
Association of South East Asian Nation (ASEAN): Origin and Perspectives

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ABSTRACT

This theoretical paper tries to illuminate the versatile journey of Southeast Asian (SEA) countries from ASEAN to ASEAN-FTA. After free from colonial, SEA countries want to integrate at regional level. ASEAN is formed among five countries (Indonesia, Malaysia, Philippines, Singapore and Thailand) under Bangkok Declaration in 1967 after failure of SEATO (1954), SEAFET treaty, ASA (1961) and MPILINDO. Later on, Brunei Darussalam (1984), Vietnam (1995), Lao PDR and Myanmar (1997) and Cambodia (1999) became its member. After a decade, SEA countries signed preferential trade agreement in 1977 and then free trade agreement in 1992. ASEAN has covered each sphere of cooperation. It has become the 3rd largest and most influential bloc in the world.

Keywords: *Versatile; Integrate; Free Trade; Economic; Bloc.*

INTRODUCTION

Under the wave of regionalism and to protect themselves from external forces, on 8 August 1967, a conference organized among SEA countries, attended by Tun Abdul Razak (Malaysia, Deputy Minister), Adam Malik (Indonesia, Foreign Minister), Thanat Khoman (Thailand, Foreign Minister), Narciso Ramos (Philippines, Foreign Minister) and S. Rajaratnam (Singapore, Foreign Minister), in Bangkok to sort out conflicts, limit outside engagement, revive and develop strong ties between them. The conference led to the formation of Association of Southeast Asian Nation (ASEAN), a regional bloc by the five original member countries namely Indonesia, Malaysia, Philippines, Singapore and Thailand under the ASEAN Declarationⁱ (also known as the Bangkok Declarationⁱⁱ). It is set up with an objective to accelerate the process of economic growth, social progress and cultural development and also to attain political stability.

Burma declined to participate and Laos and Cambodia also rejected due to military aggression in Indo-china (Hass 1989). Later on, Brunei Darussalam joined after its independence in 1984 and together it is known as ASEAN-6. Vietnam became member of the group on 28 July 1995, Lao PDR and Myanmar on 23 July 1997 and Cambodia on 30 April 1999 and known as CLMV. Its membership increased with the addition of Brunei, Cambodia, Laos, Vietnam and Myanmar in between the 1980s and 1990s (Cribb, 1998). Brunei became a member of ASEAN in 1984 following its independence from the British. Today, SEA countries have experienced a remarkable increase in every sphere. This theoretical paper attempts to throw light on versatile journey of Southeast Asian (SEA) countries from ASEAN to ASEAN-FTA

ORIGIN OF ASEAN

Before World War II, Southeast Asian (SEA) countries were not recognized as a region; identified merely by the country's own name (Bruma, Malaya or Sumatra) and not seen as a country from a particular region. For the first time in history, these countries were colonized by superpowersⁱⁱⁱ (Allied Forces) and called it South East Asia. The word Southeast Asia was firstly used in Quebec Conference in August 1943, where the allied parties had placed Burma, Malaya, Sumatra and Thailand under the Southeast Asia Command (SEAC-I) to protect the colony in the SEA region. In the Potsdam Conference, SEAC-I was expanded by adding Netherlands East Indies (Indonesia) and several countries of Indochina, which were Southern Vietnam and Cambodia (SEAC-II) in July 1945. During the World War II, Japan had captured Malaysia, Myanmar and Singapore from the British, Indonesia from the Dutch, Indochina (except Thailand) from the French and the Philippines from the US (Keling *et al.* 2011).

