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Thinking **ASEAN**

From Southeast Asia On Southeast Asia



Thinking ASEAN

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A note from the editor

Dear readers:

Welcome to the January 2016 issue of **Thinking ASEAN!**

The ASEAN Economic Community (AEC) is now in effect. Starting this edition and over the next few editions, once its real-life impact has registered more clearly throughout Southeast Asia, we are delighted to publish articles recording and examining the evolution of this important next step in “deepening” ASEAN integration.

In this spirit, this issue contains two articles that look at the AEC from different points of view. The lead article, written by Professor Berly Martawardaya of the University of Indonesia, will look more closely at FDI inflow into ASEAN. As one main reasoning for the AEC hinges around creating a region-wide market attractive to foreign investors, Berly cites several relevant figures and points to commonsense policies reform-minded governments should make in their competition for FDI heading for Southeast Asia.

Zamroni Salim, Economic Researcher at the Indonesian Institute of Sciences (LIPI), considers in the second article the extent the AEC is making ripples in Indonesian society. In Southeast Asia, Indonesians were among the most apprehensive toward the AEC. Could better understanding of the AEC increase Indonesians’ confidence vis-à-vis a more integrated Southeast Asia?

As the AEC is the clearest, most recent sign of ASEAN’s ambition for “deepening” integration, we must not ignore the “widening” aspect of regional integration. ASEAN still has not encompassed the entirety of Southeast Asia as Timor-Leste’s application for membership seems to be stuck in the doldrums. Ibrahim Almuttaqi, Head of the ASEAN Studies Program at the Habibie Center, reviews the pros and cons of Timor-Leste’s membership in ASEAN and looks forward to a time when ASEAN truly represents the whole of Southeast Asia.

For the ASEAN Round Up section, we present you with news articles updating on how Indonesia, Thailand, Laos and small businesses are faring in light of the AEC.

Please do not hesitate to drop me a line at thinkingasean@habibiecenter.or.id if you have comments, suggestions or prospective submissions.

Happy reading!

Best regards from Jakarta,

Ray Hervandi

Managing Editor

From Southeast Asia On Southeast Asia

Thinking ASEAN is a monthly publication that aims to provide insightful, cogent and engaging perspectives on issues central to contemporary Southeast Asia and the ASEAN member states. It is a product of The Habibie Center, with the generous support of the Republic of Korea’s Mission to ASEAN.

The content of *Thinking ASEAN* does not reflect the official opinion of The Habibie Center or institutions related to the publication. The Habibie Center was founded by Indonesian President Bacharuddin Jusuf Habibie in 1999 as an independent, non-governmental and non-profit organization to promote the democratization and modernization of the country.

Responsibility for the information and views expressed in *Thinking ASEAN* lies entirely with the author(s). For comments, suggestions and prospective contributions, the Managing Editor of *Thinking ASEAN* can be reached at thinkingasean@habibiecenter.or.id.



Lok Baintan, South Borneo, Indonesia.

Photo Credit: M Reza Faisal.

Gauging Indonesian Public's Understanding of the ASEAN Economic Community

Zamroni Salim is Economic Researcher at the Economic Research Center (P2E) of the Indonesian Institute of Sciences (LIPI).

The peoples of Southeast Asia stepped into a new phase of regional integration at the beginning of the year with the start of the ASEAN Economic Community (AEC). Regional governments began with the ASEAN Preferential Trading Arrangement (PTA) in 1977, merely 10 years after they had formed ASEAN. In 1992, they entered into the ASEAN Free Trade Agreement (AFTA) before embarking on free-trade agreements with partner economies throughout the world in subsequent years. Of the three pillars of ASEAN integration—economic, social and cultural, and political and security—progress, needless to say, is most robust in the economic pillar.

A more integrated ASEAN economy, however, introduces competition from around the region. In this case, we recognize at least two kinds of competition in the context of the AEC: competition of workers and competition of companies. It is assumed that people who have good understanding of what AEC is about and what challenged it may bring about are more rational consumers and workers with an interest for better preparation. Consumers will be the great winners of the AEC. An integrated regional market will yield in lower prices but higher quality of goods and services. Mastering one or more regional languages, for instance, can increase workers' competitiveness.

Likewise, companies that understand the AEC are better able to identify new markets and profit from increased efficiency in the production of goods and services sold in a regional market that, in Indonesia's case, doubles the size of the already substantial domestic market. But to thrive under these conditions, companies must be competitive not only in the domestic market but also in the ASEAN market.

With the AEC, Indonesia's economy is integrated with the other ASEAN economies under the framework of an ASEAN single market and a single production base. The single market means there should be no barriers between the different national markets. The single production base likewise should make producers from around the Southeast Asia as equal footing as competitors, as most have similar resources and products. Eventually, the same production base should push companies in Southeast Asia to integrate under a regional production network that makes most sense in the global value chain.

Indonesians' Understanding of the AEC

In the lead-up to the AEC, what was the level of comprehensive understanding of Indonesians as consumers, workers and producers? The Indonesian Institute of Sciences (LIPI) ASEAN Survey Team in 2015 found that the level of understanding of the AEC among Indonesians was low. Comprehensive understanding in this case refers to the know-how of, need to know, and need to respond to ASEAN. As Table 1 suggests, less than 26 percent of Indonesians had good comprehensive understanding about the AEC in 2015.

