ASEAN: The way forward

Kishore Mahbubani and Rhoda Severino

In this essay, the dean of the Lee Kuan Yew School of Public Policy, Kishore Mahbubani, and colleague Rhoda Severino argue that ASEAN's achievements mask significant challenges.

The Association of Southeast Asian Nations (ASEAN) has dramatically raised living standards of the more than 600 million people residing within its ten member countries and brought a host of indirect benefits to billions of others in neighboring states. And yet ASEAN has won relatively little recognition for those achievements. Beyond Southeast Asia, few have heard of ASEAN, and even within the region, the organization's role and contributions are poorly understood. This essay seeks to highlight three of ASEAN's greatest achievements and identify three key risks to its continued success. (The views expressed are those of the authors and not necessarily of McKinsey & Company.)

ASEAN was formed in 1967, at the height of the Cold War, with five members: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The nations of Indochina were entangled in geopolitical competition between the United States and the Soviet Union. The failure of two previous attempts at a Southeast Asian regional organization augured poorly for ASEAN's prospects. Thanat Khoman, the former Thai foreign minister and one of ASEAN's founding fathers, lists four primary motivations behind the establishment of ASEAN. The first was to prevent external powers from exploiting the power vacuum left after rapid decolonization of the region. Second, the founders of ASEAN saw an opportunity to foster cooperation among countries with common interests in the same geographic region. Third, the founders were convinced that the countries of Southeast Asia would have a stronger voice in addressing major global powers if they could speak together. Finally, ASEAN's founders believed "cooperation and ultimately

[1] Thanat Koman, "ASEAN conception and evolution," in *The ASEAN Reader*, ed. Chandran Jeshurun, Ananda Rajah, K. S. Sandhu, Sharon Siddique, Joseph L. H. Tan, and Pushpa Thambipillai, Singapore: Institute of Southeast Asian Studies, 1992.

integration serve the interests of all—something that individual efforts can never achieve."[1]

In our view, ASEAN's three greatest contributions are peace, prosperity, and geopolitical stability for Southeast Asia. Each of these accomplishments is remarkable; considered in aggregate, they are astonishing.

In a region as diverse as Southeast Asia, peace is hardly a given. Although relatively small in geographic terms (ASEAN covers a land area of 4.46 million kilometers, less than half the size of the United States), the group's members encompass a bewildering kaleidoscope of languages, religions, and traditions. ASEAN includes 240 million Muslims, 125 million Christians, 150 million Buddhists, 7 million Hindus, and 50 million followers of folk religions. ASEAN's political systems, too, span a wide spectrum, from competitive democracies to one-party states and monarchies. The region's cultures are even more diverse. Consider the Acehnese and the Javanese; both are categorized as Muslim in Indonesia, but culturally they could not be more different. Acehnese keen to assert their separate identity waged a bitter war of secession in Indonesia. Today Aceh is the only province in Indonesia under Sharia and recently expanded Sharia to apply to Muslims and non-Muslims alike.

As Ruth McVey, an American scholar renowned for her knowledge of Southeast Asian history, has observed: "The question to be posed is not so much of why there is armed separatism in Southeast Asia as why there is not more of it."[2] Southeast Asia has been aptly described as "the Balkans of Asia." When the Cold War ended in 1989, most observers expected conflict to erupt there while peace prevailed in the Balkans of Europe. What happened, instead, was the reverse.

ASEAN contributed to this unexpected outbreak of peace in at least three important ways. First, it cultivated a culture of "*musyawarah* and *mufakat*" ("consultation and consensus" in Indonesian). This ethos is now hailed by many as the "ASEAN way" and has helped nations such as Myanmar achieve a peaceful transition from decades of harsh military rule, while nations in similar situations in other regions—Syria, for example—were riven by conflict. Scholar Amitav Acharya associates the ASEAN way with "a high degree of discreteness, informality, pragmatism, expediency, consensus building, and nonconfrontational bargaining styles, which are often contrasted with the adversarial posturing and legalistic decision-making procedures in Western multilateral negotiations."[3] This approach has facilitated the persistent economic and political engagement of regimes like Myanmar's military junta, preventing isolation from hardening their positions.

