

# THE FUTURE OF ASEAN:

## An Assessment of Democracy, Economies and Institutions in Southeast Asia

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THE FUTURE OF THE ASSOCIATION OF SOUTH EAST Asian Nations (ASEAN) has recently been the subject of considerable speculation. For years, the countries comprising the group seemed poised to take on a major role in a coming Pacific Century—they were, after all, among the tiger economies, part of the Asian “miracle.” Then a financial crisis swept the region. Starting with the stark devaluation of the Thai Baht in mid 1997, the crisis affected the economies of all ASEAN members and many more in Asia. A sense of doom and gloom prevailed; the “miracle” was over. In addition, Indonesian forest fires in 1997 and 1998 blanketed the region with haze pollution, casting a literal and symbolic pall over the countries. Some feared that the region would lose a decade of progress and ASEAN’s past successes in forging growth, stability, and peace seemed forgotten. The group came under heavy criticism for its inability to effectively address the economic and environmental crises. Furthermore, questions over the wisdom of enlarging ASEAN to include Cambodia, Laos and Myanmar also arose.

Now as we begin a new millennium, the crisis seems to have passed and at their informal summit at the end of 1999, ASEAN leaders celebrated a return to growth. Economic indicators in the first quarter of the new millennium are generally positive. Even the haze of pollution has been limited, with fires kept low by rain or dispersed by winds. While the worst of that crisis may indeed be over, there are reasons to believe that business will not necessarily continue as usual. Many challenges lie ahead and if ASEAN is to sustain the recovery and progress into the future, the organization will need to reform itself. Arguably, some changes have already begun in the crucible of the past crisis years. But what are the remaining challenges for these ASEAN nations?

What changes are needed and likely to occur?

### DEMOCRACY

ASEAN countries have often been labeled “soft authoritarian” states. Many member nations have voting democracies but limited freedoms for individuals and the media. A single party or regime—which precludes viable opposition parties—dominates most of the young democracies. Into the 1990s, most ASEAN countries propounded “Asian values” and regional approaches to human rights and democracy that emphasized differences in culture and developmental levels. The Philippines, with its emblem of “people power” after the fall of Marcos, was seen as an exception, an aberration.

In this context, the first and most important change in ASEAN after the crisis is the rise of democracy. Democracy was strengthened in Thailand when people organized to demand government response to the pressures of the crisis.

There have been street demonstrations as well as more liberal press discussion. Indonesia has seen perhaps the most dramatic surge in democracy. After 32 years of power, President Suharto was swept from power during the crisis and many millions subsequently participated in elections that, for the first time, were widely accepted as free and fair. They have brought a coalition into office which, along with President Wahid and other centrist parties, will take steps for further reform.

Democracy is no panacea of course. Indonesia continues to face great political and economic challenges such as the integrity of the country, the role of the military in politics, and the insolvency of many banks and companies. Indeed, the democratic process of addressing these difficult concerns will be subject to new pressures and uncertainties. Democracy

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does, however, offer the prospect of winning wide consensus for such reforms and sustaining change. If Indonesia can consolidate democracy and provide good governance in this manner, the nation will be historically transformed.

What happens in Indonesia is of great consequence to other ASEAN members and the nature of the association itself. Although ASEAN has a rotating chairmanship, Indonesia—due to size and history—has always been its epicenter. If Indonesia consolidates democracy, together with Thailand and the Philippines, the ethos of governance in ASEAN will shift. This has broad implications for other ASEAN members. In Malaysia, the crisis years have brought controversy and a growth in opposition, especially after the sacking of its deputy premier, Anwar Ibrahim. For Singapore, the crisis induced a gradual opening so that leaders now openly want a civil society, but one that is cooperative rather than confrontational. A movement in the region towards democracy can quicken that gradual opening, strengthening civil society or even opposition parties. Most of all, such a movement in ASEAN stands to impact members such as Laos, Vietnam and Myanmar, countries with one-party states and closed regimes.

Democracy will not necessarily be a factor that all states will welcome, nor will it solve every state's problems. Indeed, if some ASEAN countries become more vigorously democratic and others do not, the differences may cause tensions between ASEAN members. But problematic or not, the democratic impulse set out in the crisis cannot be wished away even in these days of recovery. Democracy will—more than at any time in the past—be part of ASEAN's future.

### **ECONOMIC LIBERALIZATION**

The economies of the original ASEAN

members and the NIEs (Newly Industrial Economies) have traditionally been relatively open to world trade and foreign investment. This example was attractive to the newer ASEAN members such as Vietnam and Laos. Thus, when the crisis hit, economies around the world were affected and all players watched the region closely to see how it would recover. The crisis did not lead to autarky as some feared; rather, economic cooperation among ASEAN countries increased, most notably through the implementation of a system to exchange financial information between governments. By subjecting the information to peer review, countries hoped to discourage policies that might lead to another devaluation and crisis. The crisis years also saw ASEAN leaders reaffirm and speed up their commitments to agreements for free trade and cross border investments.

Despite this progress, the crisis has produced less happy progress, making many in the region doubt the NIE model. For example, Malaysia, a very open economy, experimented with controls over capital flows and currency rates. This allowed the Mahathir government to shield Malaysian companies which preferred to unwind their financial problems internally, behind protective barriers. Malaysia was not alone in attempting to lessen the impact of the crisis and to seek greater control over its economy: countries that were newer to the world market, such as Vietnam, Laos and Myanmar, slowed in their progress towards economic openness as well.