Indonesians' understanding of the AEC as workers are in an even more parlous state. Few Indonesians know about the integrated labor market and how to maneuver it. The LIPI team found that only 17 percent of Indonesian workers understand the labor mobility that allows them to work elsewhere in Southeast Asia. A similarly low percentage also applies to people with understanding of the possibility of foreigners working in Indonesia.

The low level of comprehensiveness understanding of the AEC, unfortunately, led to less preparation to increase the capacity, skill and professionalism of Indonesian workers in the ASEAN labor markets. Even though the extent of free mobility for workers in ASEAN is still undecided, the process toward free mobility is underway. Current efforts include the Mutual Recognition Arrangement (MRA) for professionals, such as engineers, accountant, and nurses. In general, however, Indonesian workers seem to be of the business-as-usual mindset.

Table 1:

Indonesia's Public Comprehensive Understanding on AEC

Actors	Comprehensive Understanding (%)
Public	25,90
Labor mobility	17,40
Moving out	17,70
Moving in	12 PIS
12 PIS	5,80
Business sectors	27,80
Production Base and Single Market	21,30
Export Tariff Elimination	18,90
Import Tariff Elimination	19,20

Source: LIPI ASEAN Survey Team (2015)

Given the low rate of public understanding—and presumably acceptance—of the AEC, what can and should the relevant stakeholders do? At a recent LIPI seminar, a panelist from the Indonesian foreign ministry obliquely admitted that socialization of the AEC had failed even if the ministry operated several multimedia-equipped buses to go to different cities around the country ahead of the AEC in 2015. The socialization effort must continue.

According to the 2015 LIPI ASEAN Survey Team data, among the quarter of society who know of the AEC, over 21 percent said they had received information about it through seminars. Another third said they had heard of the AEC from discussions on local TV stations (around 18 percent) and neighborhood and community gatherings (over 14 percent). Other channels of information diffusion regarding the AEC were through training sessions with labor and workers' associations. The main stakeholders that socialized the AEC in Indonesia were local governments, the national government, and universities and schools.

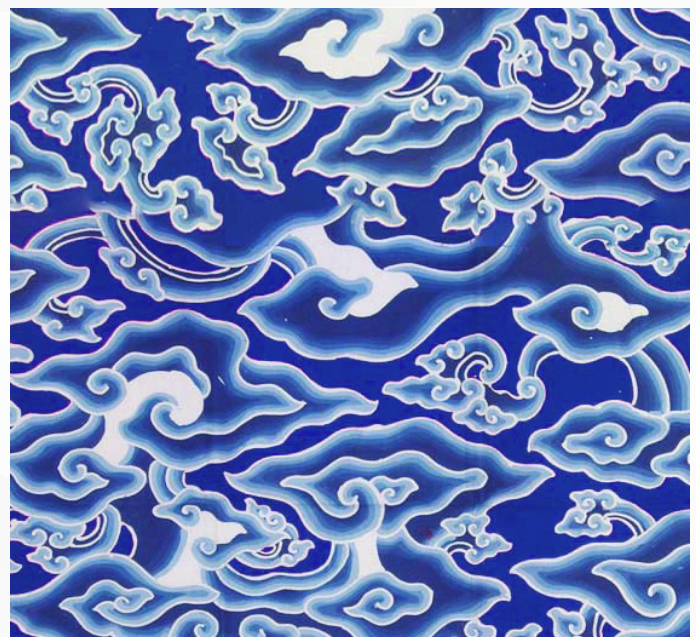
Table 2:

List of Channels to Socialize the AEC Among the Indonesian Public

Channels	%
General lectures (in universities)	7.1
Seminars	21.4
Public discussions	7.1
Media (non-TV) dialogs	7.1
Discussion on local TV stations	17.9
Community and neighborhood gatherings	14.3
Religious discussions	7.1
Routine subdistrict meetings	3.6
Others	14.3

Source: LIPI ASEAN Survey Team (2015)

From those fact findings, the government and other stakeholders should continue using TV broadcasts along with other traditional channels to socialize the AEC further among the Indonesian public. Information about the challenges and opportunities that the AEC presents is important for further dissemination, especially under the schedule that the ASEAN Community Vision 2025 has laid out. Without better awareness of the AEC among the peoples of ASEAN, further "deepening" in regional integration that the Vision foresees cannot take place.





Skyline of Makati taken at night.

Photo Credit: Red marquis.

A Deeper Look at FDI into ASEAN

Berly Martawardaya is Lecturer at the Department of Economics, University of Indonesia and Economist at the Institute for Development of Economics and Finance (INDEF).

Economic growth requires capital and labor as factors of production. As the ability of domestic banks and financial institutions to provide capital is limited, foreign direct investment (FDI) can supply the gap and spur economic activities. FDI also may facilitate the transfer of intangible assets that are often scarce in a developing country, such as technology, skills, management know-how, and entrepreneurship. Furthermore, according to Havránek and Iršová's 2010 meta-analysis and Clark's 2011 survey, FDI is generally associated with positive spillovers that are relatively stronger in cross-sectional and industry-level studies.