Second, ASEAN now organizes more than 1,000 meetings a year that touch on virtually every topic, from trade to tourism and from health to the environment. As a result, thousands

[2] Ruth McVey, "Separatism and the paradoxes of nation-state in perspective," in *Armed Separatism in Southeast Asia*, ed. Joo-Jock Lim and Vani Shanmugaratnam, Singapore: Institute of Southeast Asian Studies, 1984.

[3] Amitav Acharya, "Culture, security, multilateralism: The 'ASEAN way' and regional order," *Contemporary Security Policy*, 1998, Volume 19, Number 1, pp. 55–84.

of invisible formal networks have evolved in the region. When Kishore was permanent secretary of the Singapore Foreign Ministry, many a deal was sealed on the golf course.

Third, ASEAN embraced a policy of nonintervention. The West frowned on this and encouraged ASEAN states to criticize one another when their human-rights records slipped. Yet ASEAN countries wisely ignored this advice and assiduously avoided meddling in one another's domestic affairs. The result has been peace. While there have been minor skirmishes between neighboring countries since they have joined ASEAN, those disputes have fizzled out quickly, reflecting ASEAN's facility for conflict management and quiet diplomacy. This low-key approach doesn't generate newspaper headlines in the way that economic sanctions or harsh rhetoric might, but it has been highly effective in defusing potentially explosive situations such as the Thai–Cambodia border dispute and the dispute over Sabah between Malaysia and the Philippines.

The strong foundation of peace paved the way for ASEAN's second-biggest contribution: prosperity and poverty reduction. When Kishore was growing up in Singapore in the 1960s, Southeast Asia was seen as a region of little hope. Kishore spent his childhood in a one-bedroom house with five other members of his family and was on a special food-assistance program in school because he was underweight. And yet, over the five decades that followed, Singapore—and indeed the entire Southeast Asian region—experienced extraordinary economic growth. From 2001 to 2013 alone, ASEAN's combined GDP rose threefold, reaching $2.4 trillion. If the ASEAN bloc were a country, its growth rate during those years would rank second to China as the highest in Asia. Between 2004 and 2011, ASEAN member states' trade volumes, among one another and with the rest of the world, more than doubled. Foreign companies express optimism about the continued growth of ASEAN markets. The overwhelming majority of the US Chamber of Commerce's member companies in Southeast Asia predict larger profits and increased investment in ASEAN countries over the next few years.[4]

Growth and expanding trade have brought tangible benefits for Southeast Asia's people. In 2012, ASEAN's GDP per capita reached $3,748, more than double the 2000 figure of $1,172.[5] Over the last ten years, poverty levels across the region have plummeted. In Cambodia, Laos, Myanmar, and Vietnam, the proportion of the population living on less than $1.25 a day fell to 16 percent in 2010, from 45 percent in 2000. In the rest of ASEAN over the same period, the numbers living below the poverty line declined to 15 percent, from 29 percent.[6]

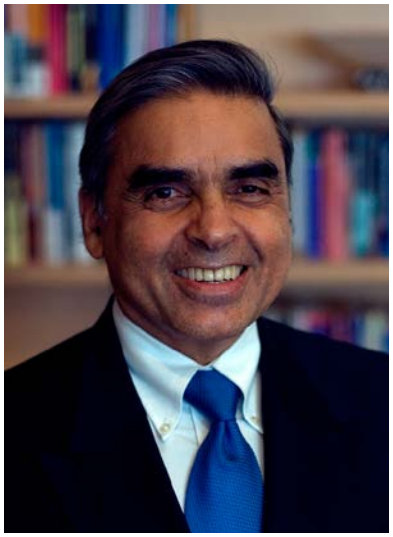
ASEAN's third major contribution is promoting geopolitical collaboration among major powers—not just in Southeast Asia but throughout the Asia–Pacific region. East Asia has experienced major shifts of power in the 21st century. The United States and China have moved from close collaboration in the Cold War years to a new pattern of competition and collaboration. The Sino–Japanese relationship has been a tempestuous one.

[4] *ASEAN Business Outlook Survey 2014*, The American Chamber of Commerce in Singapore and the US Chamber of Commerce, 2013, uschamber.com.

[5] *ASEAN Community in Figures (ACIF) 2013*, ASEAN Secretariat, 2013, asean.org.

