

FROM THE DRIVER'S SEAT TO THE BACKSEAT

REGIONAL COOPERATION IN SOUTHEAST ASIA

Wilhelm Hofmeister

For the media the most significant outcome of the meeting of foreign ministers of the ten ASEAN countries at their meeting on the Indonesian island of Lombok on January 20, 2011 was the announcement that they are considering a joint bid to host the football World Cup in 2030. Apparently, the ministers were trying to improve public perception of ASEAN at a time when the regional organisation was not really able to show any great progress on the issue of integration. The announcement of a possible bid to host the football World Cup did at least distract some attention from the current problems within the association and provided some positive publicity. The common call in Lombok to lift sanctions against Myanmar as a result of the parliamentary elections of 2010 was also greeted with approval by the media in Asia. However, because the ASEAN member states had not actively insisted on free and fair elections or even on regional observers being allowed to monitor them, the subsequent call for sanctions to be lifted has done nothing to improve ASEAN's credibility in relation to Myanmar.

The efforts by ASEAN's ministers to improve public perception of their association can be explained by the fact that the countries of Southeast Asia and their joint association ASEAN have come under increasing pressure in recent times to underline their role as an effective force in a continent which is seeing dynamic change in many areas and in many fields. China's rise as a world power and India's increasing economic and political importance have not only focused a lot of international attention on these two countries but have also changed the dynamics of



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economic and political cooperation in Asia and in Southeast Asia in particular. This is not only affecting the self-confidence of Southeast Asia's elite but is also creating concrete challenges for regional cooperation within ASEAN and between its member states and their powerful neighbours.

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The biggest challenge is how to deal with China. This has become increasingly clear following the global financial and economic crisis. China now has become more and more important as a supplier and investor for the USA, the European Union and Japan, traditionally the most important trading partners of Southeast Asia. After the financial crisis of 1997 ASEAN took action to strengthen regional cooperation and to extend dialogue to specific "dialogue partners" outside of ASEAN. This involved China, Japan and South Korea initially and was then expanded to include other countries. The ASEAN members saw themselves as sitting "in the driving seat" of regional integration, as government and think tank representatives liked to describe it. However, the new balance of power in the region created the impression that ASEAN would actually have to take a back seat as other players were disputing their place at the steering wheel.

The most important initiatives by the Southeast Asian countries to expand regional cooperation are as follows:

- The ASEAN Regional Forum (ARF), which was created in 1993 in Singapore and which had its first meeting on July 25, 1994 in Bangkok. Since that time the ARF has become the most important forum in Asia for dialogue and consultation, particularly on political and security issues of common interest, and it contributes significantly to promoting trust and in preventive diplomacy. The ARF currently has 27 members including the USA, Canada, Russia and the European Union.¹

1 | Members of the ARF: Australia, Bangladesh, Brunei, China, EU, India, Indonesia, Japan, Cambodia, Canada, Laos, Malaysia, Myanmar, Mongolia, New Zealand, North Korea, Pakistan, Papua New Guinea, Philippines, Russia, Singapore, Sri Lanka, South Korea, Thailand, East Timor, USA, Vietnam.

- The ASEAN Plus Three initiative which, since 1997, has organised conferences between the ten ASEAN member states and the People's Republic of China, Japan and South Korea. It was within the framework of this ASEAN Plus Three meeting that the Chiang Mai Initiative was adopted in May 2000, following the earlier financial crisis. This initiative was designed to extend the rules on currency swaps between ASEAN members to include all members of ASEAN Plus Three. The aim of this financial reserve mechanism was to try to avoid a future financial crisis happening or spreading. ASEAN Plus Three is also a forum for free trade agreements. The first free trade zone with the People's Republic of China came into being on January 1, 2010. Agreements between ASEAN and Japan as well as South Korea are still being negotiated and should be in place by 2012. However, expectations that ASEAN Plus Three would become the key regional organisation in East Asia have not really been met.

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- East Asia Summit (EAS) is another ASEAN-originated dialogue forum for wider strategic, political and economic issues of common interest. The first EAS meeting took place in December 2005 in Kuala Lumpur, Malaysia, and in addition to the government leaders from the ASEAN Plus Three group, it was also attended by India, Australia, and New Zealand. At the fifth meeting in Hanoi in October 2010 the USA and Russia were also formally accepted into the summit process.
- The Shangri-La Dialogue, which has taken place annually in Singapore since 2002, is an important security forum attended by defence ministers and other government representatives from 30 Asian countries as well as the USA and Germany.
- The summit process between Europe and Asia, the Asia Europe Meeting (ASEM), was also initiated by a Southeast Asian country, Singapore in 1995, and, after initially being attended by the ASEAN Plus Three members, now includes other countries from Asia and the Pacific.

