAN project going, and to show that the AIPs were feasible.

ASEAN Industrial Joint Ventures (AIJVs)

The slow progress in complementation brought forth yet another attempt at co-operation, the ASEAN Industrial Joint Ventures proposal, essentially a private-sector replica of the AIPs, which were undertaken by public enterprises. "Acrimonious discussions in ASEAN councils over the shares allotted to non-ASEAN nationals forced Singapore once again to virtually exclude itself from the arrangement. The other member states insisted that foreign equity in an

AIJV could not exceed 49 per cent, but they finally compromised by permitting Singapore to exercise flexibility in applying this principle -- in other words, exempting from the restrictions."⁴⁸ The AEM approved the basic AIJV agreement in November 1982.

The AEM at the 17th meeting held in Kuala Lumpur in February 1985 approved the inclusion of three more products to the list of the approved AIJVs⁴⁹

1. Security paper - with Malaysia and Brunei as participating countries;
2. Potash feldspar-quartz - with Thailand and Indonesia as participating countries; and
3. Slaughtered meat - with Thailand and the Philippines as participating countries.

Other AIJV projects previously approved were mechanical and power rock and pinion steering; motor cycle electrical parts, and frit.

Upto 1986 the status of the projects under the AIJV scheme was as follows:

- a) The Mechanical and Power and Pinion Steering Project is now on-stream with phases I and II starting commercial production in September 1985 and January 1986, respectively.

48. Hans H. Indorf, n. 40, p. 59

49. Annual Report of the ASEAN Standing Committee 1984-1985 (Jakarta, n.d.), p.30.

- b) The Constant Velocity Joint Project is proceeding according to schedule. Malaysia will be the base of the manufacturing facility with an associated manufacturing facility in the Philippines.
- c) The result of the evaluation of raw material samples and proposed production process technology of the Frit project were acceptable. The project cost and equity participation is being revised.
- d) Project construction for the Motorcycle Electrical Parts project expected to be on-stream by January 1987.
- e) More explorations to determine deposits of raw materials at satisfactory level are being carried out with the Potash Feldspar Quarts Project.
- f) The site for the security paper AIJV has already been acquired and the ground breaking ceremony was held in February 1986.
- g) Plant construction for the slaughtered meat AIJV began and project completion is expected late 1986 or early 1987."⁵⁰

ASEAN Industrial Complementation

Many ASEAN industries were confronted by the problems of small national market and an inability to export which prevented the exploitation of scale economies and full utilization of productive capacity. The domestic market constraint became even more obvious as individual countries attempted to promote basic industries. Export prospects were not bright, given protectionist tendencies in both developing and industrialized countries alike, and the initial high costs

50. Annual Report of the ASEAN Standing Committee 1984-1985
(Jakarta, n.d.), p.30.

of production associated with infant industries and infant industrial economies. Regional co-operation could enable ASEAN to promote industries with scale economies and dynamic comparative advantages. The UN Study Team had shown that cost saving between a regional project and a national project could be substantial for some industries.⁵¹

ASEAN Industrial Complementation (AIC) was meant to fill the gap. The scheme was started in 1981, when the five member states agreed to produce different automotive parts (as the first package) "on an exclusive basis and with a fifty per cent margin of preference. As strong free trade proponent, Singapore insisted that its national manufacturing base not be affected by the exclusivity clause as long as the products were sold outside the region."⁵²

Prospects

The ASEAN economic picture towards the end of 1986 was not so rosy as it was expected to be. ASEAN's trade performance in recent years had become more and more dismal. The global recession that hit the developed countries wrought havoc on ASEAN export-oriented economies. In order to reduce their own trade deficit some of the industrialized countries, which

51. Report of a United Nations Team, n.14 pp. 60 - 83.

52. Hans H. Indorf, n. 43, p. 59.

happened to be the ASEAN's leading trade partners, had restricted access of ASEAN exports to their markets. Contracting demand for manufactured goods forced foreign companies to scale down their operations and recall their investments from ASEAN countries. The world glut in oil, sugar, metal and semi-processed goods had depressed ASEAN primary and secondary industries. All these factors combined to stunt the economic growth of the ASEAN region for the past several years which would not be easy to overcome.

Although the ASEAN countries had achieved considerable high growth rate in the last few years, the vast majority of the people were still locked in poverty and retrogressive agriculture. Taking all the ASEAN countries as a unit, it faced a dilemma; to enable it to achieve high growth rate, they might need capital intensive projects to build and sophisticated machineries using the latest technologies, but these might not be conducive to create more employment opportunities, which was badly needed to eradicate unemployment and alleviate poverty. Creating more employment opportunities had been the need of the hour. Failing this could harm political stability, which was a prerequisite for furthering economic development.

Over the years ASEAN had been trying to develop their national self-reliance and expanding it to regional interdependence in the hope that ASEAN might be able to achieve a

level of development sufficient to take on the vagaries of international developed economy.

After nineteen years of existence, ASEAN should have been evaluating the impact of regional cooperation instead of endlessly discussing how to get it off the ground, simply because in the next few years, economic problems in the ASEAN countries might put serious strains on ASEAN solidarity. They could easily slide into intra-regional bickering. But the problem facing them was also an opportunity to introduce positive, constructive policies to strengthen regional cooperation.

