

IS THE 'ASEAN ECONOMIC COMMUNITY' UNDER SIEGE?

The New Trajectory of the Asean Economic Community the two Mega-Regional Agreements; "RCEP" and "TPP"

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Abstract

The ASEAN Economic Community (AEC) was signed by the leading nations of Southeast Asia in Kuala Lumpur on 31, December 2015. This was a great achievement of regional integration, pointing members of the AEC towards a single market "awakening". Despite this tremendous progress, the reality is that ASEAN members are now involved in two mega-regional agreements. One, which has the potential to protect ASEAN centrality, ASEAN+6 or the Regional Comprehensive Economic Partnership (RCEP); and the other, the US-led Trans-Pacific-Partnership Agreement. This participation by ASEAN members with various economic partners outside ASEAN may result in dependency to global capitalism networks.

Departing from the above mentioned context, the core question then arises: "Has the global economic structure provide an opportune precondition for the implementation of the ASEAN Economic Community (AEC)?" To tackle this question, this essay will use Dependency Theory to analyze the global economic structures which encase the AEC's regional economic integration agenda and to reveal the ASEAN members' dependence on global capitalism. This essay explores both the attempts of the ASEAN framework to create a comprehensive economic community; and the consequences of ASEAN integration with two mega-regional agreements in the region. It is argued that the dependency of ASEAN members on the structure of the global economy proves that it does not provide a proper pre-conditioning for the AEC to be implemented. Moreover, it will be hegemonic factors that challenge the existence of the AEC.

Keywords: ASEAN, Regional Economic Integration, ASEAN Economic Community, Dependency, Global Political Economy

Abstrak

Kesepakatan mengenai pelaksanaan Masyarakat Ekonomi ASEAN atau ASEAN Economic Community (AEC), yang ditandatangani di Kuala Lumpur oleh negara-negara terdepan di Asia Tenggara, akhirnya mulai berlaku dengan banyak keriuhan pada tanggal 31 Desember 2015. Ini adalah kemajuan –dan tonggak pertama– bagi Proyek Integrasi Regional ini, yang dengan tajam dan spesifik mengarah pada "kebangkitan" dari sebuah pasar tunggal. "Kebangkitan" ini bisa didefinisikan sebagai sebuah blok kekuatan baru di Asia. Terlepas dari kemajuan yang luar biasa ini, pada kenyataannya para anggota ASEAN sekarang terlibat dalam dua kesepakatan mega-regional. Satu, dengan potensi untuk melindungi sentralitas ASEAN, ASEAN + 6 atau Regional Comprehensive Economic Partnership (RCEP); Dan yang lainnya, Trans-Pacific-Partnership Agreement yang dipimpin oleh Amerika Serikat. Dalam

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konteks ini, akan sangat naif untuk mengabaikan integrasi para negara anggota ASEAN dengan berbagai proyek kooperasi ekonomi alternatif lainnya—apalagi, dengan sengaja menganggap bahwa hal ini tidak mempengaruhi integrasi ekonomi. Justru, partisipasi semacam ini di antara anggota ASEAN dengan berbagai kerjasama ekonomi di luar ASEAN akan menimbulkan kondisi ketergantungan pada jaringan kapitalisme global.

Berdasarkan anggapan tersebut, maka muncul sebuah pertanyaan utama: “Apakah struktur ekonomi global telah memberikan prekondisi yang tepat dan menguntungkan bagi pelaksanaan Masyarakat Ekonomi ASEAN atau ASEAN Economic Community(AEC)?” Untuk menjawab pertanyaan tersebut, esai ini akan menggunakan Teori Ketergantungan (Dependency Theory) untuk menganalisis struktur ekonomi global, yang membungkus keberadaan AEC sebagai agenda integrasi ekonomi regional dan untuk mengungkap ketergantungan anggota ASEAN terhadap kapitalisme global. Dengan menelaah kedua upaya ASEAN untuk mencapai sebuah komunitas ekonomi yang komprehensif; dan konsekuensi dari integrasi ASEAN dengan dua kesepakatan mega-regional di wilayah tertentu, maka dapat dikatakan bahwa kondisi ketergantungan anggota ASEAN terhadap struktur ekonomi global membuktikan bahwa hal tersebut tidak memberikan prekondisi yang tepat bagi AEC untuk diimplementasikan. Terlebih lagi, hal ini akan menjadi sebuah faktor hegemonik yang akan menantang keberadaan AEC.

Kata Kunci: ASEAN, Integrasi Ekonomi Regional, Masyarakat Ekonomi ASEAN, Ketergantungan, Ekonomi Politik Global

INTRODUCTION

Skepticism of the Association of Southeast Asian Nations (ASEAN) emerged from two main arguments. The first was based on a mainstream realist pessimistic view about the autonomy and agency of regional institutions, more so in regional environments where the inclination to uphold the sovereignty and state-centric conceptions of power shackled official discourse and policy. This point has been, and remains, an area of robust debate, and a range of arguments can be made one way or another (Baldwin, 1993; Strange, 1997; Barnett & Finnemore, 1999). The second and more intense criticism centers on ASEAN's incapability to carry out its stated goals, and on the flaws in its mechanisms for goal setting and goal accomplishment. This second criticism lends itself to an analysis of institutional design³ and, for ASEAN, the substantive and procedural norms that impact institutional design. For instance, Aggarwal and Chow (2010) define substantive norms as those pertaining to respect for sovereignty, non-interference in the domestic affairs of other states, and peaceful settlement of disputes. They cite this as the primary obstacle for ASEAN for developing collective efforts to address regional problems, while procedural norms refer to informal elite-run diplomacy,

³ Johnston & Acharya (2007: 15-16) define institutional design as “those formal and informal rules and organizational features that constitute the institution and that function as either the constraints on actor choice or the bare bones of the social environment within which agents interact, or both.”

decision-making by consensus, and the espousal of an incremental approach to process which has frustrated attempts to liberalize trade and reduce air pollution.