The relation between FDI and economic growth is largely established in economic empirical studies. Lamsiraroj and Doucouliagos in their 2015 study conducted a meta-analysis of 140 previous empirical studies and found the correlation to be positive and significant. Kholid & Martawardaya conducted a study in 2010 on FDI and economic growth in ASEAN using 1980-2009 data and found that a 1% increase in FDI is correlated with 0.02% increase in GDP growth. Furthermore, there is a one-way causality relationship between FDI and GDP growth in Indonesia, Malaysia, Brunei, Vietnam, and Cambodia. Only Thailand and Singapore have bi-directional and virtuous-cycle relations between the two variables.

Where and From

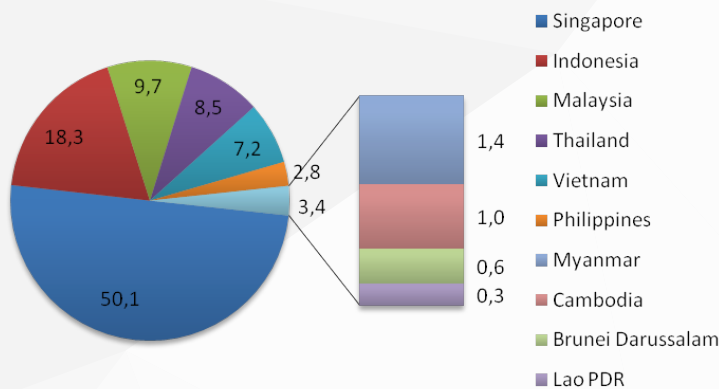
Between 2010 and 2014, the World Bank during recorded US\$583.1 billion net inflow of FDI to ASEAN countries. As Graph 1 suggests, slightly more than half of the FDI during that period went to Singapore, even though some would later be channeled to other countries in ASEAN as numerous multinational corporations have regional headquarters in Singapore. Indonesia ranked second on net FDI flow, ahead of Malaysia, Thailand, and Vietnam. Other ASEAN countries only managed to attract less than 5 percent of total FDI in the region.

During the period, most countries show an increasing trend vis-à-vis FDI inflow, with the Philippines at the top with a 579.5 percent increase. Laos and Cambodia were in the next slot, with 258 percent and 235 percent respectively, even though it should be noted that they started from very low bases. Indonesia claimed the fourth spot with a

172.3 percent growth of FDI. Malaysia's FDI in 2014 was slightly lower than in 2010. Thailand has the wildest FDI swing from respectable US\$14.7 billion and US\$15.8 billion in 2010 and 2012 respectively, to meager US\$2.5 and US\$3.7 billion in 2011 and 2014. One probable cause was likely the political instability deriving from conflict between the country's Red Shirts and Yellow Shirts and recurring military coups.

Graph 1:

Proportion of FDI Distribution in ASEAN, 2010-2014 (%)

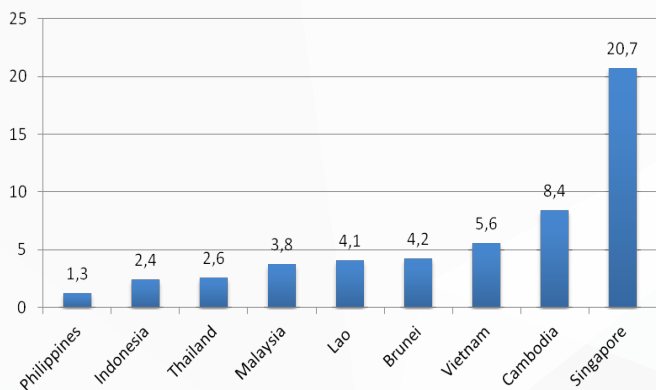


Source: World Bank

However, if we compare the proportion of FDI to GDP, a different picture arises. Indonesia and its large GDP fall to second lowest while Singapore retains the top rank up in the category. As a result, ASEAN countries other than Singapore still have much room to attract incoming FDI. The bottom three countries in this category—the Philippines, Indonesia, and Thailand—have the most room as their FDI-to-GDP proportion is below 3 percent.

Graph 2:

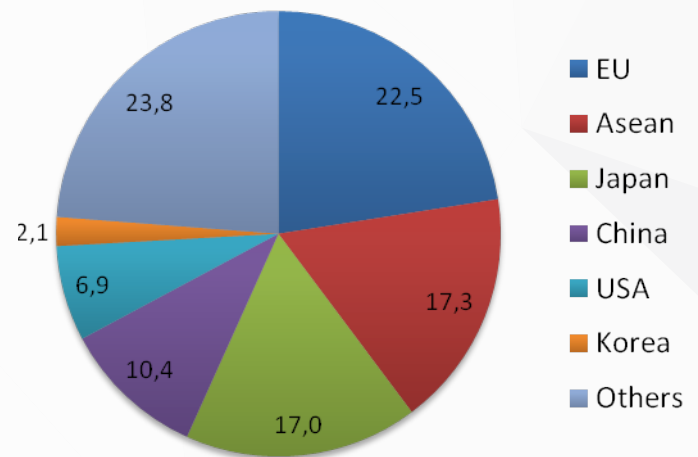
Average Proportion of FDI to GDP, 2010-2014 (%)



Source: World Bank

Where does FDI to ASEAN come from? As Graph 3 shows, three traditional sources—the European Union, other ASEAN countries, and Japan—provide more than half of incoming FDI to ASEAN. The next top three investors in ASEAN are China, the United States, and South Korea. Over the period, intra-ASEAN and South Korean FDI were on an increasing trend while US investments were downward-trending.