[6] *ASEAN Community Progress Monitoring System Full Report 2012*, ASEAN Secretariat, 2013, asean.org.

Kishore Mahbubani



Vital statistics
Born October 24, 1948, in Singapore

Married, with 3 children

Education
Graduated with a BA in philosophy (first-class honors) in 1971 from the University of Singapore

Earned an MA in philosophy in 1976 from Dalhousie University, Canada

Career highlights
(2004–present)
Lee Kuan Yew School of Public Policy, National University of Singapore

Dean and professor in the practice of public policy

(1971–2004)
Singapore Foreign Ministry

Postings in Cambodia, Malaysia, New York, and Washington, DC

(1984–89, 1998–2004)
Singapore's ambassador to the United Nations

(1993–98)
Permanent secretary

President of the UN Security Council in January 2001 and May 2002

(1991–92)
Harvard University

Fellow, Center for International Affairs

Fast facts
Author of *Can Asians Think?, Beyond the Age of Innocence: Rebuilding Trust Between America and the World*, and *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*

His latest book, *The Great Convergence: Asia, The West, and the Logic of One World*, was selected by the *Financial Times* as one of the best books of 2013

Selected as one of *Foreign Policy*'s Top Global Thinkers in 2010 and 2011

Conferred the Public Administration Medal (Gold) by the Singapore Government in 1998

Earned an honorary doctorate in 1995 from Dalhousie University

Awarded the President's Scholarship (Singapore) in 1967

ASEAN has played an important role in reducing geopolitical tension and rivalries by providing an annual platform for all the great powers to meet and resolve outstanding issues. For example, in 2010, when Sino–Japanese relations took a downturn over disputed islands in the East China Sea, Chinese Premier Wen Jiabao and Japanese Prime Minister Naoto Kan met on the sidelines of an ASEAN meeting in Hanoi.

In addition, each year the ASEAN Regional Forum (ARF) plays host to 27 different countries to discuss security issues in the region. Many major powers attend, including the United States, the European Union, China, India, Japan, Russia, and South and North Korea. This institutionalizes interactions among them, even during diplomatically tense periods. Sensitive topics that have been discussed on the sidelines of the ARF include North Korea's nuclear program and maritime

disputes in the South China and the East China Seas. Few other international venues bring together so many different stakeholders for frank discussions on delicate security and strategic issues.

In view of these monumental contributions—peace, prosperity, and geopolitical collaboration—we think ASEAN should be considered for a Nobel Peace Prize. Yet such accolades remain an unlikely prospect, not because ASEAN is undeserving but because the world remains largely ignorant of ASEAN's constructive role. Many other regions could benefit by studying in depth the ASEAN way.

Despite its many achievements, ASEAN must press forward. ASEAN nations must adapt to new challenges and risks and seize opportunities as they emerge. We see at least three potential threats to continued success.

The first risk is geopolitical. Rising competition in East Asia—especially between the world's greatest power, the United States, and the world's biggest emerging power, China—poses a new threat to stability throughout Asia. The starkest demonstration of how rising competition can divide ASEAN took place in Phnom Penh in July 2012 when, for the first time in its history, it failed to issue a joint communiqué after its annual meeting. This failure stemmed from the unwillingness of Cambodia, then the ASEAN chair, to allow mention of several member states' maritime disputes with China, a close economic partner. Tensions with China surfaced again in May of this year at the 24th ASEAN summit in Naypyidaw, Myanmar; there, despite harsh remarks by Vietnam's prime minister, the official ASEAN statement made no mention of the Chinese deployment of a giant oil rig in waters claimed by both nations about 150 miles from Vietnam's coast. While many ASEAN leaders shared Vietnam's view of China's actions as a challenge to the sovereignty claims of an ASEAN member, several were unwilling to be drawn into a conflict with the region's largest power.

Still, in many ways, the inability to agree on a joint communiqué was a blessing in disguise for ASEAN. It provided a much-needed wake-up call. For several decades, ASEAN has benefited from geopolitical competition. In 2000, China's leaders surprised their counterparts in Southeast Asia by proposing—and swiftly concluding—a free-trade agreement (FTA) with ASEAN. Beijing's decisiveness spurred Tokyo to action. To avoid falling behind China, Japan rushed to propose and conclude its own FTA with ASEAN. India, Korea, and Australia and New Zealand all quickly followed suit. Partly as a result of these FTAs, ASEAN's trade with the rest of the world grew to $2 trillion in 2010, a sixfold increase over the group's 1990 global trade of $300 billion.