These and other initiatives demonstrate that Southeast Asian countries and their regional association ASEAN have in the past been the driving force behind regional cooperation. ASEAN was indeed in the “driver’s seat”. However, with the rise of China and India, the direction of regional development is now being steered by others.

So what role does Southeast Asia play today in the regional context? This is the question that is being asked with a greater sense of urgency by politicians and observers in the region alike. Any analysis of this issue must take four specific areas into consideration:

- the regional security situation, especially China’s movements in the South China Sea,
- the national political situation, in particular the stability and potential development of the various political systems,
- economic recovery after the crisis,
- the status of regional integration, which is under serious new pressures as a result of the recent trend towards sub-regional cooperation amongst the Mekong countries.

THE CHALLENGES AHEAD FOR REGIONAL SECURITY IN THE SOUTH CHINA SEA

China’s movements in the South China Sea in 2010 served to illustrate for the first time since the Vietnam War the vulnerability of the Southeast Asian countries in terms of security. Admittedly the People’s Republic and ASEAN signed an agreement in 2002 over conduct in the South China Sea but since then it has not proved possible to expand this agreement into a formal and effective code of conduct. Today this is seen as evidence of the weakness of ASEAN because, by 2010, it was clear that the time to simply ignore China’s demands was over.

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The ASEAN countries suddenly had to recognise China’s growing economic and political power which precipitated an expansion of its military machine and a strengthening of its military power. This rearmament has meant that China is now capable of reaching all Southeast Asian countries with conventional weapons. As it becomes increasingly clear where China’s power interests lie, important aspects of the

existing security architecture of the region are being called into question. This has become an unexpected challenge not only for individual countries in Southeast Asia but for the whole ASEAN community.

To begin with, ASEAN's assumption that all regional players have a common interest in maintaining a stable and peaceful region, free of threats from each other, is not in fact correct. This assumption is based among other things on the "Treaty of Amity and Cooperation in Southeast Asia" (TAC). New questions about sovereign rights in the South China Sea, and the obvious interest in access to resources which underlies these issues, are casting serious doubts on whether this assumption of common interests can be considered valid any more. Several recent events have raised concerns that acceding to China's demands will lead to Chinese dominance and a corresponding subordination of Southeast Asia to China's economic and political interests.

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ASEAN's response to this challenge was and remains two-pronged: on the one hand it has tried for some time to tie China to a whole series of multilateral initiatives. In addition to the forums and initiatives mentioned above – ARF, ASEAN Plus Three and now the expanded East Asian Summit – this also includes the free trade agreement (China-ASEAN Free Trade Agreement, CAFTA) that became effective in January 2010. It established the biggest free trade zone in the world in terms of population and the third biggest in terms of combined GDP. Even if the agreement is meant to bring benefits to all parties concerned, many commentators think that China will be the biggest winner.

Alongside these multilateral agreements there have also been numerous bilateral agreements between individual Southeast Asian countries and China, ranging from agreements on technical cooperation in specific fields to strategic partnerships. In addition to these links between individual institutions we should not forget the veritable army of Chinese ministers, government representatives and civil servants who attend meetings in the region and thereby strengthen links and further the exchange of ideas. However, in spite of all these activities there is

no evidence to suggest that all these economic and social links are bringing China round to ASEAN's point of view when it comes to safeguarding its own "security interests".

The Chinese Prime Minister Wen Jiabao is leaving nobody in any doubt about that. At a meeting of the

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United Nations in September 2010 he said: "When it comes to sovereignty, national unity and territorial integrity, China will not back down or agree to any compromises."

Beijing's behaviour on the international stage shows that it is far more determined to safeguard its national interests than to get bogged down in a lot of regional interdependencies. This was clear to see during its conflict with Japan in September 2010 when the Chinese leadership allowed, if not encouraged, anti-Japanese demonstrations and imposed economic sanctions on Japan to underline its claim to the Senkaku/Diaoyu islands. This confrontation between China and Japan caused alarm in Southeast Asia because the issues that had strained Chinese-Japanese relations were the same issues at the heart of problems in the South China Sea.

These concerns over China's increasingly obvious flexing of its political muscles have led to attempts within the region to forge closer links with the USA. However the latter seems less rather than more inclined to extend its involvement in the politics of the region in order to confront a China that has become much more powerful. According to many observers in Southeast Asia, U.S. activities in Afghanistan and Pakistan and in the war on terror appear to have stretched American resources to their limits. The efforts to strengthen its profile in the region have sometimes been described as "hedging" or "balance-of-power" politics in relation to China. President Obama's meeting with ASEAN leaders during the APEC Summit in Singapore in 2009 was a cause of some satisfaction. The U.S. President met the ASEAN leaders again in 2010, though not in Washington as many had hoped, in order to give the meeting more political weight, but "only" during a UN General Assembly in New York. The USA's signing up to the above-mentioned TAC in 2010 was warmly welcomed in Southeast Asia. However, the practical consequences and advantages of this for the region are not immediately obvious. The U.S. Congress neither ratified the TAC. In practical terms

nothing has changed in the relationship since the “ASEAN-U.S. Enhanced Partnership” agreement was signed in 2005. Signing up to TAC did however open the door to the USA to participate in the East Asia Summit.