Graph 3:



Average Source of ASEAN FDI to GDP, 2011-2013 (%)

Source: ASEAN Statistical Yearbook 2014

FDI, Infrastructure and Business Climate

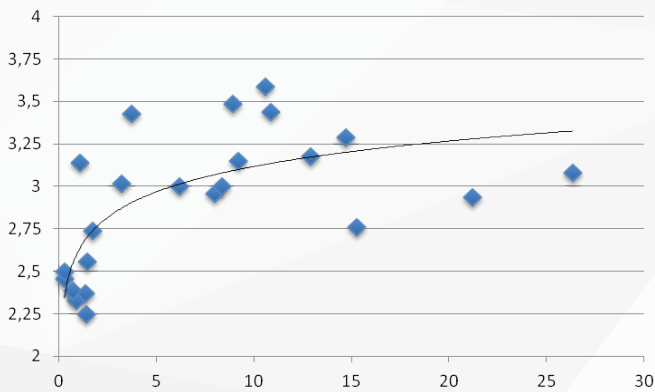
And what brings FDI to a particular country? Common sense points to infrastructure, while costly to build, being a crucial factor for businesses to flourish. A second likely factor is government red tape, especially in setting businesses. To this end, the World Bank composes an index of logistics performance (LPI) for many countries.

By pairing the LPI score for ASEAN countries in 2010, 2012 and 2014 (y-axis) with FDI values for those years (x-axis), we can observe a correlation between the two variables as laid out in Graph 4. LPI did not provide scores for Brunei while Singapore is excluded from graph since it would dwarf other countries in the region in this regard and make the graph hard to read.

Interestingly, an LPI score of 2.75 seems to be some kind of threshold when FDI would start pouring in. Countries with LPI index under 2.75, such as Myanmar, Laos, and Cambodia, only received less than US\$1.7 billion of FDI per year. The Philippines is the only exception to this rule, as it has an LPI index score of 3.14 but gets only US\$1.1 billion in 2010. Nevertheless, the Philippines did receive US\$3.2 billion and US\$6.2 billion in 2012 and 2014. As the logarithmic trend line shows, after the threshold value there is a positive correlation between quality of infrastructure and net inflow of FDI.

Graph 4:

Scatter Plot of FDI and Logistics Performance Index
(in US\$ Billion and Score)



Source: World Bank

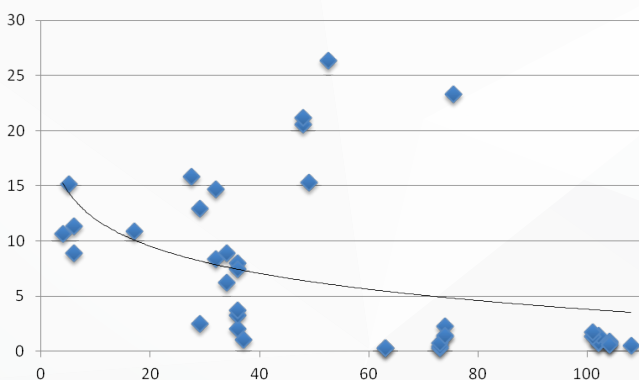
The length of time required to open a business is a crucial factor in FDI flow. The longer it takes to get all the licenses approved, the quicker a company can start operating and earn money for its shareholders. One additional day spent seeking license approval means one more day employees have to be paid and expenses covered before cash starts pouring in. The waiting time is even more costly with high-paid staff and high sunk costs, as prevails in manufacturing investments compared to the service sector.

Brunei take the longest to approve a business with 104-108 days while Singapore is the quickest with 2.5 days. Laos and Myanmar are the second and third longest with 63-74 days. Indonesia is a curious case in regards to the speed licenses get processed. License processing used to take only 49 days in 2010 but the duration shot up to 75.5 days in 2013 before recovering to 52.5 days in 2014.

Using data from 2010-2014 and excluding Singapore for reasons stated above, we plot FDI values on the y-axis and the days it takes to start a business from the Doing Business index on the x-axis, as shown in Graph 5. The logarithmic trend line shows a correlation between shorter processing time and higher FDI. Around 50 days seem to be the threshold value in this factor. With all of six ASEAN countries with faster approval time than Indonesia, the reform-minded government should have this as a high priority.

Graph 5:

Scatter Plot of FDI and Time to Start a Business
(in USD Billion and Days)



Source: World Bank

Conclusion

FDI has a positive and significant impact on economic growth. The inflow comes in large part to Singapore, but other regional countries have low FDI-to-GDP ratios that hold significant promise in attracting more FDI. Thailand's fragile politics is leading investors to diversify their investments away, opening the door for enterprising countries in the region.

Upgrading infrastructure and improving the business climate, especially the licenses need to start up business, have a strong correlation with FDI and should be the priority of national governments in ASEAN to attract investment, especially in the much-desired manufacturing sector.