After the end of World War II, Southeast Asia region ruled by European countries with a system called bipolar (Calleo, 1996). These superpowers realized that international peace and political stability could only be achieved through structural changes and integration (Fox, 1994). These changes produced the formation of ideology pacts, North Atlantic Treaty Organization (NATO) and Warsaw Treaty of Friendship, Co-operation and Mutual Assistance at an international level (Waltz, 1995). Superpowers' stratagem and competition in international level have influenced SEA countries to constantly conform to current demands to ensure national security. SEA countries were greatly influenced by Soviet Union's planned development strategy. After free from colonial, SEA countries were too young and facing tremendous internal political instability, ethnic conflict, unity problem and weak security and defense system. These problems forced/motivated SEA countries to form a state or regional organization that could be an alternative for regional peace foundation.

Contemporary regional cooperation in SEA originated with the establishment of SEATO on 8 September 1954 to prevent the region from communism. It is based on the NATO's model. The key members of SEATO are the most influential regional and post-colonial powers of Australia, France, UK, New Zealand, Pakistan and United States. It has only two members from SEA i.e. Thailand and Philippines. The idea to establish association of SEA nation (ASEAN) started with a few bilateral and multilateral agreements. The SEA countries signed Southeast Asia Friendship and Economic Treaty (SEAFET) after Tunku Abdul Rahman's official visit to Philippines in January 1959 (Nathan, 1988) that motivated to form ASEAN. On one hand, the establishment of SEAFET experienced failure due to disagreement of several Southeast Asian countries. On the other hand, it led to the formation of regional organization, i.e. Association of Southeast Asia (ASA). The ASA was formed in Bangkok that involved the union of three countries: Malaysia, Philippines and Thailand on 31 July 1961. The objectives of founding ASA were:

- To cultivate cooperation in the field of economic, social science and culture;
- To provide training facility and research for the benefit of everyone;
- To create peace and regional stability and
- To enhance the level of integration

The ASA was a forum for foreign ministers of each country to participate in confidence building and form closer regional ties.^{iv} ASA also failed due to sought out conflicts and objections among countries, mainly between Malaysia and Philippines. After the failure of ASA, another regional organization was established i.e. called MAPHILINDO comprising Indonesia, Malaysia and Philippines with an objective to enhance cooperation in the field of economy, culture and social science (Dahl, 1982). Moreover, this organization was a solution to end of dispute among Indonesia, Malaysia and Philippines especially related to territorial issues. MAPHILINDO too failed because each country focused on their national interest as compared to regional interest (Patmanathan, 1980; Fified, 1979). Consequently, it placed SEA into a tense situation, caused the regional interrelationship to break and raised conflict between member countries. In order to seek out conflicts, revive and develop strong ties between SEA states, a conference organized among SEA countries in Bangkok in 1967. The conference led to the formation of Association of Southeast Asian Nations (ASEAN) under the Declaration of Bangkok^v on 8 August 1967 to limit outsider engagement in the Southeast Asia (Cribb, 1998). Initially, ASEAN had five members namely Indonesia, Malaysia, Philippines, Singapore and Thailand (Fifield, 1979; Turnbull, 1999; Narine, 2002a).

OBJECTIVES OF ASEAN (Chirathivat *et al.* 1999)

- To accelerate the economic growth, social progress and cultural development in the region,
- To protect mutual interest and creating regional solidarity as well as to promote regional peace and stability,
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields,
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres,
- To promote a more effective cooperation in the industrial and agriculture field, expand trade, increase transportation and relationship development as well as the living standard of the member countries and
- To strengthen present regional ties i.e. ASEAN should 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

PRINCIPLES OF ASEAN^{vi} (ARTICLE-2)

- Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations,
- The right of every country to lead its national existence free from external interference, subversion or coercion,
- Non-interference in the internal affairs of one another,
- Settlement of differences or disputes by peaceful manner,

- Renunciation of the threat or use of force in resolving disputes and
- Effective cooperation among themselves.