On the other hand, Thailand responded to the crisis by opening up its economy, under IMF supervision. To enhance its competitiveness, Singapore also further liberalized key sectors, opening up banking and telecommunications to foreign competition. As such, the crisis years witnessed more than simply a slowdown in growth. Because of their varying reactions to the crisis,

with different reforms and outlooks, the diversity of ASEAN economies widened. And with this, it potentially becomes harder for the group to achieve greater cooperation and harmonization in investment, trade, and financial policies. Whereas once the formula for the Asian miracle seemed agreed, there is now far less consensus on the suitable models and strategies for ASEAN's economic development.

### **DEVELOPMENT AND HUMAN SECURITY**

The crisis was not just a fall in macroeconomic indicators. Millions of people lost their jobs and fell below the poverty line. The efforts made in decades of growth were reversed almost overnight. For very many people, there was a new sense of insecurity. In particular, the crises experience exposed the vulnerability of the middle class and newly rich, who made their money during the "miracle years," to sudden shocks. Dealing with the human and social aftermath of the crisis will be an important future concern for ASEAN that goes beyond handouts and bandage policies. The crisis allowed observers to see how the years of rapid growth had extracted high costs in human and environmental terms, leaving persistent pockets of poverty. As such, new policies with greater inclusion and equity are being demanded.

This will be a challenge for many ASEAN countries, which have generally failed to provide social safety nets. This is especially true for countries with larger populations, large disparities between urban and rural areas, and small elite groups that have tended to monopolize wealth.

### **CHANGING TO MEET CHALLENGES**

Much of ASEAN's credibility and attraction to the outside world was built on the economic success of its members and their potential for greater growth.

ASEAN's other strength was the stability of the South East Asian region and the good cohesion among its members. This allowed this grouping of mainly smaller and medium sized powers to unite and engage more powerful countries. The region, however, has changed in the crucible of the crisis. In 2000, growth has started to return, but the halo of that "miracle" is gone. Competition with regions such as Latin America and others in Asia will be greater, especially China. Coming out of the crisis, there are greater diversity and divisions among ASEAN countries too, in politics as well as economics.

Given these difficulties, how can ASEAN go forward? What should be the key principles and concerns for the group? Much, of course, depends on actions taken at the national level by the different and sovereign states in the region. There is a role, however, for regional institutions. ASEAN must set out to address four key concerns, also known as the four "E"s.

The first "E" is effectiveness. ASEAN has committed itself to an ambitious Hanoi Plan of Action, covering economic, social and political matters. Priorities must be established within this broad Plan. Moreover, concrete steps must be taken to implement those priorities. This is critical for the credibility of the grouping, as a demonstration of their will and ability.

A second "E" is the issue of enlargement. The core of ASEAN members must be able to engage and bring on board the newer members. Some, such as Vietnam, have doubts about economic openness. Others, such as Cambodia, face political instability. The question of Myanmar also looms large, as many in the international community continue to isolate the regime in that country because of its poor human rights record. ASEAN members must play a part in helping the new members meet these difficult political, economic, and social challenges as well

as make necessary changes.

A third "E" is the environment and other aspects of economic progress. In the aftermath of the crisis, attention must also be given to the social, human and environmental dimensions of development. It is no longer sufficient that countries seek to grow at all costs. There are important questions of environmental protection, labor and human rights, and human security to address. It is no longer enough to enrich a small elite; ASEAN members must instead seek systems that promote greater equity as they develop. They should aim to provide jobs for the vast majority, and reach out to the most vulnerable, such as women and children.

The fourth "E" is engagement and

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addresses the need for ASEAN to engage with the East Asia trio of China, Japan and South Korea. Current meetings with the leaders of the East Asian Three should be further developed. In the medium to longer term, this can both strengthen ASEAN and help steady North East Asia. Closer connections between ASEAN and East Asia can also be a basis for greater engagements with the USA and other regions, such as Europe.

To achieve these four "E"s, ASEAN must learn to adapt its traditions as well as to learn important lessons from other regions. There must be both continuity and change. One primary tradition that needs revisiting is the policy of non-intervention by one state into the affairs of another. This is seen as a foundation stone of the ASEAN way and it need not be abandoned. Indeed, non-intervention is a cornerstone of all interstate relations. Exceptions, however, must be found. Only then will true and stronger coop-

eration and coordination be possible.

Part of this is the need for ASEAN to develop stronger and more coherent institutions. These need not be supra-national authorities, akin to the European Community. But ASEAN countries must devolve sufficient authority to central institutions to enable them to review and coordinate between the different countries. This becomes essential as different economic and political differences emerge, although it is those same differences that make coordination harder to achieve.

ASEAN governments must be willing to recognize the rising wave of civil society and non-governmental organizations. Greater participation of the peoples in the region is critical in increasing understanding, and solving cross-border problems, such as the haze of pollution. Where ASEAN has traditionally been a state-centric organization, regional institutions above the level of the state, and civil society organizations below that level, must increasingly come into play.

In the 1960s, Southeast Asia seemed doomed to trouble and poverty as part of the "Asian drama" foreseen by skeptics. Nevertheless, several decades of growth defied such pessimism and led to euphoria over the Asian "miracle." Perhaps both the pessimism and euphoria are misplaced. ASEAN in the new century has been weakened by the crisis, but it has also been strengthened. While the years of crisis have begun a process of change in the region, another crisis is still possible. The course of change may not run smoothly or easily. But if the countries in the region press ahead with the right reforms and take up appropriate policies and institutions, they will be transformed. Where once there was a troubled drama, with non-democratic but booming economies, there may yet rise countries that are democratic, economically dynamic, socially coherent, and on the path of sustainable development. ■