Of course, other factors could be at play in FDI flow decisions. Governments can also be selective in crafting investment policies, and there are varying degrees of openness and investment negative lists in different countries. More research is needed in this area, but improving infrastructure and speeding up business licensing will make a country a more welcoming destination.

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Government Palace in Dili.

Photo Credit: David Stanley.

Timor-Leste in ASEAN? Analyzing the Pros and Cons

A. Ibrahim Almuttaqi is Head of the ASEAN Studies Program at the Habibie Center in Jakarta, Indonesia.

On December 31, 2015, the peoples of ASEAN woke up to the reality of the ASEAN Economic Community. Missing out from this historic milestone in Southeast Asia, however, is Timor-Leste. The country continues to be outside the regional grouping four years on since it formally applied to join.

Timor-Leste's application has not only fascinated but also divided the many stakeholders of ASEAN. Among the many questions Timor-Leste's application raises are: Is Timor-Leste prepared for ASEAN membership? Will its membership slow down and negatively impact ASEAN's regional integration? What benefits, if any, will Dili's successful application have on Timor-Leste and ASEAN?

The ASEAN Charter clearly sets the criteria for admission to the regional grouping: (1) Location in the recognized geographical region of Southeast Asia; (2) Recognition by all ASEAN member states; (3) Agreement to be bound and to abide by the Charter; and (4) Ability and willingness to carry out the obligations of memberships.¹ This last requirement, it is argued, provides the greatest obstacle for Timor-Leste's application.

As it was the last country to be admitted into ASEAN in recent times, Cambodia's experience may provide a clue for applicant Timor-Leste. According to the Declaration on the Admission of Cambodia into ASEAN, Phnom Penh agrees to subscribe to:

“All ASEAN Declarations, Treaties and Agreements, including all the Agreements with the Dialogue Partners and the Sectoral Dialogue Partners, the Framework Agreement on Enhancing ASEAN Economic Cooperation and the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA).”²

Once admitted, Timor-Leste, like Cambodia, will also be expected to attend and participate in the extensive and abundant ASEAN meetings, which have shot up from around 250 annually in 1997 to over a thousand in 2015. This will require a sufficiently large number of civil servants with an adequate command of English, ASEAN's working language.

Another expectation for Timor-Leste as a fellow member state will be to take on the year-long ASEAN chairmanship and the responsibility for hosting the ASEAN Summit, the ASEAN Regional Forum, the East Asian Summit and related meetings for the year. The challenge of chairing ASEAN for the year should not be underestimated. Singapore, for example, increased the 2007 budget for its foreign ministry by almost US\$65 million, or 37.4 percent.³ The expanded budget was “mainly attributed to Singapore’s assumption of the ASEAN Chairmanship in FY2007.”⁴

A Timor-Leste that is a member state of ASEAN will require a significant upgrade in financial and manpower resources given that its Ministry of Foreign Affairs and Cooperation received only around US\$32 million from the national budget in 2016. By comparison, this amount is barely enough to cover half of the costs that Singapore incurred as ASEAN chair in 2007.⁵ Indeed, Laos, which is the ASEAN chair for 2016, has already announced plans to hold only one summit, as opposed to the two required by the Charter, citing logistical concerns.⁶

Moreover, Timor-Leste’s application poses ASEAN with a dilemma. By admitting poor and fragile Timor-Leste, ASEAN risks derailing further “deepening” steps following the ASEAN Economic Community. In 2013, Singapore’s Prime Minister Lee Hsien Loong cautioned that Dili’s bid required “careful consideration” because Timor-Leste could become a substantial economic burden on ASEAN.⁷

Equally clear, however, are the benefits that ASEAN membership would afford Timor-Leste. After its traumatic struggle for independence and initial painful years of nationhood, membership provides a key chance for national reconciliation. Indeed, Dili stated that it “views membership in ASEAN as an integral part of our national efforts in peace consolidation.” Related to this is the opportunity membership offers for national development by way of ASEAN’s economic agenda. Timor-Leste stands to benefit from an ASEAN economy valued at approximately US\$2.5 trillion and a customer base of 600 million people.

In the short to medium term, membership would provide key access to funds for national development through programs like the Initiative for ASEAN Integration which aims to narrow the development gap between ASEAN member-states. Lastly it will enable Timor-Leste to have a greater and stronger presence on the international stage by virtue of joining a ten nation-strong Association that after the Bali Concord III of 2011 seeks a “more coordinated, cohesive, and coherent ASEAN position on global issues of common interest and concern.” Timor-Leste would thus benefit from having its national interests and concerns protected under the ASEAN umbrella.

On the other hand, a more intriguing discussion concerns the benefits Timor-Leste’s admittance affords to ASEAN itself. It is commonly thought that it is the burden of Timor-Leste to prove its assets to the regional organization. However such an argument ignores the potential contribution of Timor-Leste to the ASEAN regional integration project. For example, its sovereign wealth fund—largely derived from its petroleum resources—was estimated to reach a value of over US\$20 billion in the next decade.

At the same time, by failing to admit and assist Timor-Leste, ASEAN may reveal itself as being incapable of solving problems

in its own backyard given that the former is geographically, historically and culturally a part of Southeast Asia. Such a scenario would undermine ASEAN’s ambitions to “play a pivotal role in addressing global challenges of the 21st century.”