It remains to be seen how important this additional “summit process” will be. Many observers in Southeast Asia doubt that ASEAN Plus Eight will be any more capable than its predecessor (ASEAN Plus Three) of creating agreements that will actually be adhered to. If China and the USA cannot find common ground on various concrete issues within this framework, the EAS risks sharing the same fate as other forums that have become little more than non-binding “talk shops”. The problem for ASEAN is that it is not really involved in the discussions between these world powers. China could also lose interest in these regional forums if it feels it is no longer the only world power taking part.

U.S. Secretary of State Hillary Clinton made it clear during the ASEAN Regional Forum in Hanoi in July 2010 that it would be vital to have a concentrated, multilateral approach to counter China’s ever more open and, to some extent, ever more aggressive territorial claims within the South China Sea. This concerns nearly all ASEAN countries. Clinton’s point of view has sought to strengthen the status quo upheld by the ASEAN countries and defended by U.S. naval forces.

However there is a limit to how far the U.S. can go in making a stand against China or working closely with ASEAN. For one thing, it is not possible for the U.S. administration to become as involved within ASEAN countries as the Chinese. Washington neither has the capacity to maintain such a significantly high number of representatives and civil servants in the region and to demonstrate such an omnipresence as the Chinese, nor is there sufficient political support for such a policy back home. The USA has much wider domestic and global political interests. President Obama had to postpone his long-awaited visit to Indonesia three times because of domestic political commitments before finally arriving in Jakarta in November 2010 for a short visit of less than

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24 hours on his way from India to Japan. Even in the future he is unlikely to be able to regularly attend the East Asian Summit meetings, so it is highly unlikely that the recently-invoked stronger partnership between the ASEAN countries and the USA will be able to achieve the same level of intensity and complexity seen in the relationship between the ASEAN countries and China. In this respect it is becoming apparent that any political-ideological advantage that the USA might have is now less significant. The USA's engagement for democracy and human rights appears to be losing its importance in Southeast Asia. China has adopted a "neutral" position on these issues.

Some Southeast Asian countries are also reacting with caution to the idea of the USA getting more involved in trying to find a settlement of the conflict with China over its territorial claims within the South China Sea. This is due to

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changes within ASEAN itself and also due to the fact that some ASEAN member countries have changed their relationships to China. In recent years Indonesia and Vietnam have become much more important within ASEAN, while countries such as Thailand and Malaysia, which have traditionally had strong links with the USA, have lost influence as a result of political problems and conflicts as well as unclear development strategies within the regional context. Added to this is the fact that the Mekong countries, known as the "Greater Mekong Subregion", have forged much stronger ties with China through trade and investment and especially through infrastructure projects such as road and train links and power stations. All of this has had an adverse effect on U.S. influence in the region.

President Obama made it clear after his election that he wanted to strengthen ties with Asia. Secretary Clinton has said many times "we are back in Asia!" In October 2010 before her sixth trip to Asia during her 21 months in the job she described the Obama administration's Asia policy as "forward diplomacy" designed to maintain and strengthen America's leading role in the region. However, there doesn't seem to be any signs of this "forward diplomacy" in action in Southeast Asia. The American security guarantee for the Asia-Pacific region is viewed more or less positively,

depending on the orientation of the local governments. On the one hand they know that the guarantee is really aimed at East Asia and on the other hand the Southeast Asian countries have to ask themselves if, or to what extent, they are prepared to compromise their relationship with China in order to accept the American security guarantee. The most important security partners for the USA in Southeast Asia are Thailand and the Philippines. Whenever the Americans speak about a security guarantee for Southeast Asia these two countries are usually mentioned. However, even the Americans know that the military in Thailand and the Philippines cannot really be seen as acceptable or reliable partners due to their role in domestic politics, their corruption and human rights violations within their respective countries. Singapore's opening up of its port to American marines is probably now more significant than U.S. links with their traditional partners. The USA is paying special attention to Indonesia and Vietnam in terms of security issues. Washington may well see both countries as future leaders within Southeast Asia while Thailand and the Philippines currently have little to offer but significant political problems and insecurity.