However, recent developments revealed an intriguing trajectory for multilateral trade ; whereby ASEAN moved toward a new chapter of interaction and integration with the Regional Comprehensive Economic Partnership (RCEP), which was initiated by ASEAN itself and the US-centred Trans-Pacific Partnership (TPP). Two compelling regional issues—trade liberalization and economic integration—have been at the core of these initiatives (for more on the issues of trade liberalization, see Hicks & Kim, 2012: 1-29). The backdrop to these efforts is the ‘pivot to Asia’/rebalancing’ strategy of the United States. While it is generally perceived that FTAs have brought the Asian region into global prominence, these overlapping FTAs ended up complicating regional trade and economic integration whilst increasing disputes in the region (Gwi-Ok, 2012). Regional politics in Asia, mainly in Southeast Asia and the Asia-Pacific, have now entered a new level with the arrival of RCEP and the TPP, which involve both small and large economies (Wilson, 2013). This paper is particularly concerned with ASEAN's institutional centrality under the existence of various mega-regional trade agreements in the context of the ASEAN Economic Community project. This standpoint is predicated on the argument that various kinds of institutions impact the association's institutional design

(for further explanation on how norms impact institutional design in the context of ASEAN, see Khong & Neesadurai, 2012: 32-82), and by implication, have significant bearing on the credibility to maintain ASEAN centrality in developing a single market integration in the future. This issue also extends to the efficacy of ASEAN's models for economic regionalism in Southeast Asia, and on regional projects.

THEORETICAL FRAMEWORK

The discourse among the liberal reformers (Prebisch), the Marxists (Andre Gunder Frank), and the world systems theorists (Wallerstein) is rigorous and intellectually robust. There are still points of serious disagreement among the various proponents of dependency theory and it is a mistake to think that there is only one unified theory of dependency. Nonetheless, there are some core propositions which seem to underlie the analyses of most dependency theorists. Dependency can be defined as an explanation of the economic development of a state in terms of the external influences-political, economic, and cultural-on national development policies (Sunkel, Osvaldo. 1969). Theotonio Dos Santos (1971) emphasizes the historical dimension of the dependency relationships in his definition:

[Dependency is]...a historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economics...a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected.

There are three common features of these definitions which most dependency theorists share. Firstly, dependency characterizes the international system as comprising of two sets of states, described as dominant/dependent, center/periphery or metropolitan/satellite. The dominant states are the advanced industrial nations in the Organization for Economic Cooperation and Development (OECD). The dependent states are the states of Latin America, Asia, and Africa which have lower per capita GNPs and which rely heavily on the export of a single commodity for foreign exchange earnings.

Secondly, both definitions have something in common, the assumption that external forces are of singular importance to the economic activities within the dependent states. These external forces include multinational corporations, international commodity markets, foreign assistance, communications, and any other means by which the advanced industrialized countries can represent their economic interests abroad. Thirdly, the definitions of dependency all indicate that the relationship between the dominant and dependent states are dynamic because the interactions between the two sets of states tend not to only reinforce, but also to intensify the unequal patterns.

Dependency theory suggests that resources flow from a periphery of poor and underdeveloped states to a core of wealthy states. The theory arose as a reaction to modernization theory which was the dominant development theory. Waisbord (2001) suggests that modernization theory assumes all societies develop at a similar rate (as underdeveloped areas are in a similar situation to what developed areas have experienced in the past). Therefore, the task of helping the underdeveloped areas out of poverty is to accelerate them along this supposed common path of development, by various means such as investment, technology transfers and closer integration into the world market.

Dependency theory rejects this view, arguing that underdeveloped countries are not primitive versions of developed countries, but have unique features and structures of their own; and importantly, are the weaker members in a world market economy (Newschool, 2009). This theory also rejects the limited national focus of modernization theory and emphasizes the importance of understanding the complexity of imperialism and its role in shaping postcolonial states (Halperin, 2016). Dependency theory argues that this kind of behavior enriches wealthy states while burdening the poor states. Halperin (2016) also suggests that this theory's main tenet is that the periphery of the international economy is being economically exploited by the center. Based on these theories and analysis, we now have the tools to analyze the position of ASEAN (and

its members) in the global economic structure which is covered in the following chapter.