From a strategic security point of view, it does not make sense to leave Timor-Leste outside of the ASEAN family. To do so risks the development of Timorese norms and standards inconsistent with those of ASEAN’s that may threaten, however small, the crucial regional peace and security that has enabled ASEAN to prosper. Indeed, it has been suggested that Timor-Leste’s long-term interests lie with other regional powers. Such a suggestion will surely worry ASEAN and is reminiscent of the argument made in favor of opening ASEAN membership to the CLMV countries to counter the potential dominance of non-ASEAN actors in the region. For example, it should be noted that a number of government buildings in Dili including the Presidential Palace and Ministry of Foreign Affairs have been constructed and funded by China as a “gift”.

Failure to admit Timor-Leste therefore risks ASEAN’s centrality and relevance in the regional architecture of Asia-Pacific and in meeting global challenges of the 21st century. In the face of China and India’s rise as well as the United States’ greater interest in the region, this is something ASEAN simply cannot afford to lose.

It cannot be denied that significant obstacles remain and understandable opposition exists towards allowing Timor-Leste to join ASEAN. Nevertheless, the case in favor of Timor-Leste’s membership of ASEAN is also clear. As such, it is very much hoped that the outcome of ASEAN’s ongoing assessment of Dili’s application will one day lead to the people of Timor-Leste joining hands with the people in the Southeast Asia as fellow ASEAN citizens in the newly realized ASEAN Community.

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The ASEAN Economic Community

Without much fanfare, ASEAN member states ushered a new era of regional economic integration on January 1, 2016. The ASEAN Economic Community (AEC), the next step in regional integration, is now in effect. With this background in mind, we are pleased to provide an overview of the AEC and its raison d'être through this infographic.

What is AEC?

The ASEAN Economic Community aims to make ASEAN more competitive through the creation of a common region-wide market and production base. In particular, over time the AEC will open up and promote the free movement of goods, services, investment, skilled labor, capital, and ultimately equitable economic development across Southeast Asia.

Priority Integration Sectors



ASEAN in Numbers



**Together,
ASEAN member states
would make
the 7 largest
economy in the world**

Despite its potential, ASEAN has a long list of things to do. A glaring shortcoming is the persistent, uneven levels of development that exist among ASEAN member states. The gap between the countries with the highest and the lowest GDP per capita in the region is US\$55,182. The ASEAN Community needs to work toward equitable development for all to be truly people-centered.

ASEAN ROUND-UP

AEC Launch: Will It Mean So Much For Southeast Asians?

The Jakarta Post, December 31, 2015

The realization of the ASEAN Economic Community early this month will mark the region's long-held aspiration for the peoples of Southeast Asia to determine their own political, economic, and socio-cultural course. For many in the region, however, this event means little. This is worrying: the AEC must succeed for ASEAN to develop a strong common identity. On the surface, the achievement looks impressive but weaknesses and inconsistencies remain.

Read more: <http://www.thejakartapost.com/news/2015/12/31/aec-launch-will-it-mean-much-southeast-asians.html>

Why it matters: The AEC requires the people's support and involvement. Without it, integration will likely not move forward and the benefits of the AEC will remain limited for most. ASEAN needs to present deliverables to the peoples of Southeast Asia and ensure they expand in reach.

How Thailand Missed the AEC Boat

The Nation, January 5, 2016

The Thai government has prepared the country for regional economic integration by raising public awareness about ASEAN, fostering education, enhancing skills and technology, and building networks for international trade and investment. However, these efforts suffer from the government's overemphasis on the economy at the expense of the social and political pillars of regional integration. As a result, most Thais are not ready for the influx of goods and people from neighboring countries. The collective effort by media and universities has done little to improve the situation. Most of the blame must go to the Thai government's general lack of preparedness.

Read more: <http://www.nationmultimedia.com/opinion/How-Thailand-missed-the-AEC-boat-30276109.html>

Why it matters: Thailand is perhaps not the only member state that feels it is under prepared for this step of regional integration. Some ASEAN states have developed thorough strategies in preparation of the AEC, but lack of implementation may be the biggest source of ineffectiveness.

How Small Businesses Can Benefit From the AEC

Nikkei Asian Review, January 4, 2016

The timing of this new effort at regional economic integration is ideal, as the other huge regional powers like China and India are slowing down. The AEC will benefit the 10 ASEAN member states, as it envisions a single market and production base that allows a freer flow of goods, services, investments, skilled labor, and capital. It will draw more investment from international companies as well as offer new opportunities for smaller ones.

Read more: <http://asia.nikkei.com/Viewpoints/Viewpoints/How-small-businesses-can-benefit-from-the-AEC>

Why it matters: The new opportunities that the AEC presents for small businesses may spark good will amid growing skepticism. The AEC sends a strong signal to the business community, both big and small, once the benefits of a regional market of 10 countries are clearer.

What the AEC Means for Laos

East Asia Forum, January 1, 2016

The AEC will not only present new opportunities but also some significant challenges for Laos. Despite the relatively high growth over the last two decades, the country is still struggling as one of the poorest nations. Laos' future will depend on how effectively the country can facilitate trade and improve connectivity. Sustainable long-term growth and development will not only require a strong political commitment but also effective integration into the AEC.