In addition to the USA's continued military presence, another factor is becoming increasingly important in terms of the regional security situation: the expansion of China's military might. Beijing's military apparatus continues to grow and is increasingly in a position to impose its sovereignty claims in the South China Sea through patrols, access restrictions and demonstrations of power. In 2010 China showed on a number of occasions that it is prepared to use force where necessary. Vietnam, as a country that borders China is particularly at risk here, but so are the other ASEAN countries. This is also true of Indonesia, which, while not being directly affected by China's territorial claims, discovered a Chinese fishing boat within its exclusive economic zone on June 23, 2010 that was being accompanied and protected by a Chinese naval vessel. The Indonesians managed to avoid a confrontation. Accusations by Southeast Asia that the Chinese were attempting to expand their territorial claims within the South Asia Sea at their expense were rejected by Beijing. However, the hope of some Southeast Asians

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that they can agree a code of conduct with China that will limit China's ambitions within the South China Sea seems unrealistic. China keeps saying that it wants to find a peaceful and diplomatic solution to the conflicts in the South China Sea and yet it only seems to want to accept terms that it dictates itself.

At the end of the day China's attitude seems to be that they consider the South China Sea to be basically a Chinese sea and it is not prepared to negotiate over what it sees as its sovereign rights. It is definitely not prepared to enter into multilateral discussions as it does not see the question of the South China Sea as being a regional issue but something that needs to be resolved bilaterally between itself and individual Southeast Asian countries. In this respect China is well aware that there is no common position amongst Southeast Asians on the issue of regional security, let alone a specific strategy. This can be seen in the differences in attitude between the coastal and inland countries in Southeast Asia. The coastal countries are keenly focused on the situation in the South China Sea and the security of the Straits of Malacca and Singapore, while the inland countries are more interested in forging links with China as part of the Mekong Delta initiative. Unresolved bilateral political problems and territorial and border disputes amongst Southeast Asian countries have resulted in there being a lack of a really coherent common response to external threats.

As a result the Chinese range of operations is in no way limited to the South China Sea. In August 2010 Chinese naval vessels entered the deep sea port of Thilawa in Myanmar. This strengthened the suspicion that it is a strategic goal of the Chinese to gain access to the Bay of Bengal and the Indian Ocean with the help of Myanmar. These apparent Chinese ambitions in the Indian Ocean no doubt prompted the latest round of strategic talks between the USA and India and also contributed to the fact that the USA are supporting the inclusion of India in the East Asian security structures.

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The USA never tires of stressing its interest in the security issues of the South China Sea. This was confirmed by U.S. Defence Secretary Robert Gates during his visit to East Asia at the beginning of January 2011. Joint operations and manoeuvres would remain a part of U.S. policy in South Asia. At the same time Washington is trying to find a multilateral solution to the territorial disputes in the South China Sea. This initiative is being supported by some Southeast Asian countries. However, Beijing rejected this undertaking and made it clear to the South Asians that they must decide if they are for China or against. As a result a statement was issued at the second ASEAN-U.S. summit in September 2010 that only talked in very general terms about a peaceful reconciliation of differences of opinion. After a warning from China in the run-up to the summit the South China Sea was not specifically mentioned in the statement.

The territorial claims and controversies in the South China Sea are yet another factor in the security dilemma that exists between the USA and China, in that measures taken by one party to improve its security situation are met by counter measures from the other side. As a result there is a state of growing tension. This is a complicated dilemma for the ASEAN countries. For them it is a question of how to balance the growing power of China with stronger links to the USA without actually compromising their relationship with China or provoking China into a more hostile stance towards Southeast Asia.

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DOMESTIC DEVELOPMENTS IN SOUTHEAST ASIAN COUNTRIES

The ability of Southeast Asian countries to react to changes in the international scene around them will depend by developments at home.² The many different types of political system that exist are what make the region so unusual. There is no doubt that this is one of the reasons why progress towards regional integration has not been so

2 | Cf. also the magazine *Panorama. Insights into Asian and European Affairs* 2/2010 on the issue of "A Future for Democracy" published as part of the KAS Regional Project Political Dialogue Asia.

swift and why it has been so difficult to agree on common interests and positions towards third parties, especially in relation to the developments in the South China Sea mentioned above.

The following table shows the different types of regime in the individual countries:

Table 1
Political regimes in Southeast Asia

Country	Freedom House (2008)			Bertelsmann Transformation Index (2009)	
	Political rights	Civil rights	Political regime	Democracy score	Regime type
Brunei	6	5	not free	n/a	n/a
Cambodia	6	5	not free	4.1	moderate / electoral authoritarianism
Indonesia	2	3	free (electoral democracy)	7.0	defective democracy
Laos	7	6	not free	2.8	(closed) authoritarianism
Malaysia	4	4	partly free	5.3	moderate / electoral authoritarianism
Myanmar	7	7	not free	1.7	(closed) authoritarianism
Philippines	4	3	partly free	5.9	defective democracy
Singapore	5	4	partly free	5.4	moderate / electoral authoritarianism
Thailand	5	4	partly free	5.3	defective democracy
East Timor	3	4	partly free (electoral democracy)	n/a	defective democracy
Vietnam	5	5	not free	3.3	(closed) authoritarianism

Source: Croissant and Bunte 2010.³

One glance at this table shows that earlier expectations that democracy would establish firm roots and spread throughout Southeast Asia have not been realised.