GAME-CHANGERS: THE EMERGENCE OF MEGA-REGIONAL TRADE AGREEMENTS

The accord on the implementation of the ASEAN Economic Community (AEC) has already been signed in Kuala Lumpur by the leading nations of Southeast Asia on December 31, 2015. The first AEC blueprint was signed in November 2007 and it has served as a comprehensive master plan to chart the region's journey towards the formal establishment of the AEC. This blueprint laid the foundation of the AEC which is built on four interrelated and mutually reinforcing characteristics. These characteristics are: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy (ASEAN, 2016). This was significant progress for this regional integration project, pointedly towards a single market "awakening". This particular "awakening" can be defined as a new Asian power bloc. ASEAN (2016) suggested that the AEC's establishment brings an economic opportunity in the form of a huge market worth US\$ 2.5 Trillion (the 7th largest economic region in the world). With its collective population of over 622 million people, this region represents the 3rd largest market base in the world, behind only China and India. This normative concept and the tremendous progress of the AEC are noteworthy. At this point, this paper considers the AEC as a project to develop an economic community and an economic regime based on a mutual agreement to set a certain institutional framework in the region. Especially if we consider one of its key components is a trade agreement that promotes "Trade Liberalization" within the region. According to Hicks and Kim (2012) trade agreements are international commitments, forcing participants to commit to trade liberalization through institutional arrangements that tie their hands and constrain them "to obey a set of rules that do not permit leeway for violating commitments". It means any trade agreement ties the hands of a govern-

ment (overriding any domestic interest group pressures) and constrains it from adopting protectionist trade policies. However, the reality shows an imminent threat to the AEC is that ASEAN members are now involved in two mega-regional agreements. In this context, the word "threat" is chosen because it is an external obstacle which is being faced by ASEAN.

The first game-changer in the Asia-Pacific is Trans-Pacific Partnership (TPP); The United States has pushed for a TPP that excludes China, and in October 2015 finalized the agenda with 11 other countries. The idea is to use coercion to minimize the negative aspects of a rising China. The second game-changer is RCEP, represented by ASEAN, who are leading a process that excludes the US. The rationale is to incorporate China into a multilateral bond that maximizes the positive aspects of a rising China. This agreement grew out of two previous FTA proposals made in 2006: The China-led "East Asia Free Trade Area" (centered on the ASEAN+3) and the Japan-led "Comprehensive Economic Partnership in East Asia" (based on the ASEAN+6). At its core, RCEP's primary goal is to promote multilateralism within the region by combining the five ASEAN-plus FTAs into a single agreement (Wilson, 2015). RCEP thus represents Asian regionalism, including ASEAN Plus Three (APT), East Asia Summit (EAS), and China-ASEAN Free Trade Agreement (CAFTA). With these two initiatives, the regional trade of Asia is entering an interesting phase of liberalization and integration. In fact, it is gradually becoming clear that the facets and nuances of these two trade liberalization models will greatly impact regional politics.

In this context it is noteworthy to assess how the integration between ASEAN members and the various alternating economic partnerships affect ASEAN's own regional economic integration. From a bird's eye view, ASEAN members with economic partnerships outside of ASEAN are most likely result in a dependency on global capitalism networks. Central to both RCEP and the TPP is the politics and prominence of ASEAN, whose members are currently debating the prospects of each trade deal. While some openly support the TPP, others rally

around RCEP lest they lose out on opportunities that the Chinese-centered economic order offers them at the regional level (Panda, 2014).

Economic integration is fluid in the Asia-Pacific region. According to Kaneko (2013) the Asia-Pacific Economic Cooperation (APEC) summit, held in Surabaya, Indonesia in 2013, decided to extend TPP membership to Japan. As a result Tokyo has recently joined the TPP. South Korea decided to stay out of the mega-regional trade agreements; South Korea's plans and interests in joining the TPP and RCEP were discussed during the official TRACK-II dialogue between IDSA and Korea Institute for Defence Analyses (KIDA) in Seoul on February 28, 2013 (See Jeong, 2012: 221). It turns out that the close relationship it enjoys with the US is not enough to compel South-Korea to join the TPP. New Zealand is a founding member of the TPP; Australia is also a part of the TPP. Both these countries, however, seem to be adopting a dual strategy of also engaging with RCEP. India, with its 'Look East' policy, seems to be showing a keener interest in joining RCEP. This development may be seen in the historical context of China opposing East Asian economic integration under the ASEAN+6 (ASEAN plus India, Australia, New Zealand, China, Japan and South Korea), with India as a dialogue and economic partner of the East Asian community.

Factoring both RCEP and the TPP into the Southeast Asian/ASEAN context, where the centrality of ASEAN has been put to the test, calls for rigorous objective assessment of how the ASEAN Economic Community fits into this dynamic global structure. In concordance with the background of the study as described in previous sections, the core question is: "Will the existence of two mega-regional agreements in the ASEAN region shackle the implementation of the AEC and its objective to create a single market? This paper aims to analyze how the AEC's regional economic integration agenda is under siege by the two mega-regional agreements. This paper will assess the challenges that the AEC is facing and how it can be successfully implemented. Departing from the above-mentioned context, this paper argues that the dependency of ASEAN members to

the structure of global trade proves that it does not have proper frameworks for the AEC to be implemented. Moreover, it will be hegemonic factors that challenge the existence of AEC.

REGIONALISM UNDER SIEGE

In the "old" world, the cyclical problem was solved easily because power essentially meant military strength. In other words, power did not depend on the agenda since the agenda was ultimately always determined by military solutions. Moreover, countries formed alliances to survive in a dangerous world, rather than playing a diplomatic game of membership and agenda-setting politics. However, the formation of economic groupings in the contemporary world is different. The cyclical problem cannot be solved easily. A typical example is the case of World Trade Organization (WTO) negotiations. If the issue is economic liberalization, the United States is likely to be the leader. If economic development is the issue, developing economies like India or the PRC are likely to be the leader. The two sides cannot agree upon the agenda. Since the agenda is uncertain, it is unclear who the leader is. At the same time, the agenda cannot be decided by the leader because it is unclear who the leader is.