Read more: <http://www.eastasiaforum.org/2016/01/01/what-the-aec-means-for-laos/>

Why it matters: The AEC will not only pose challenges for Laos' economic growth alone but also to the ASEAN chairmanship that the country is responsible for this year. Once the integration process proceeds, disputes will come to the fore and Vientiane, as this year's ASEAN chair, is on the hook to smooth things out. Luckily, Laos has experience chairing ASEAN and seems to be willing to take a proactive stance to push regional integration forward.

ASEAN ROUND-UP

The ASEAN Economic Community: The Force Awakens?

The Diplomat, January 12, 2016

The agreement on ASEAN Economic Community is dubbed as an “awakening” of a new Asian power block. It seeks to allow for freer movement of goods, services and skilled labour; a notable shift compare to the earliest years of its existence which was intended as a political mechanism for a peaceful regional integration. However, the scepticism heightened around two major points: 1) the possibility of ASEAN to pursue economic integration based on voluntary commitments and 2) which objectives ASEAN should focus on to build on the AEC?

Read more: <http://www.nationmultimedia.com/opinion/How-Thailand-missed-the-AEC-boat-30276109.html>

Why it matters: One of the major concerns to build such community in ASEAN is the complexities and challenges to accommodate the member states’ differences and interests. Not to mention the ASEAN underlying principle of consensus and non-interference as this will be the roadblocks to create a sense of uniformity for the community. In order to overcome these challenges, a greater emphasis on regional institution-building as well as relaxation to the aforementioned principles are crucial to support the development of the new economic landscape in ASEAN.

How TPP Can Disrupt ASEAN Economic Integration

The Jakarta Post, January 6, 2015

The inclusion of some ASEAN members in the TPP and the exclusion of others will bring potentially disruptive effects on the AEC. The TPP is likely to create trade and investment diversions, gaps between countries, and negative sentiments among ASEAN leaders.

Read more: <http://www.thejakartapost.com/news/2016/01/06/how-tpp-can-disrupt-asean-economic-integration.html>

Why it matters: The TPP requires signatories to comply with a high standard of rules, which will further require many national laws to be amended or rescinded. The TPP would not necessarily create a freer market. Instead, governments will take part in a more regulated trade regime, resulting in a more complex international

market access. The situation can create a diversion within the AEC but it can also push ASEAN to step up its game and adjust member countries to the more regulated trade regime.

Hard Truths and Wishful Hopes About the AEC

Strait Times, January 2, 2016

The AEC is “no magic silver bullet” but it can help maintain ASEAN cohesion in the evolving big-power competition. The main influence over the future of the AEC is the different domestic politics of key ASEAN members. Integration is never politically easy, no matter how compelling the economic logic is.

Read more: <http://www.straitstimes.com/opinion/hard-truths-and-wishful-hopes-about-the-aec>

Why it matters: The Southeast Asian region is a very diverse one in terms of cultures, ideologies and economies. ASEAN countries are going to need more political will to further integrate the member states, especially when autonomy and sovereignty are put at stakes.

TPP and RCEP ‘Will Be Good For Thailand’

The Nation, January 4, 2016

The AEC is important to Thailand since it leads to more effective flows of capital and trade in services, in addition to a freer flow of goods. On the other side, the TPP can also work well for Thailand since the 12-nation trade bloc includes other partners: China, India, Japan, South Korea, Australia, and New Zealand—more free trade is better for the region.

Read more: <http://www.nationmultimedia.com/business/TPP-and-RCEP-will-be-good-for-Thailand-30276046.html>

Why it matters: Although TPP is claimed to bring more benefit for its signatories’ economies, ASEAN member states who are signing up for it must remember their role in the TPP is minimal as they were not the negotiating parties. The AEC can provide greater leverage because ASEAN member states themselves are who first initiated the agreement.

TALKING ASEAN ROADSHOW

Promoting A More Inclusive Post-2015 ASEAN

The Habibie Center's ASEAN Studies Program is expanding its successful Talking ASEAN public discussion program and will be holding it in all ASEAN countries. The goal of this expansion is to strengthen the dialogue among various stakeholders at the policy making and grassroots levels to increase their awareness, knowledge, and understanding of issues facing ASEAN as it deepens its integration. The expanded format provides a platform from which ASEAN policy makers can interact with CSOs, academics, media, and other relevant stakeholders as well as provides a space for discussion on pressing regional issues in ASEAN.

Talking ASEAN on "The Role of Media in Countering Religious Extremism"

Malaysia, 30 October 2015

The Habibie Center in collaboration with IMAN Research Consulting held a Talking ASEAN public dialogue entitled, "The Role of media in countering religious extremism" at Pusat Kreatif Kanak-Kanak Tuanku Bainun in Kuala Lumpur, Malaysia. This particular edition of Talking ASEAN featured as resource persons Dr. Rudi Sukandar (Senior Advisor of the National Violence Monitoring System, The Habibie Center, Indonesia), Mr. Jahabar Sadiq (Chief Executive Officer and Editor, the Malaysian Insider, Malaysia), Dr. Zahri Yunos (Chief Operating Officer, CyberSecurity Malaysia), and Ms. Adheen Louis (Lecturer in International Relations, Faculty of Humanities Arts and Heritage, Universiti Malaysia Sabah, Malaysia) with Ms. Altaf Deviyati (Research Director, IMAN Research Consulting).