3 | Aurel Croissant and Marco Bunte, "Democracy in Southeast Asia – An Assessment of Practices, Problems and Prospects," in: *Panorama. Insights into Asian and European Affairs* 2/2010. The scores from 1 to 7 represent the highest level of freedom down to the lowest level. The scores relate to 2008. Cf. also <http://freedomhouse.org> and <http://bertelsmann-transformation-index.de> (accessed February 15, 2011).

Indonesia has made remarkable progress in establishing democracy, while Thailand and the Philippines, the two countries which years ago were expected to be the first to become stable democracies, have seen their democratic developments subjected to considerable strains. In the remaining countries in the region the outlook is limited by political and structural circumstances.

After the fall of the long-time dictator Suharto in 1998 very few observers expected to see the establishment of democracy happen so quickly in Indonesia, a country that with 240 million inhabitants is one of the most populous in the world and which is characterised by a great diversity of cultures and languages as well as a complicated geography, being made up of 17,000 islands. After India and the USA, Indonesia can be considered the third biggest democracy in the world. The most important political and social groups accept that the political process

is run in accordance with the rules and norms of a democratic system. The separation of powers and horizontal accountability generally work quite well. Parliament has

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successfully developed its independence from the government, and in particular civil society and media pluralism have been strengthened and could now only be weakened by significant conflicts. The role of the military in political affairs continues to be limited. Indonesia has shown that democracy can be established and consolidated in an Islamic country. Admittedly there are radical Islamic groups here too that want to limit democratic freedoms, but their political influence is now much reduced, as evidenced by the election results in 2009.

Despite this bullish picture there are still some factors that have a negative impact on domestic political development and which limit Indonesia's room for manoeuvre on the international stage. A good example would be the problematical relationship between money and power, as seen in the presidential ambitions of the leader of the Golkar Party, Aburizal Bakrie. This combination of money and power in Indonesia, as in other countries, has been the source of endemic corruption and has weakened the foundations of the democratic system. To this we must add the poor performance of the government at both national

level and within decentralised institutions in fighting the continuing difficult social problems of poverty and inequality. In the mid-term this could give fresh impetus to radical groups within the country and become a threat to democracy. However, the progress that has been made on the democracy front has also given the political and social elite a new-found sense of self-confidence. This can be seen in their desire to take a leading role within the region and to participate in global decision-making processes. Indonesia becoming a member of the G20 is seen as a first step towards satisfying these ambitions.

In the Philippines, Thailand and East Timor, on the other hand, recent years have actually seen more erosion, rather than consolidation, of democracy. In the Philippines many people hoped that the elections in May 2010 would herald a kind of new beginning for democracy, especially since the previous regime of President Gloria Arroyo (2001-10) had been characterised by numerous political scandals, accusations of corruption and election-rigging and the temporary suspension of constitutional freedoms, but also by an inability to improve the lives of the majority of the people in the country. The election winner in May 2010 was Benigno "Ninoy" Aquino Jr., son of the former President Corazon Aquino, who died at the end of 2009. Aquino received 42 per cent of the vote and was elected President under Philippine election law with a relative majority. Despite spending several years before the election in the Senate, he is still considered to be politically inexperienced. By the end of last year it was still not clear

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whether he and his government would be able to meet the expectations of the majority of the Philippine people regarding necessary reforms, including a change to the corrupt, patronage-based and generally inefficient way that politics is carried out in the country.

Widespread poverty and inadequate education and health services as well as poor infrastructure are clear indications of the inefficiency of the state apparatus. The fact that the new President makes the headlines more often for his private lifestyle than he does for forward-looking political projects means that the chances of him turning round the country's notorious lack of government services and political corruption seem somewhat remote.

Thailand, the other country where democratic consolidation was expected, has experienced several years of ongoing political crisis and breakdowns in constitutional order. Since the elections of 2007 the country's politics have become far more polarised and the country has suffered periods of instability, especially in the early part of 2010 when tens of thousands of supporters of former Prime Minister Thaksin, who had been removed from office by the military, occupied the capital Bangkok and several other towns and cities. In May 2010 the military lifted its blockade and several hundred people were killed in clashes.