At the regional level, the story is even more complicated. What is important to note is that there is no definitive definition of the region. Each economy, especially those that want to assume leadership in a region, can define it freely. Thus, the question is not, for example, which country, the PRC or the US—becomes the leader in the region. The two economies may insist upon regional cooperation in different geographical areas so that each one can assume leadership and increase influence in a region they define. This means that, at the regional level, the cyclical problem can be solved to a degree by limiting membership. The only plausible path to pursue a degree of limiting membership is through regional integration. Regional integration is a process by which two or more nation-states agree to co-operate and work closely together to achieve peace, stability, and wealth (Carleton University, 2016). We need

to pay attention to Carleton University's (2016) explanation regarding this integration:

This co-operation usually begins with economic integration and as it continues, comes to include political integration. We can describe integration as a scale, with 0 representing no integration at all between two or more countries. Ten would represent complete integration between two or more countries. This means that the integrating states would actually become a new country — in other words, total integration. 1-4 represents economic integration while 6-10 represents political integration. The halfway stage, 5, represents the single market, or the completion of economic integration.

Past efforts at regional integration have often focused on removing barriers to free trade in the region, increasing the free movement of people, labor, goods, and capital across national borders, reducing the possibility of regional armed conflict and adopting cohesive regional stances on policy issues, such as the environment, climate change, and migration. Trade barriers can be tariffs (taxes imposed on imports to a country), quotas (a limit to the amount of a product that can be imported) and border restrictions — for example, NAFTA (North American Free Trade Agreement) (Carleton University, 2016). John McCormick (1999) suggests that the single market is the midpoint of the integration scale between political and economic integration. He stated that at this stage the integrating states set a common external tariff on goods from other countries—this is called a customs union.

As the twentieth century ended and the new millennium began, the historic geostrategic significance of Southeast Asia was matched by its growing geo-economic importance (Weatherbee, 2009). The concept of regionalism in International Relations in Southeast Asia signifies the formal association of three or more of the nation-states in the geographic region in political, economic, or other functionally related multilateral structures promoting international cooperation. The driving force of ASEAN cooperation has been the desire to expand trade and attract investment. The financial crisis of 1997-1998 was a temporary

setback. The structural and macroeconomic policy adjustments in the national economies of those countries most severely affected have strengthened.

Although ASEAN's founding documents discussed economic cooperation, it was only in the mid-1970s that it turned actively to promote this goal. The first scheme, the ASEAN Industrial Projects, sought to foster regionally-based import substitution industrialization, but this effort made little headway (Ravenhill, 1995). In 1992, the ASEAN Free Trade Area (AFTA) came into being, soon followed by ASEAN Vision 2020 in Kuala Lumpur in 1997 and the Hanoi Plan of Action (HPA) in 1998, which sought to systematically implement the free trade area. In 2003, the Bali Concord II created three 'pillars' of ASEAN cooperation; where the AEC was one of those pillars. Thereafter, at the Singapore Summit in November 2007, ASEAN leaders signed the Declaration on the AEC Blueprint in the context of a new ASEAN Charter, seeking to establish a single market, a production base, and a fully integrated region by 2015. Faced with a growing concern about China and India's economic rise and the new turn to bilateral preferential trade agreements at the turn of the millennium, ASEAN members attempted to accelerate their integration (Ravenhill, 2008). These factors combined with the unsettled security environment marked by the Bali bombing of October 2002 to generate a strong impetus for deeper integration (Smith, 2004: 423). But, the initiation of RCEP and the TPP increased the political intricacy of regionalism in South-East Asia, especially as both of these regional agreements involved US and China, two prominent players in the international system.

The basics of the two mega-regional economic arrangements—RCEP and TPP—are not necessarily in conflict but are essentially contrasting economic models, primarily on the negotiation front. As regional politics suggests, RCEP is linked to the economic and political supremacy of the Chinese and the present ASEAN; the TPP highlights the American worldview. They differ in the exclusivity of their design, principles, volume, and membership

(Panda, 2014). RCEP is mostly ASEAN-centric and is currently East/Southeast Asia-centered, with China as the biggest economy. The TPP is a US-led Pacific Rim or Asia-Pacific initiative, covering mostly APEC countries. The TPP would like to take dynamic ASEAN economies into account. Currently, the TPP is a 'comprehensive and high-standard' FTA (Fergusson et al, 2013). Moreover, based on Fergusson's vantage point, the mandate of the TPP is to move beyond World Trade Organization (WTO) commitments and liberalize trade in nearly all goods and services.

RCEP came under the spotlight after the TPP became a matter of discussion. It was launched formally in November 2012 during the East Asian Summit in Phnom Penh, Cambodia, although less formal discussions started initially in 2011. It is argued that RCEP was to be more flexible than the TPP in accommodating new members and allowing different timeframes in implementing provisions for developing countries (Drysdale, 2013: 1-3). RCEP combines the 10 ASEAN countries and their six major trading partners, which includes India.⁴ It is generally believed that Japanese experts floated the concept of RCEP in 2011. RCEP would form the world's largest free trade bloc, covering 3.5 billion people.⁵ The TPP, on the other hand, covers a population of only 500–600 million (see 'Indonesia May Prefer RCEP to TPP', no. 14). More notably, RCEP combines three major regions of market growth: China, India, and ASEAN. One of its core aims is to generate economic growth and partnerships among its members at a much higher level than the existing ASEAN FTAs (Das, 2012: 1). RCEP is generally seen as an 'ASEAN++' formula, combining the East Asia FTA (NAFTA) and the Comprehensive Economic Partnership in East Asia (CEPEA). NAFTA is based on ASEAN+3 (ASEAN plus China, Japan, and South

Korea), which has always been backed by China. CEPEA is based on ASEAN+6 and is supported by Japan (For further discussion see Hsu, 2013: 42; see also Das, 2013: 2).