As the first speaker, Dr. Rudi Sukandar mentioned a number of ways to use media to counter religious extremism, such as school books, pop culture through movies production, pop comic book, websites, and social media. Meanwhile, Mr. Jahabar Sadiq explained that when we talk about media, we should be mindful that there were many types of media, such as state media, independent media, and news media. He noted that each of them was different and that the role of the news media in particular was to explain what was going on, not to give propaganda or to be used by one side. Dr. Zahri Yunos explained that cyber media had been a media of choice by terrorist and extremists because it was faster to use media. Lastly, Ms. Adheen Louis explained that we could capitalize on the fault line between ideological polarization of the jihadist movements and turn it into a zero-sum game.

Talking ASEAN on "Tackling the Haze Issues in Southeast Asia: Domestic and Regional Approaches."

Singapore, 11 November 2015

The Habibie Center in collaboration with Institute of Southeast Asian Studies (ISEAS), Yusof Ishak Institute held a Talking ASEAN

public dialogue entitled, "Tackling the Haze Issues in Southeast Asia: Domestic and Regional Approaches" at ISEAS office in Singapore. This particular edition of Talking ASEAN featured as resource persons Dr. Chua Chin Wei (Trader for metals and minerals for Advanced Metal Tradings/AMT), Dr. Jonatan A. Lassa (Research Fellow, the Centre for Non-Traditional Security (NTS) Studies, S. Rajaratnam School of International Studies, Nanyang Technological University Singapore), and Dr. Helena Varkkey (Senior Lecturer at the Department of International and Strategic Studies, University of Malaya), with Ms. Moe Thuzar (Lead Researcher on Socio-Cultural Affairs, ISEAS) as a moderator. Mr. Chua Chin Wei explained that the cause of haze in the region started from fires on the ground that were conducted in order to clear land for new plantation as old plantation were often obstructing crops rotation. Dr. Helena Varkkey explained that the organizational structure of ASEAN environmental and haze cooperation was quite complicated and nonstreamlined. She argued that the limited effectiveness in tackling the haze issue was because of the ASEAN Way and the limited capacity possessed by ASEAN to guide the negotiations, outcomes and implementations of response mechanisms. Dr. Jonatan A. Lassa suggested that there should be a new ministerial regulation in Indonesia to be issued that guided local governments to deal with burning and haze. He argued that a ministerial regulation would provide the legal framework for local governments to allocate resources to prevent forest fires.

Talking ASEAN on "The Dynamics and Future of Democracy in the ASEAN Region."

Indonesia, 25 November 2015

The Habibie Center held a Talking ASEAN public dialogue entitled, "The Dynamics and Future of Democracy in the ASEAN Region" at Le Meridien, Jakarta. This particular edition of Talking ASEAN featured as resource persons Prof. Dr. Bridget Welsh (Senior Associate Fellow, The Habibie Center), Mr. Meidyatama Suryadiningrat (Chief Editor, The Jakarta Post), and Ms. Natalia Soebagio (Chairwoman, Transparency International Indonesia), with Ms. Rahimah Abdulrahim (Executive Director, The Habibie Center) moderating. Prof. Dr. Bridget Welsh argued that the region was witnessing deepening contestations for democracy that there were many polarizations on this issue across the region. She further explained that Indonesia indeed would be very important to democracy in ASEAN. Mr. Meidyatama said that democracy was not facing a stepback in the region and instead many elements were continuing the effort to promote and maintain democracy. She argued that the challenge of democracy was to create a genuine democratic system which was not transactional in nature. In addition, she stated that that Indonesia was indeed a role model for corruption eradication in the ASEAN region, notwithstanding Singapore. To support this view, Ms. Natalia pointed to the independent Corruption Eradication Commission (KPK) which was highly respected.



The Habibie Center

The Habibie Center was founded by Bacharuddin Jusuf Habibie and family in 1999 as an independent, non-governmental, non-profit organisation. The vision of The Habibie Center is to create a structurally democratic society founded on the morality and integrity of cultural and religious values.

The missions of The Habibie Center are **first**, to establish a structurally and culturally democratic society that recognizes, respects, and promotes human rights by undertaking study and advocacy of issues related to democratization and human rights, and **second**, to increase the effectiveness of the management of human resources and the spread of technology.

Dusk at the Sultan Omar Ali Saifuddin Mosque in Brunei on the eve of Ramadan.

Photo Credit: Ikiwaner.



The ASEAN Studies Program was established on February 24, 2010, to become a center of excellence on ASEAN related issues, which can assist in the development of the ASEAN Community by 2015. The Habibie Center through its ASEAN Studies Program, alongside other institutions working towards the same goal, hopes to contribute to the realization of a more people-oriented ASEAN that puts a high value on democracy and human rights.

The objective of the ASEAN Studies Program is not merely only to conduct research and discussion within academic and government circles, but also to strengthen public awareness by forming a strong network of civil society in the region that will be able to help spread the ASEAN message. With the establishment of ASEAN Studies Program, The Habibie Center aims to play its part within our capabilities to the ASEAN regional development.



ASEAN STUDIES PROGRAM

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