But having benefited from geopolitical competition for more than two decades, ASEAN has become complacent and too often takes for granted that geopolitical competition will bring

more rewards than risks. So far, the geopolitical competition between China and the United States (as well as between China and Japan and China and India) has been relatively restrained. The likelihood is that it will remain relatively restrained. But it would be unwise for ASEAN to predicate its geopolitical strategy on best-case scenarios alone. ASEAN, like others, also must ponder the implications of a worst-case scenario of intensified zero-sum competition between China and the United States.

The second risk facing ASEAN is that it could fall behind in the competition for foreign direct investment (FDI) among Asia's emerging markets. In the 1970s and 1980s, when China was just opening up its economy and India remained closed, ASEAN had little difficulty in outpacing either in attracting FDI. In 1980, FDI into ASEAN made up 3.4 percent of the world's total, while inflows were only 0.2 percent into China and 0.1 percent into India. However, China and India caught up in the 1990s and 2000s. By 2005, China's share of global FDI inflows had increased to 3.1 percent, compared with ASEAN's 3.7 percent; by 2012, China's share reached 8.9 percent, exceeding ASEAN's 8 percent. India's share of global FDI has remained low, reaching only 1.9 percent in 2012, but that could change quickly if India follows through with the economic-reform agenda it began more than two decades ago.

In response to this new competition from China and India, ASEAN launched two major economic projects: the ASEAN Economic Community (AEC) and the Regional Comprehensive Economic Partnership, both due for completion in 2015. ASEAN countries have a mixed record when it comes to meeting their own deadlines. One danger is that they will settle for implementing only 70 percent of their stated reform targets, declare political victory, and give up on the remaining 30 percent.

While that may be clever strategy, eventually ASEAN must bear the scrutiny of the global marketplace. If the group fails to convince potential investors, especially leading multinational companies, that the AEC is being meaningfully implemented, ASEAN risks falling behind China and India in economic-growth rates. ASEAN policy makers must remember that they all are in the same boat when it comes to economic competition. If they choose to ignore that reality, the AEC will be perceived as a failure by potential investors.

The third risk is that ASEAN fundamentally has been a top-down project, driven by the leaders of ASEAN and not the people of the region. This top-down approach worked well in the early years, when the original five non-Communist ASEAN members feared they would become "dominoes" and fall to Communist expansion after the American withdrawal from Indochina in 1975. At the same time, most ASEAN countries had strong leaders then.

As ASEAN countries have become progressively more democratic and more accountable

to their populations, the era of strong leaders has come to an end. ASEAN has to gradually move away from a top-down approach and toward a bottom-up approach. So far, support for ASEAN among ASEAN societies has been a mile wide and an inch deep. However, as these societies have to deal with new social, economic, and environmental threats instead of interstate conflict, the involvement of the people of ASEAN will become even more critical. The Southeast Asia region will be among the most vulnerable in the world to the effects of climate change. Extreme-weather events are already taking their toll, with Typhoon Haiyan killing thousands and inflicting $225 million of damage on the Philippine agricultural sector alone. Infectious disease, human and drug trafficking, and rising socioeconomic inequality within and among ASEAN states likewise pose serious challenges.

In short, though ASEAN has demonstrated that it is the second most successful regional organization in the world after the European Union, it still has a lot of work to do to both consolidate its early successes and deal with new challenges. To ensure ASEAN remains viable and strong in the coming decades, the populations of its member nations must begin to develop the same sense of ownership of ASEAN as their leaders. Fortunately, continued success is within ASEAN's grasp. Despite the risks ahead, ASEAN is taking many good steps toward deeper regional integration and a higher level of cooperation commensurate with the growing complexity of its challenges. We are confident that it will continue to do well and thrive in the coming decades. ☐

Kishore Mahbubani is dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore and author of *The Great Convergence: Asia, the West, and the Logic of One World* (PublicAffairs, 2013); **Rhoda Severino** is a research assistant at the Lee Kuan Yew School of Public Policy.