American advocacy of the TPP is linked to its 'pivot to Asia'/rebalancing' strategy, its global design and aims of integrating the American economy more closely with regional economies. Ann Capling and John Ravenhill (2011) argue in an article in *The Pacific Review* that 'the phenomenon of Factory Asia is the exemplar of 21st century trade: the unbundling of and spatial dispersion of production, made possible by trade liberalization and the technological revolution'. The TPP is being pushed as the '21st-century agreement' by Barack Obama. In line with this point of view, Douglas Paal (2013) explains that Barack Obama explicitly articulated the 'pivot' or 'rebalance' strategy during his visit to the Asia-Pacific region in late 2011. The TPP aims to put in place various global rules to lower or reduce the hidden barriers to overseas competition. It is based on a 'WTO-plus' approach, that goes beyond the conformist WTO norms and is an 'experiment in "multi-lateralizing regionalism"'.⁶ Essentially a multilateral FTA, the TPP was signed on June 3, 2005, and formally entered into force on May 28, 2006. Brunei, Chile, New Zealand and Singapore were the first signatories. In 2008, Vietnam, the US, Peru, Malaysia and Australia joined formally. The CRS Report for Congress states that the TPP negotiation on 29 chapters aims to eliminate tariff and non-tariff barriers in key areas such as goods, services, and agriculture.⁷

It will follow stringent rules and procedures to set a high level of commitment in areas like intellectual property rights (IPR), competition policy, the environment, labor standards, and human rights. RCEP, in contrast, will follow

4 The 10 ASEAN members are the main constituents of RCEP, along with the six dialogue partners (Australia, China, India, Japan, New Zealand and South Korea).

5 Kristy Hsu in a recent article argues that RCEP is a very liberal initiative, as it allows 'external economic partners' beyond the ASEAN+6, if they manage to sign FTAs with ASEAN. According to Kristy Hsu, RCEP may involve external powers like the US and Russia in future if they manage to conduct FTA negotiations with ASEAN.

6 Richard Baldwin (2006: 1451-1518) argues that the 'TPP is an experiment in "multilateralising regionalism", intended to make the mess of PTAs in the region more consistent with the multilateral, rulebased system of non-discriminatory trade relations governed by the World Trade Organization (WTO)'.

7 Ann Capling and John Ravenhill (2013: 554) argue that 'the aim of the TPP negotiators is to produce a comprehensive, high-quality, multi-party agreement that could help to tame the tangle of PTAs and be a potential stepping stone to achieving the long-term Asia-Pacific Economic Cooperation (APEC) goal of liberalizing trade among its member economies'.

the rules and norms mostly attuned to ASEAN conventions and guidelines, built on a consensus. Flexible trade negotiation standards will make RCEP attractive, will bring closer affinity at 'institutional level' connectivity, and advance the much-needed 'people-to-people' contacts at a regional level (Das, 2012: 3; Hsu, 2013: 41-51).

Compared with other multilateral institutions, the dynamism, role, and influence of ASEAN has largely been limited geographically. It has also been limited in expressing views and taking positions on various security issues. The politics of RCEP and the TPP has made ASEAN more important as a regional multilateral body

from East Asia. ASEAN seems to bridge the gap between various sub-regions in Southeast Asia, East Asia, and the Asia-Pacific. While RCEP is based on an extended 'ASEAN++' approach which brings ASEAN's FTA partners on board, the TPP also tries to include vital ASEAN members, aiming to pressure China's economic prominence in the region and promote regional trade, economic dealings and strategy. All this suggests that ASEAN's centrality in global trade and economic dealings are more vital today than at any other time. ASEAN is strongly connected with most regional and extra-regional powers in trade and economic dealings.

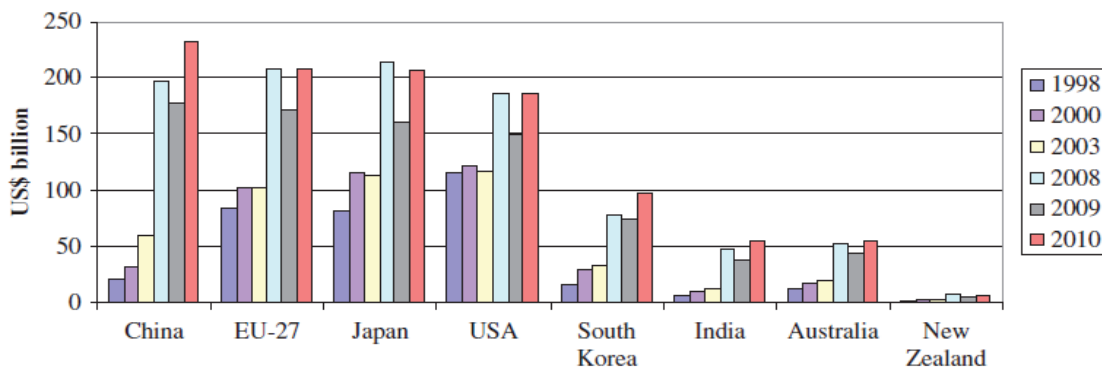


Figure 2. ASEAN total trade with selected trading partners.

Source: ASEAN Community in Figures, 2011, at www.asean.org.