DEVELOPMENTS IN ASEAN

In its early years, ASEAN primarily focused on political cooperation, striving for peace and security in SEA. It has largely contributed to the overall stability and tried to develop a general feeling of trust between the member states. ASEAN achieved greater cohesion in the mid-1970s following the changed balance of power in SEA after the end of the Vietnam War and uncertainties about the American commitment. These changes forced Southeast Asian countries to strengthen their ties (Akya, 2006). On 27 November 1971, the foreign ministers of the then five ASEAN members signed a Zone of Peace, Freedom and Neutrality (ZOPFAN). ZOPFAN committed all ASEAN members to exert initially necessary efforts to secure the recognition of, and respect for, SEA as a Zone of peace, freedom and neutrality, free from any manner of interference by outside powers^{vii} and to take concerted efforts broaden the areas of cooperation, which would contribute to their strength, solidarity and closer relationship (Mohamad, 1989). For strategic reasons, most other ASEAN states disagreed with this initiative and ZOPFAN was the resulting compromise. ZOPFAN had no time table for its implementation and has been abandoned (Haacke, 2003). Reduction of U.S powers in SEA and the related collapse of anticommunist regimes in South Vietnam and Cambodia in 1975 provided impetus to ASEAN's political development. The organization shifted its emphasis to the promotion of economic development as the surest way of combating the internal appeal of communism in the ASEAN nations (Pomfret, 1996). ASEAN members organized Bali conference in 1976 at Bali (Indonesia). It is the first meeting among the heads of state member. At that meeting, they signed two important documents:

1. The Declaration of ASEAN Concord and
2. Treaty of Amity and Cooperation (TAC)

Thereafter, matters concerning trade promotions, trade liberalization and industrial complementation were emphasized^{viii}. The region also invested in research and strategic planning with the hope of constructing well-planned paths for regional economic cooperation. ASEAN's first steps towards trade liberalization worked on implementing preferential trading frameworks (tariff and non-tariff preferences), comprised of long term quantity contracts and preferences in procurement by government entities. As a result, the ASEAN Preferential Trading Arrangement (ASEAN PTA) was officially formed on 24 February 1977. This ASEAN-PTA was approved by the General Agreement on Tariffs and Trade (GATT). ASEAN PTA targeted to boost intra-region trade (Tongzon, 2002) through the implementation of following measures:

- a) the granting of tariff preferences;
- b) long-term quantity contracts,
- c) preferential terms for the financing of imports,

- d) preferential procurement by government agencies and
- e) the liberalization of non-tariff barriers in intra-regional trade.

ASEAN PTA had limited impact on trade, the tariff concessions that granted within this PTA framework were just too small and coverage of the products was limited. Due to development gap and competitiveness among SEA countries, ASEAN members did not really feel the need to push ahead with trade liberalisation efforts. It was only in the second half of the 1980s that trade liberalisation seriously started to make way in the ASEAN-6.^{ix} By then, ASEAN countries had gained enough self-confidence and also felt the increasing external pressure from the IMF and the World Bank to speed up trade liberalisation efforts. Finally, ASEAN members also wanted to arm themselves against the newly developed trading blocs of NAFTA and the EU, as they were concerned about their exports to these huge markets.

The ASEAN states came to see the international political advantages of operating as group, and they were determined to maintain ASEAN as a functioning institution (Park, 1999; Weather bee 2005). In January 1992, the six original leaders of ASEAN decided to take their trade liberalisation efforts to a higher level, by enhancing APTA to ASEAN Free Trade Area (AFTA). The ASEAN Free Trade Area (AFTA) is eventually institutionalized as a result of the fourth ASEAN Summit in Singapore on 28 January 1992. The AFTA is meant to provide a training ground for ASEAN business, give a way to attract foreign investment to the region, accelerate trade liberalization and improve upon the provisions in the old agreement on ASEAN Preferential Trading Arrangements signed in 1977. The belief was that a free-trade area would benefit member states by increasing trade, investment, production opportunities and foreign exchange earnings (Cheong, 2008). ASEAN pursued AFTA for four reasons:

- To provide ASEAN with a new purpose in the aftermath of the Cold War;
- To offset the growth of economic regionalism in other parts of the world and give AFTA members a greater voice and more economic clout in international economic negotiations;
- To make it easier for multinational corporations to establish themselves at the regional level and
- To attract foreign investment and compete against China on a more equitable footing.