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It is not possible at this point to discuss in detail why democracy is particularly weak in Southeast Asia. One important aspect certainly is a general lack of acceptance by important groups within individual countries of basic constitutional democratic principles. Added to this is the weakness of the parties and party systems and the behaviour of "informal" groups such as the business elite, the military and political movements which have the ability to veto, even if they are not in a position to win an electoral majority. There are also deep divisions in society which are reflected in the behaviour of various groups, as can be seen in the Philippines and Thailand. In Thailand, for example, this does not only apply to the clashes between the "red shirts", the supporters of former prime minister Thaksin and the "yellow shirts", members of the nationalist "People's Alliance for Democracy" which are fighting Thaksin's followers. In the south of the country there are permanent conflicts between local groups spurred on by ethnic or religious differences. For years there have been similar conflicts in Mindanao in the Philippines. These types of conflicts always lead to disputes between the government and people's groups and clashes in the streets between police and demonstrators. They are also a sign of the inability of political institutions to meet their citizens' wishes and their desire for greater participation. This leads to political instability, brings about military intervention and is generally a major setback for democracy in the Philippines and Thailand. A similar situation can be observed in East Timor.

In contrast, Malaysia, Cambodia and Singapore are politically relatively stable, but ultimately have to pay the price by being subjected to blatantly authoritarian regimes. These countries do indeed hold regular elections, but there is no chance of power changing hands as the electoral process is openly manipulated to a greater or lesser extent, and opposition is suppressed by clamping down on freedom of speech and freedom of assembly. In Cambodia, the opposition, whether opposing parties or social groupings, have a certain amount of room for manoeuvre and are allowed to criticise the government. But the democratic process is hampered by the regime's authoritarian interventions in the legislature, the media and civil society. Power rests with Prime Minister Hun Sen and his People's Party and this is not to be contested.

In Malaysia political and social tensions have increased since the 2009 elections, when the ruling coalition which has been in power for decades lost its two-thirds majority. The country was beset by serious economic problems brought on by the international crisis, and this situation highlighted the fact that the system which had been in place since the 1960s whereby the Malaysian Muslim majority were openly

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favoured had been pushed to the limit. For about five decades ethnic-based parties from the Chinese and Indian minorities had been co-opted into the ruling coalition of the "National Front" (Barisan Nasional) as junior partners. But now, things do not run as smoothly as previously. The ethnic minorities voted for the opposition parties in large numbers. The increased competition within society fuelled greater intolerance towards the ethnic and religious minorities, particularly among some conservative groups, and during 2010 this led to public clashes between the different groups. On a party level these tensions were mirrored by permanent clashes within the UMNO ruling coalition. Prime Minister Najib Razak recognised the dangers of these conflicts between different sections of society and reacted by announcing a "New Economic Policy" and promising to redress the affirmative policies which favoured Malaysian Muslims. However there has been no progress on this front, so Najib's political fate also depends on the conflicts within the opposition, which the regime is trying to weaken still further, for example by making

fresh allegations against the main opposition leader, Anwar Ibrahim. Malaysia is still one of the strongest economies in Southeast Asia, so its neighbours are watching these signs of instability with growing concern.

Vietnam is a country which is growing in importance in the region. However, questions still need to be asked about its competences and capacities for the future and in particular about the country's development. Crucial to this is the outcome of the National Congress of the Communist Party which was held in January 2011. During 2010, the international financial crisis brought to light many structural shortcomings in the Vietnamese development model. These were particularly glaring in large state-owned companies which were obviously grossly inefficient but which the government protected from the heat of competition or from potential collapse. Small independent businesses are also constantly complaining about endemic corruption. In the medium-term, political repression, the suppression of personal and political freedoms and the restrictions placed on different groups in society could also have a negative effect on economic growth.

In Vietnam, independent businesses are also constantly complaining about endemic corruption. Restrictions placed on different groups in society could also have a negative effect on economic growth.

In Myanmar the military regime held elections in 2010, but there is no sign of democracy taking root. From January 31, 2011 the two chambers of the national parliament and the 14 regional parliaments will include members of the opposition, but the political process continues to be dominated by the military and it is difficult to say to what extent it will be opened up in the immediate future. One week after the elections, Nobel Peace Prize laureate Aung San Suu Ky was released from house arrest after many years of detention, and since then she has made various public statements. But it remains to be seen how much involvement she will be allowed to have in the political and public sphere.

Many people believe democracy would be the ideal form of government in Southeast Asia. Thanks to modern communications technology people are well-informed about political and social processes and want to have a say in how their lives are run. In the internet age it is no

longer possible for regimes to exercise their power in the same old way. But democracy in the region still has many obstacles to overcome.

POST-CRISIS ECONOMIC RECOVERY

During 2010 Southeast Asia gradually began to recover from the effects of the global financial crisis. Singapore clearly came out top with a growth rate of 14.7 per cent (on a global scale coming second only to Qatar with 19 per cent). Recovery was mainly stimulated by increased exports, rising demand at home due to the general improvement in the economy and falling unemployment. In Indonesia the economy has recovered because of domestic consumption and falling raw materials prices. The balance of trade also looks positive for 2011, though expectations must be tempered by sluggish demand from traditional trading partners and the strength of Indonesia's currency. The rise in raw materials prices on the world markets has increased inflationary pressures on Indonesia, and many other countries in the region.