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Figure 1. ASEAN total trade with selected trading partners

Traditionally, ASEAN members prefer to engage economically with the 'Chinese world'; whilst politically most of them identify themselves as 'pro-US world' countries. This is partly due to the maritime realities they have to live with. Although maritime conflicts are not the direct cause of differences in the ASEAN countries' perspectives on RCEP and the TPP, it would be prudent to argue here that the divided political perspectives of ASEAN countries have some bearing on their negotiation strategies. For instance, countries like Vietnam, Brunei, Singapore, Indonesia and the Philippines may agree to the broader ASEAN agenda of the RCEP model of regional economic integration, but they will also support the TPP. In fact, gradually, ASEAN members may eventually decide to

engage with both the RCEP and TPP trade liberalization models, as it will help them not only to maximize their own trade with China and the US but also to balance China with the US in the region. For instance, both Japan and South Korea are members of RCEP but show interest in being part of a TPP-led regional economic integration (which Japan recently joined). It is important to note here that Japan has healthy trade contacts with China, but as an 'anti-China' country it is known to pursue an open 'pro-Western' foreign policy in which countries like the US, Australia, and India are vital factors.

ANALYSIS OF ASEAN'S POSITION IN THE GLOBAL ECONOMIC STRUCTURE

An examination of the economic cooperation in ASEAN can proceed on several levels. With respect to the impact on interactions and national controls, we have seen that ASEAN members' tariff levels have declined steadily from the early 1990s to below 5% (ASEAN, 2009); yet at the same time only 65% of the products in the Inclusion Lists of the ASEAN-6 had zero tariffs (Ravenhill, 2008) and non-tariff barriers continue to hinder trade in the region. To what extent has ASEAN economic integration resulted from institutional factors, as opposed to market factors? Michael Plummer (2006) finds that 'ASEAN as a group has been a statistically significant determinant of international trade flows, for ASEAN and EU trade'. Although ASEAN's efforts look impressive with respect to the removal of tariffs, intra-regional trade remains low compared to other regions. In general, the East Asia group of 15 countries has a very high level of intra-regional trade, but no formal trade arrangement amongst themselves (Kawai, 2005).

In ASEAN, there is an institutional norm which conducts the trade regime in ASEAN trade cooperation. However, criticism against ASEAN is pointed towards general skepticism about the autonomy and agency of regional institutions, more so in regional environments where state and sovereignty-centric conceptions of power dominate official discourse and policy (Nair, 2011). Secondly, Nair (2011) suggested that ASEAN is unable to realize its stated goals and is flawed in its mechanisms for goal setting and goal accomplishment – which can be analyzed through the institutional design and those substantive and procedural norms that impact the institutional design. Deepak Nair has a firm view regarding ASEAN's inability to plug the gap between stated goals and actual outcomes which, on account of its empirical salience, have been central to critiques of the association's recent institutional experience. Attempts at explaining ASEAN's failure to achieve its goals have been varied, but all focus around ASEAN's two core institutional norms: non-interference

in the domestic affairs of member states and a decision-making model based on consensus.

We can observe based on experience that these traditional norms have not precluded the adoption of an ambitious economic and political agenda (Nair, 2011). However, this is not the point in ASEAN as the situations differ from the normative idea of interdependence. ASEAN members are most concerned with their individual state sovereignty and welfare and thus, they will seek out any opportunity from which they can benefit. To put it simply, ASEAN members individually have their own foreign policy that satisfies their own national interest. This has been stated as the trilemma of globalization, where deep economic integration might generate sovereign risk, create regulatory discontinuities at the border, prevent global regulation and supervision of financial intermediaries, and render a global lender of last resort a hopeless dream (Rodrik, 2007). As ASEAN members generally choose to maintain the nation state, they risk adopting the "Golden Straitjacket". This means that they maintain the nation state but it is responsive only to the needs of the international economy. This would be a state that pursues global economic integration at the expense of domestic objectives (Rodrik, 2007). While this continues, the "Global Governance" concept, which is deemed as the ideal regional integration, will never exist in ASEAN. This also demonstrates that interdependence is not suitable for ASEAN.

Since its formation, ASEAN has yet to reach its full potential. The AEC (ASEAN Economic Community), which has been planned since 2007 and implemented in late 2015, is facing strong competition –from the TPP which essentially is a free trade agreement. The TPP eliminates tariffs for its members for various goods and industries, including agriculture, financial services, tourism, insurance, pharmacies, automotive and capital transfers. So far, there are 12 countries that have joined this trade block, including the United States of America, Canada, Australia, Japan, New Zealand, Mexico, Chile, Peru, Malaysia, Singapore, Brunei Darussalam and Vietnam. There are 4 ASEAN members that have already joined

other mega-regional agreements. This creates pressure for other ASEAN members to join the TPP, as they risk of falling behind regionally. Whilst it is important to pay attention to accessing global markets and its capital, this may lead to neglecting the AEC and abandoning its solid prospects.

From these presumptions, we could conclude that ASEAN members are currently in a pinned position in the global economic structure. Profoundly, ASEAN members could be associated with dependency theory because they view themselves and are being viewed by the global economic structure as merely a means to an end, or as a resource mine. However this is a diminishing view, and the facts tell a completely different story.