Under the AFTA, tariff and non-tariff barriers to intra-ASEAN trade has reduced, capped at 5% (with exceptions for a few classes of sensitive goods) for all of the six nations that comprised ASEAN (ASEAN-6) at the time. When the CMLV countries later became a member of ASEAN, they also signed on to the AFTA, although they were given a more lenient schedule for reducing tariffs because their relative underdevelopment rendered many of their industries more vulnerable to shocks from rapid trade liberalization. Lao PDR and Myanmar will be implemented AFA on 1 January 2015 and Cambodia on 1 January 2017. AFTA's objectives, in general, remained similar to ASEAN-PTA. However, in addition to increasing intra-ASEAN trade which had long been the key mission for ASEAN members, the ASEAN's FTA is also perceived as a vital path to bring in development related factors to the region (Pangestu *et al.*, 1992). The main objectives of AFTA are:

- ❖ To increase ASEAN's competitiveness in global market by reducing tariffs on trade between member states;
- ❖ To enhance economic cooperation and eliminate trade barriers

- ❖ To attract foreign direct investment into the region; and
- ❖ To increase the levels of wealth and productivity of member states (Cheong, 2008).

In order to implement the AFTA Agreement in practice, the Common Effective Preferential Tariff (CEPT)^x Scheme was introduced. The CEPT Scheme applied on all manufactured and semi-manufactured products, including capital goods and processed agricultural products. Between 1994 and 1998, ASEAN member countries further enhanced trade liberalization in the region by eliminating non-tariff barriers (NTBs) and quantitative restrictions (QRs); harmonizing customs nomenclature, valuation, and procedures and developing common product certification standards (Bun *et al.* 2007). In 1995 they also signed the supplementary ASEAN Framework Agreement on Services (AFAS) for the intra-regional liberalisation of trade in services (Imada, 1993) and for regional cooperation in intellectual property rights. The AFTA project became more formal and binding with the signing of the Protocol on ASEAN Dispute Settlement Mechanism (DSM) in 1996. In the same year, the ASEAN Industrial Cooperation Scheme (AICO), whose main objective was to promote joint manufacturing industrial activities between ASEAN-based companies, was launched. The expansion of ASEAN to include Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999 widened the AFTA project as all four countries were required to sign on to the AFTA agreement in order to join ASEAN. In light of their later accession to the CEPT Agreement, the new member countries (the so-called CLMV countries) were scheduled to meet their tariff reduction obligations a few years later than the original ASEAN members. Vietnam was expected to realize AFTA in 2006, Laos and Myanmar in 2008, and Cambodia in 2010. Spurred by the Asian Financial Crisis, ASEAN Leaders agreed at the sixth ASEAN Summit in 1998 to bring forward the establishment of AFTA to the year 2002 instead of 2003 for the six original signatories to the CEPT Agreement. Members also agreed to adopt a harmonized tariff nomenclature by 2000. In addition, to encourage intra-regional investment and production that would complement the AICO, a framework agreement on the ASEAN Investment Area was signed (Hund, 2003).

On the other hand, in order to develop strong ties, resolve conflicts and long term security in Asia, Asia Regional Forum (ARF)^{xi} is formed in 26th Asean ministerial meeting and post ministerial conference. A year later members signed the Southeast Asia Nuclear Weapon Free Zone Treaty. Since then, ASEAN has continuously pursued closer economic cooperation in trade, services and investment and moved towards a single market and production base to increase the regional competitiveness. Furthermore, ASEAN Leaders have agreed to start negotiate on the RCEP (Regional Comprehensive Economic Partnership) which will encompass 6 Dialogue Partners, i.e. China, Japan, Republic of Korea, India, Australia and New Zealand. ASEAN has also enjoyed functional cooperation in many areas, such as education, disaster management, health, environment, rural development, and science and technology (S&T), to name just a few that has helped to increase regional resilience and enabled us to respond effectively to challenges such as pandemics (SARS), natural disasters (2004 tsunami and 2008 Cyclone Nargis) and other trans boundary challenges such as haze and drugs.