In Malaysia economic growth has not kept pace with the government's forecasts. The country is increasingly suffering the effects of competition from cheaper countries such as Vietnam while remaining unable to make the leap into the high-income economy bracket. This is Malaysia's ultimate goal – to move from being a middle-income economy with per-capita GNP of 7,500 U.S. dollars to joining the group of high-income economies. This is believed to be the only way to defend its position, because the products which Malaysia processes commercially are now being produced more cheaply by their Southeast Asian neighbours such as Vietnam or Indonesia. If Malaysia wants to make the leap into a higher phase of development it needs to make clear progress in the area of technology and human capital. This progress is being hampered by the education system and the conflicts within its society. Prime Minister Najib's "New Economic Policy" is an attempt to address these problems, but the government is dragging its feet when it comes to taking action.

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In contrast, Singapore has come out of the crisis stronger than ever. A growth rate of 14.7 per cent in 2010 is a clear sign of the island state's dynamic ability to find creative solutions to economic challenges. In the Philippines, domestic consumption will continue to drive the economy. The government's promised investment in social services and infrastructure should lead to increases in available income and in this way stimulate consumption. Economic growth is also propped up by the export of goods and services.

Despite its political instability, in 2010 Thailand's economy grew by around 7 per cent after a drop of 2.2 per cent the previous year. This is mainly due to the recovery of its export markets, which make up over 60 per cent of the Thai economy.

Increased exports and tourism in Cambodia meant that it was also able to maintain strong growth in agricultural production. However the country's vulnerability was highlighted during the global crisis. It is very dependent on a small range of export products and export markets and it became very clear that it urgently needs to diversify.

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In Laos the raw materials sector remains the backbone of the economy. In 2010 the country pressed ahead with a series of mining projects and hydropower plants which should also contribute to economic growth over the years to come. But the government still has challenges to face in its economic policies, particularly in relation to the high capital influx, foreign debt, maintaining monetary and fiscal discipline and improving conditions for private businesses.

No reliable economic data is available on Myanmar, but its GNP certainly continued to grow, shored up by foreign investment in new gas fields and the construction of a gas pipeline. China is the country's main investor. Agricultural production, particularly rice, was also strong. Private consumption is expected to grow, but there is also likely to be a jump in inflation because of the rising cost of goods and fuel. It remains to be seen whether the long-standing embargo by the USA, the EU and Australia – which is certainly holding back economic growth – will be lifted.

Vietnam's economic recovery has been greatly helped by its integration into the global economy. The immediate future also looks bright because of its political stability and well-trained workforce. It is also anticipated that the government will ramp up its efforts to improve conditions for local companies and to attract foreign and domestic investment.

From an economic point of view, the ASEAN countries have on the whole recovered from the global crisis. As a bloc, Southeast Asia with its population of almost 600 million and an economic growth of 7.4 per cent in 2010 is one of Asia's major developing regions. But the differences outlined here between the individual countries should not be underestimated. The bloc is expected to achieve growth of 5.4 per cent in 2011, but this still trails those huge growth engines, China and India. This will have an impact on the bloc's regional influence.

CURRENT STATUS OF REGIONAL INTEGRATION

Deepening regional integration was a mantra for the leaders of Southeast Asian countries during the crisis. In 2010 some progress was made towards regional cooperation, but there are growing doubts that an "ASEAN Community" will be set up by 2020 or that the necessary preliminary steps to achieve this will be completed by 2015.

In line with the roadmap agreed in 2009, the ASEAN member countries have to take steps to meet the political and institutional prerequisites to create an "ASEAN Community".

In the 2003 "Bali Concord II" declaration the members of ASEAN agreed to create an "ASEAN Community" by 2020 based on three pillars: an economic community, a security community and a socio-cultural community.

In line with the roadmap agreed in 2009, the ASEAN member countries have to take steps to meet the political and institutional prerequisites to create this community.⁴ However, many observers think it is highly unlikely that these milestones will be met. It seems almost impossible for major areas of policy to be harmonised across countries which differ so widely, and in 2010 new developments have highlighted existing divisions within ASEAN and placed additional hurdles in the path of greater

4 | ASEAN, *Roadmap for an ASEAN Community 2009-2015*, 2009, <http://www.aseansec.org/publications/RoadmapASEANCommunity.pdf> (accessed February 15, 2011).

integration. This particularly jeopardises the chances of closer cooperation between the Mekong states in the north of the ASEAN area and China.