Firstly, ASEAN forms an economic powerhouse and is the seventh-largest economy in the world (HV, Thompson, & Tonby, 2014). Secondly, ASEAN is not a monolithic market as Vinayak HV, Fraser Thompson and Oliver Tonby (2014) state: ASEAN is a diverse group. Indonesia represents almost 40 percent of the region's economic output and is a member of the G20, while Myanmar, emerging from decades of isolation, is still a frontier market working to build its institutions. GDP per capita in Singapore, for instance, is more than 30 times higher than in Laos and more than 50 times higher than in Cambodia and Myanmar; in fact, it even surpasses that of mature economies such as Canada and the United States. The standard deviation in average incomes among ASEAN countries is more than seven times that of EU member states. That diversity extends to culture, language, and religion. Indonesia, for example, is almost 90 percent Muslim, while the Philippines is more than 80 percent Roman Catholic, and Thailand is more than 95 percent Buddhist. Although ASEAN is becoming more integrated, investors should be aware of local preferences and cultural sensitivities; they cannot rely on a one-size-fits-all strategy across such widely varying markets.

Thirdly, ASEAN's macroeconomic stability has provided a platform for growth and this is shown when ASEAN remained resilient during the global financial crisis of 2008. This allows us to make comparisons with the previous crisis in 1997-1998, identifying the inconsistencies and inabilities

of ASEAN as a regional institution to deal with crisis. Each member had their own mechanism in dealing with the crisis without involving ASEAN –where Malaysia chose to control and peg the local currency to US Dollar, Singapore remained steady, Thailand sought the IMF and Indonesia, who was aided and harmed by IMF, had its reformation (Hasan, 2002). This shows that ASEAN members insist on preserving their own national sovereignty.

Building on these preceding facts, it is evident that ASEAN is well positioned in global trade flows. ASEAN is the fourth-largest exporting region in the world –only behind the European Union (EU), North America and China. ASEAN is responsible for 7 percent of global exports (with notably diverse exports from its member states) as Asia Briefing (2014) has reported:

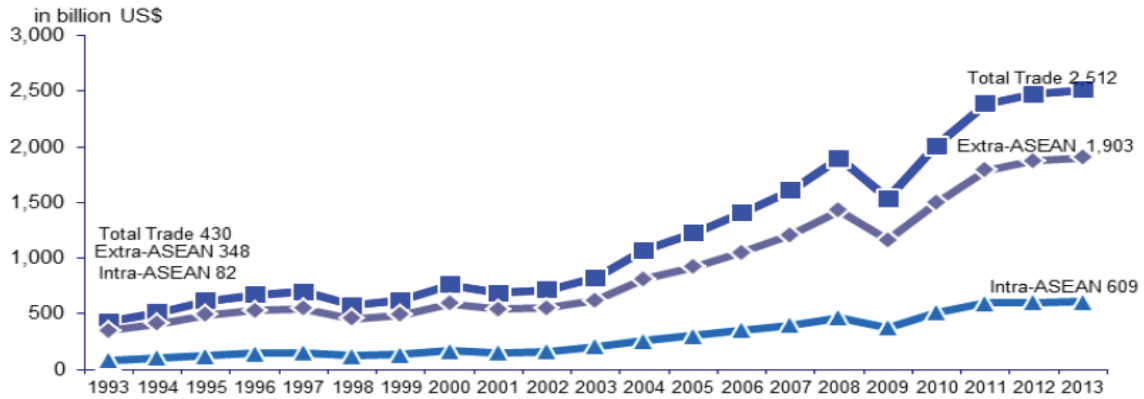
Vietnam specializes in textiles and apparel, while Singapore and Malaysia are leading exporters of electronics. Thailand has joined the ranks of leading vehicle and automotive parts exporters. Other ASEAN members have built export industries around natural resources. Indonesia is the world's largest producer and exporter of palm oil, the largest exporter of coal, and the second-largest producer of cocoa and tin. While Myanmar is just beginning to open its economy, it has large reserves of oil, gas, and precious minerals. In addition to exporting manufactured and agricultural products, the Philippines has established a thriving business-process-outsourcing industry. China, a competitor, has become a customer. In fact, it is now the most important export market for Malaysia and Singapore. But demand from the United States, Europe, and Japan continues to propel growth.

Export-processing zones, which used to be led by China, have been established across ASEAN countries. The Batam Free Trade Zone (Singapore-Indonesia), the Southern Regional Industrial Estate (Thailand), the Tanjung Emas Export Processing Zone (Indonesia), the Port Klang Free Zone (Malaysia), the Thilawa Special Economic Zone (Myanmar), and the Tan Thuan Export Processing Zone (Vietnam) are all expected to propel export growth (HV, Thompson, & Tonby, 2014). Moreover, ASEAN sits at the crossroads of many global flows. Singapore is currently the fourth-highest-ranked country in the McKinsey

Global Institute's Connectedness Index, which tracks inflows and outflows of goods, services, finance and people, as well as the underlying flows of data and communication that enable all types of cross-border exchanges (McKinsey Global Institute, 2014). The McKinsey Global Institute (2014) reports that Malaysia (18th) and Thailand (36th) also rank among the top