It was expected that the forthcoming Third Summit Meeting of the ASEAN Heads of Government, scheduled to be held in December 1987, would take care of the bottleneck so that those difficulties could be removed.

CHAPTER V

CONCLUSIONS

The Bangkok Declaration of 1967 made no mention of any political role by the ASEAN; it said nothing about political cooperation among the original five member states. Political observers, however, had their reasons to feel that the get-together of the ASEAN countries could not be delinked from politics, and that it did have political cooperation as well to imply --covertly, if not overtly. Critics will, indeed go as far as to attribute the birth of ASEAN to political compulsions at that time. A close look at the scene around the growth of the ASEAN will show that considerations of regional stability weighed heavily with its member countries. They were in fact a dominating factor, underlying the need for political unity in the face of a common challenge to survival.

The Kuala Lumpur Declaration of 1971, calling for a Zone of Peace, Freedom and Neutrality for South-East Asia, and the Bali Declaration of 1976 went a long way to strengthen political ties and economic cooperation among the ASEAN countries, and to unlid their political solidarity and their determination not to fight shy of playing a political role. The Bali Declaration left no one in any doubt on this score, and the political aspect of ASEAN cooperation. The political cooperation among the ASEAN member countries, implied in the

history of the Association, the product of which was evident in its ZOPFAN call, though it has yet to yield any tangible results.

Notwithstanding the Kampuchean issue, which had been dominating the ASEAN activities for the last eight years. It tended to steal the show of other activities of the ASEAN in other fields, including economic, social, science and technology, cultural as well as information.

The ASEAN activities have been so extensive, not only done by the government officials but also by the non-government ones. Exchanges of visits between and among ASEAN leaders and peoples have become daily activities.

On January 7, 1984, Brunei Darussalam joined ASEAN, soon after it became the world's 169th sovereign state. Though tiny, it undeniably the wealthiest country in the region. The Community of Five has become the Community of Six. The extension of membership of ASEAN after seventeen years of existence had a special meaning in itself, but it seemed unlikely that further extension of the membership would take place in the near future.

Over the years ASEAN has emerged as a viable grouping and a factor in international politics. The fact that ASEAN countries have shown their initiatives and political will

to cooperate on certain issues has been important in itself for it not only gives the Association stature but gives credence to its viability and sense of purpose. Can this viability be sustained in the years ahead? Is it likely that the pace in economic cooperation will accelerate? What are some of the external challenges that may confront ASEAN in the years to come? Can one confidently forecast that the ASEAN countries will jointly meet these challenges?

On the international front, ASEAN will continue to face challenges of an economic and political nature. Economic issues such as fluctuations in the prices of commodities exported by the ASEAN countries will persist. Protectionist policies of ASEAN's major trading partners will continue to cause concern, as will policies which may discriminate against ASEAN products.

ASEAN will certainly continue to keep a close look at international issues and developments which may affect its security, although ASEAN will never be directed to change its course which might lead to a kind of security arrangement. Developments in relations among the three major powers, namely China, the USA and USSR, would inevitably have an impact on South-East Asia. In the future they will continue to improve their influence in the region, despite ZOPFAN with its aim of freeing the region from any form of outside interference. So it could not be expected to become a reality

in the near future. Indeed ASEAN has rightly put ZOPFAN as its long term objective.

Some salient points may be useful to stress before concluding this study:

1. ASEAN is an Association which began, and remains without supra-national objectives. It is a highly decentralized organization. The evolution of ASEAN's institutional structure was determined by its lack of supra-national objectives. The viability of ASEAN is the primary responsibility of each and every member country rather than of any supra-national ASEAN body or bodies.
2. Critics have blamed the slow progress in the ASEAN economic cooperation to the unwillingness of certain member countries towards economic integration. In this regard one should realise that the pace of cooperation can never be forced. In fact the yardstick to appraise a regional grouping cannot only use the economic integration as a barometer. In the case of ASEAN, one has to evaluate the socio-economic and political condition of the member countries before suggesting any form of economic integration, be it in the form of free trade zone, common market or customs union.
3. Behind the formal structure and activities of ASEAN lie the bilateral relations and national policies that have important impacts on ASEAN's viability. Thus ASEAN progress

would be impossible to achieve without good bilateral relations among member countries. Despite the two Summit Meetings during ASEAN's existence (which were too few for any standard), the importance of bilateral summitry cannot belittled in any case, because it can function as to fill the gap between two summit meetings.

4. In recognition to the interdependency of nations, ASEAN has maintained formal dialogues with various countries and country groupings outside the region, with which ASEAN has strong economic links. The dialogue partners constitute the biggest partners of the ASEAN countries.
5. During the remaining years of 1980s the ASEAN region will still depend its economic growth on the international trade performance, foreign and domestic investments. The foreign investment, however, did not show encouraging trend. The ASEAN region has become less attractive to invest for the prospective foreign investors to produce goods to be exported to developed countries, as a result of changing patterns of production. The investment was expected to create job opportunity, but as the investor got the tendency to choose capital intensive or more sophisticated machineries, so job creation which was expected could not yield good result.

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