An important step towards economic cooperation was made at the beginning of 2010 when an agreement between six of ASEAN's "core countries" (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) came into force which abolished customs duties on 99 per cent of all goods. The CLMV countries (Cambodia, Laos, Myanmar and Vietnam) also undertook to levy customs tariffs of zero to five per cent on 98.6 per cent of goods.

In May another agreement came into effect designed to facilitate trading in ASEAN: the ASEAN Trade in Goods Agreement. However, these advances in the area of goods trading are still offset by certain problems relating to services, even though various agreements were also made in this area in 2010. The ASEAN Comprehensive Investment Agreement should help to facilitate intra-regional investment.

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During the ASEAN summit held in Hanoi in April 2010, a timetable of sorts was drawn up for the implementation of the measures set out in the ASEAN Economic Community Blueprint. Regular progress reports are also required. In October the ASEAN leaders agreed the "Master Plan on ASEAN Connectivity" in order to speed up the development of links between ASEAN members and the countries of Eastern Asia. At this summit, the ASEAN heads agreed to extend ASEAN Plus Six to include the USA and Russia, and a first summit meeting of this extended circle's defence ministers took place in October, also in Hanoi.

Overall, ASEAN's ties with Eastern Asia have become closer in the course of 2010. At the beginning of the year several agreements came into effect: a free-trade area agreement with China, similar agreements with Australia and New Zealand and a trading agreement with India.

As far as financial cooperation is concerned, an agreement based on an extension of the Chiang Mai Initiative came into effect which made funds available in the amount of 120 billion U.S. dollars for ASEAN Plus Three countries

experiencing short-term liquidity problems. This offers these countries an expanded mechanism to protect them against the risks of the global economy. Other agreements were also made in the investment area in order to facilitate the issue of bonds.

Despite these steps, many observers still believe there are many obstacles to be overcome if an economic community is to become reality by 2015. The harmonisation of economic policies on a regional level has not materialised and it is hard to predict when this will be achieved. For the time being the only things on the horizon are further steps to facilitate intra-regional trade. Problems of economic policy are also one of the reasons why the private sector has so far been reluctant to get involved in regional integration. It has so far placed little pressure on politicians and governments to accelerate and intensify the process of integration.

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Creating an economic community has generally been afforded higher priority than the other two community projects. It seems unlikely that a political community will be created in the short-to-medium-term due to the profound political differences between the countries. The joint undertaking in Article 1 of the 2007 ASEAN Charter "to strengthen democracy, enhance good governance and the rule of law and protect human rights and fundamental freedoms" is interpreted in widely-differing ways.

Developments in ASEAN's more northerly countries have recently hampered economic integration throughout the ASEAN area. This particularly refers to the close cooperation between the "Greater Mekong Sub-Region" (GMS) members made up of Cambodia, Laos, Myanmar, Vietnam, Thailand and the two Chinese provinces of Yunnan and Guangxi. Within the context of a GMS development programme, around 11 billion U.S. dollars have been invested over the last few years in infrastructure projects. China is the largest single investor, which has led to a rapid intensification of ties between China and the ASEAN countries. Chinese investments have brought companies and workers in their wake. For example, in Laos there are already an estimated 400,000 illegal Chinese migrants, in

a total population of only seven million. Chinese is now spoken in many border areas and the Chinese Renminbi has become a generally-accepted currency.

This new sub-regional integration presents serious challenges for ASEAN, particularly for the island states in the south and east. In January 2011 the ASEAN foreign ministers demonstrated their solidarity by travelling from Chiang Rai in Thailand to Houey Xay in Laos, then on to Jinghong in China and Kunming, the capital of the Chinese province of Yunnan. In Kunming they held talks with Chinese representatives on how to deepen their ties. However, some observers believe China's increasing involvement presents a challenge for the intra-regional integration of the countries of Southeast Asia because the countries which directly border China generally are more interested in forging ties with their northern neighbour and are becoming more independent. An acceleration of the process of regional integration could affect their interests.

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IS ASEAN IN THE DRIVING SEAT FOR REGIONAL COOPERATION IN ASIA?

With a population of almost 600 million, Southeast Asia is an important Asian sub-region and in comparison to other regions it has achieved significant levels of internal integration, even if ASEAN is still lagging behind its own regional integration targets. The region has largely recovered from the effects of the global financial and economic crisis. Yet Asia's development is today dominated more than ever by its two huge countries, China and India, with their more powerful economies. As a result the ASEAN countries have not only lost their political room for manoeuvre but have recently felt the effects of expansion by these self-confident major powers, particularly China. Many policy makers and observers within ASEAN consider deeper regional integration to be a necessary consequence of these new developments in order to maintain the ASEAN countries' position and influence. But this will be made difficult by the national interests, rivalries, competition and disputes in the various countries and also by the many differences in their political and economic systems.