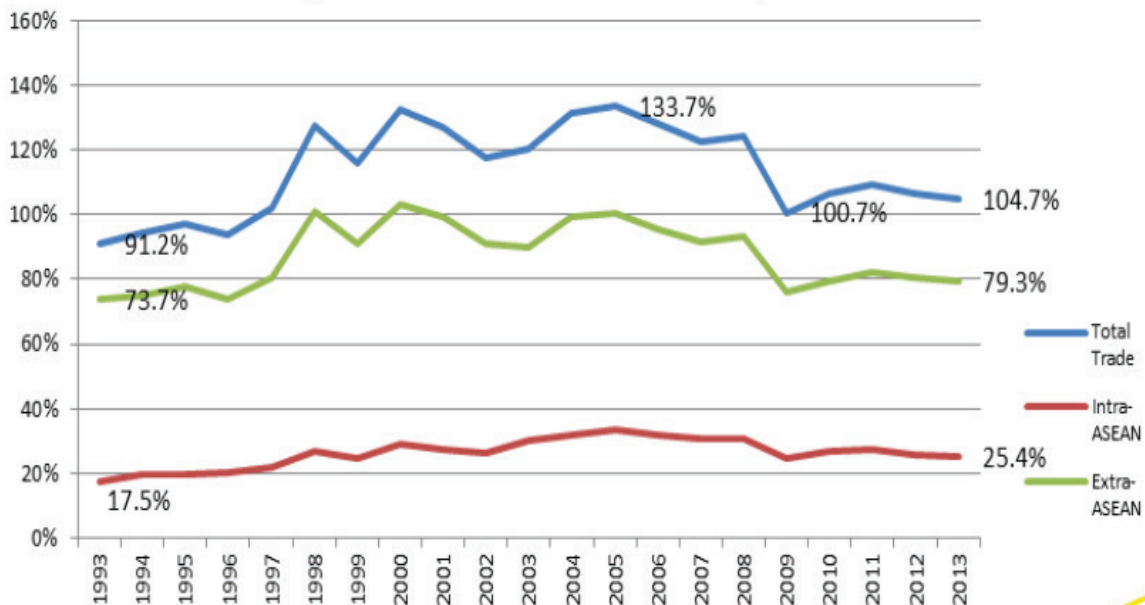
50 most connected countries. ASEAN is well positioned to benefit from the growth of all these global flows.

Ultimately, ASEAN's Intra-regional trade could significantly deepen with the implementation of the AEC, but there are hurdles as stated by Vinayak HV, Fraser Thompson and Oliver Tonby (2014):



Some 25 percent of the region's exports of goods go to other ASEAN partners, a share that has remained roughly constant since 2003. While this is less than half the share of intraregional trade seen in the North American Free Trade Agreement countries of Canada, Mexico, and the United States and in the European

Union, the total value is climbing rapidly as the region develops stronger cross-border supply chains. Intraregional trade in goods—along with other types of cross-border flows—is likely to increase with the implementation of the ASEAN Economic Community integration plan, which aims to allow the freer movement of goods, services, skilled labor, and capital. Progress has been uneven, however. While tariffs on goods are now close to zero in many sectors among the original six-member states (Brunei, Indonesia,



Malaysia, the Philippines, Singapore, and Thailand), progress on liberalization of services and investment has been slower, and nontariff barriers remain a stumbling block to freer trade.

Intra-ASEAN trade increased at a faster pace, with an annual growth rate averaging 10.5%, as compared to either the overall ASEAN trade (9.2%) or the extra-ASEAN trade (8.9%) during the period 1993 – 2013. But in spite of that, the Intra-Extra ASEAN trade gap is very wide. Intra-ASEAN trade has surged more than sevenfold in the same period from US\$82 billion to US\$609 billion, while extra-ASEAN trade grew more than five times, from US\$348 billion to US\$1.9 trillion, as presented in Figure 2.

Source: A closer look at ASEAN Trade Performance, Dependency and Investment

Figure 2. Trend of ASEAN Total Trade and Intra/Extra ASEAN Trade 1993-2013

Moreover, the share of Intra/Extra-ASEAN trade also shows an imbalance between the circulation inside the region and the circulation of trade activity outside the region. In 2013, the Intra-ASEAN trade accounted for 25% of all trade, whilst Extra-ASEAN trade accounted for 79.3%. The trend of ASEAN Total Trade and Intra/Extra-ASEAN Trade 1993-2013 can be seen in Figure 3.

Source: A closer look at ASEAN Trade Performance, Dependency and Investment

Figure 3. Shares of ASEAN trade in GDP, 1993 – 2013

By identifying the potential of ASEAN, we should see sustainable growth in ASEAN. However, the reality is quite different. ASEAN members have yet to take any serious or significant steps to take advantage of the opportunity which the AEC has provided. Instead, ASEAN members are seemingly dependent on the global economic structures of the TPP and RCEP. This participation of ASEAN members with various economic partnerships outside ASEAN results in a dependency to global capitalism networks.

We can analyze ASEAN's situation with dependency theory, where both the lesser (in the context of force or capital) are being dominated and/or "exploited" by the superior states for the enrichment of the latter at the expense of the former. This dependency of ASEAN members to the global economic structures proves that it does not provide a proper framework for

the AEC to be implemented. Moreover, those global economic structures might as well be categorized as "challenging", if not "threatening" to the existence of the AEC.

CONCLUSION

The analysis of this paper reveals that ASEAN members have yet to take any serious and significant steps in capitalizing on the opportunities which the AEC has provided. Instead, the trajectory of ASEAN members is dependent on the development of the TPP and RCEP. Precisely, this sort of participation among ASEAN members with various economic partnerships outside ASEAN results in a dependency on global capitalist networks. This specific dependence to the global economic structures proves that it does not provide a proper framework for AEC to be implemented. To put it simply, the AEC is facing a situation where it may become besieged. However, as the ratification of those mega-regional agreements takes time (3-5 years) with thorough and cautious consideration, it would be best to focus on ASEAN's strengths and build sustainable partnerships (such as the AEC) upon those strengths. This would most likely benefit every ASEAN member in an exponential way. It would be wise to plan ahead before making a step, lest we fall into a "trap".

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