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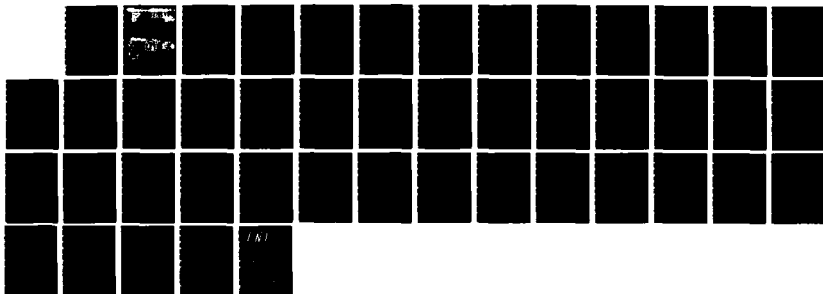
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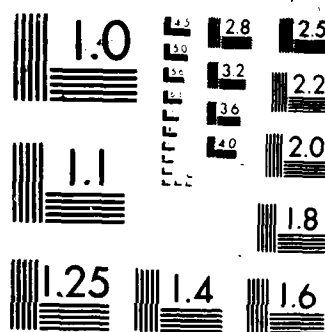
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EAST ASIA TRENDS

Phase Three Report

Topic A-17

ASEAN AND THE PACIFIC ECONOMIC COMMUNITY

This report was prepared as part of a series of studies on the economic and political development of the Pacific Rim region, including the ASEAN and the Pacific Economic Community.



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ASEAN AND THE PACIFIC ECONOMIC COMMUNITY

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Dr. Donald E. Weatherbee, Principal Investigator

This paper was prepared for the Department of State as part of a study on the economic and political implications of the Pacific Economic Community (PEC) for the United States. The study was conducted by the Institute of International Studies, University of South Carolina, under the direction of Dr. Donald E. Weatherbee. The study was funded by the Department of State under Contract No. 1722-420155.

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## EXECUTIVE SUMMARY

Over the past two decades a variety of initiatives have been undertaken to seek explicit, regionally coherent institutional patterns to give intergovernmental structural forms to the existing arrangements of trade, finance, and economic assistance. The underlying rationale is that the growing interdependencies of the Pacific rim nations define the outlines of a Pacific Economic Community. Intellectual movement in this direction has been largely centered on the Pacific Economic Cooperation Conferences process, which although nominally private has received strong official encouragement from the developed Pacific nations.

It is generally agreed that a functionally meaningful Pacific Economic Community will require the participation of the ASEAN nations. However, to ASEAN the objectives of Pacific regionalism are vague, its benefits unclear, and its urgency unperceived. More concretely, the issue of membership raises questions about Taiwan, China, and the Soviet Union in a exclusive regional community, while an inclusive community is seen as diluting ASEAN's bargaining position. A more basic objection from the ASEAN side is that formal structures of Pacific cooperation would tend to perpetuate existing economic asymmetries between ASEAN and the developed countries as reflected in the terms-of-trade problem. To some ASEAN leaderships, especially Malaysia, the "South-South" association is more natural than Pacific regionalism. Finally, Pacific economic regionalism is confused with American security ties and alliances and is seen as compromising nonalignment. For ASEAN, the goal of association is to build a framework for ASEAN's collective action to demand a better economic deal from its developed partners.

It had been hoped by the proponents of the Pacific Economic Community that the new ASEAN-Pacific Cooperation program might indicate a shift in ASEAN attitudes towards a Pacific Economic Community. An analysis of the APC, both in its "six plus five" dialogue format and its Pacific Human Resources Development projects, does not support this. The manner and timing of the APC has to be placed in the context of an ASEAN political dynamic marked by controversy over policy towards Kampuchea and Indonesia's continuing redefinition of its international role. An unintended outcome of the APC initiative has been to increase tensions within ASEAN. It is extremely unlikely that the APC scheme will lead ultimately to more extended forms of truly regional cooperation between ASEAN and the five Pacific developed economies, let alone lead to an even more encompassing regional grouping that might be the basis for a Pacific Economic Community.

The conclusion for U.S. policy towards ASEAN is that while the U.S. should support cooperation and be sensitive to the economic concerns of the ASEAN states, there is little to be gained in promoting notions of a Pacific Economic Community. In terms of the suspicions of ASEAN, a higher U.S. profile in this respect could be counterproductive.

## I. INTRODUCTION: THE NOTION OF PACIFIC ECONOMIC COOPERATION

The emerging patterns of trade and investment in the past decade and a half increasingly delineates a regional Pacific rim state system with growing economic interdependencies having dual Japanese and American centers. Most projections indicate that these interdependencies will become even more pronounced in the the future. The sense of vitality and intensity of the exchanges between the developed and developing capitalist and neocapitalist economies of the Pacific is caught up in the notion of the 21st century becoming the Pacific Era. At least three interrelated dynamics are work to reinforce this: (1) high economic growth rates in the Western Pacific; (2) an increasingly pronounced shift of economic activity from the Atlantic basin to the Pacific; and (3) the diffusion of intermediate and high technology throughout the region, including communications systems.