Today, ASEAN countries have attempted cooperation in a wide range of economic fields, including agriculture, banking and finance, tourism, transportation, human resources development, energy and environmental activities. In its early years ASEAN was concerned principally with security and political cooperation within Southeast Asia. The economic

agenda started to appear from the mid-1970s, after the end of the Vietnam War, but only really gathered pace after the end of the Cold War and after the Asian financial crisis, as the member states realized the need for greater regional economic integration and closer integration with world markets. Now ASEAN has become a successful regional organization in bringing the attention of the other countries in rest of the world. Under AFTA, SEA countries have largely been successful in radically reducing tariff and non-tariff barriers, boost intra-regional trade. Compared with other groupings, ASEAN has an overall larger volume of trade.

CONCLUSION

Today, ASEAN has become 3rd the most influential and prosperous regional bloc at the global. It has been regarded as a role model for the new regionalism by other developing regions in the world. It promotes cooperation between its members. Its membership increased with the addition of Brunei, Cambodia, Laos, Vietnam and Myanmar in between the 1980s and 1990s.

DECLARATION

I sadhna here declared that this paper is original and not elsewhere submitted for publication.

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ENDNOTES

- i <http://cil.nus.edu.sg/an-introduction-to-asean/>
- ii <http://www.asean.org/news/item/the-asean-declaration-bangkok-declaration>
The Bangkok Declaration is the founding document of the Association of Southeast Asian Nations. It is also called the ASEAN Declaration. It has five articles.
- iii Superpowers: British, Dutch, French and US.
- iv Prof. Radolfo C. Severino, Indonesia's Leadership Role in ASEAN World Economic Forum's Indonesia Matters-Diversity, Unity and Stability in Fragile Times, Asian Institute of Management, <http://www.aim.edu/home/announcement.asp?id=412>
- v <http://www.asean.org/news/item/the-asean-declaration-bangkok-declaration>
- vi Principles of ASEAN as mentioned in the Treaty of Amity and Cooperation in Southeast Asia (TAC) of 1976.
<http://www.asean.org/news/item/treaty-of-amity-and-cooperation-in-southeast-asia-indonesia-24-february-1976-3>
<http://www.historydiscussion.net/asia/asean-association-of-the-south-east-asian-nations/1925>
- vii ASEAN, Zone of Peace, Freedom and Neutrality Declaration, Malaysia, 27 November 1971, <http://www.aseansec.org/1215.htm>
- viii There were 3 main programmes initially constructed: the preferential trading arrangements (PTA), ASEAN industrial joint ventures (AIJVS) and the board to brand complementation (BBC) scheme
- ix ASEAN-6 is often used to designate the six long-standing members of ASEAN: Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei Darussalam. ASEAN-CLMV is used to designate the new (and up to now less developed) members Cambodia, Laos, Myanmar and Vietnam.
- x It is a cooperative agreement among member countries whereby intra-regional tariffs will be brought down to 0-5%. The CEPT also requires that non-tariff barriers will have to be eliminated. However, in order to utilize this scheme, member countries need to meet the rule of origin (ROO) or the local content requirement; products produced have to contain a minimum of 40% of AFTA value if not totally produced within AFTA countries.
- xi ARF comprises 23 members namely Brunei, Singapore, Thailand, Burma, Cambodia, Malaysia, Indonesia, Lao, Philippines, Vietnam, European Union (EU), Australia, Canada, China, India, Japan, South Korea, North Korea, New Zealand, Russia, the United States, Papua New Guinea and Mongolia.