The six nations of the Association of Southeast Asian Nations (ASEAN) are an integral part of the economic dynamic of the Pacific region. They experienced sustained high growth rates in the 1970s and, with the exception of the Philippines, have successfully weathered the recession of the early 1980s. Their performance since recovery demonstrates that the ASEAN economies can maturely adapt to changing conditions in the world environment and we can expect relatively high future growth rates for these countries. ASEAN is fully integrated into the Pacific region market economies with their strongest links to the industrialized countries along the Pacific rim. In 1983, more than 70 percent of ASEAN's exports were inter-Pacific. In that year, ASEAN became the fifth most important trading

partner of the U.S. with two way trade totaling \$25 billion. ASEAN's Pacific economic focus is demonstrated in the table below.

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Direction of ASEAN Trade As Percentage Of Total Trade, 1983

|          | Japan | U.S. | Inter-ASEAN | Other Pacific Asia | EEC  | Rest of World |
|----------|-------|------|-------------|--------------------|------|---------------|
| Exports: | 26    | 18.3 | 20.7        | 9.7                | 10.1 | 15.2          |
| Imports: | 21.6  | 15.7 | 18.1        | 9.6                | 12.2 | 22.8          |

Source: IMF, Directions of Trade Statistics Yearbook, 1984

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The pattern of interactions of ASEAN with other Pacific countries is marked not simply by intensity or volume of transactions but by the constantly changing structure of its relations as an outcome of growth and differentiation in the ASEAN economies. In this respect, for example, Japan and the United States have become the major sources of technology for the ASEAN countries. ASEAN has increasingly become linked to the world financial markets. ASEAN's economic growth and structural change has been paralleled by the change in the composition of financial inflows with private capital becoming more important than official capital. These changes have brought new issues to the fore in the Pacific region political economy, particularly in the ASEAN-Japan-U.S. "triangle."<sup>1</sup>

The fact of intensifying economic interactions among the market oriented states of the region and the challenge of structural change in the nature and quality of the interactions will require continuous cooperative adaptations in the regional system. Otherwise, the tensions inherent in

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1. For a recent survey of the structure of the ASEAN-Japan-U.S. "triangle," see Charles E. Morrison, Japan, the United States and a Changing Southeast Asia (New York: The Asia Society, 1985).



the often conflicting diverse interests of partners caught up in an acknowledged asymmetric pattern of economic transactions will not be contained. It is this problem of reconciling conflicting interest and promoting mutual interests that has led to calls for the creation of region-wide organizational forms through which economic cooperation can be facilitated on a multilateral basis.

Over the past two decades a variety of initiatives have been undertaken for the development of channels of regular consultation on matters of common interest springing from increased interactions. The underlying rationale is that the growing interdependencies of the Pacific economies are embedded in complex regional relations in which problems exist that are not amenable to bilateral solutions but require a regional approach. The notion of the need for more concrete structural forms for Pacific regional economic cooperation has been expressed in different ways, but whether it is called a Pacific Basin proposal or a Pacific Economic Community, the call for more explicit, regularized modes of cooperation seeks to give greater coherence and, ultimately, functionally greater integration, to the existing arrangements of trade, finance, and economic assistance. In the words of Peter Drysdale, the intellectual "guru" of Pacific economic cooperation, there is need for a more explicit "Pacific economic alliance" in order to build an international partnership in the region that will make common problems manageable.<sup>2</sup>

The idea that this new Pacific frontier of economic growth and development can be promoted through some kind of associational community of nations is an attractive theme that has won endorsement in the policy elites of Japan and other "developed" Pacific rim states. The agendas of

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2. "The Pacific Basin and Its Economic Vitality," in James W. Morley, editor, The Pacific Basin: New Challenges for the United States (New York: The Academy of Political Science, 1986), p. 21.

businessmen, academics, and government officials are filled with various Pacific related conferences, seminars, and workshops. But once the discussions get beyond general platitudes about the emergence of the "Pacific Century," it is clear that deep differences exist among the proponents of a formal regional Pacific cooperative system as to the nature and scope of such a community. Despite differences of policy emphasis and structural detail, however, it is recognized by all that without the participation of the ASEAN states the concept of a Pacific community is untenable.

The notion that a Pacific Economic Community in some form or other is desirable and feasible rests on two fundamental assumptions. The first is that it would be based on the mutual economic strengths of the countries of the region. The second is that the members of such a grouping would have common interests in the maintenance and liberalization of the existing trade and investment environment in the region. With respect to ASEAN's engagement in a Pacific Economic Community, the first proposition assumes that the ASEAN economic dynamic is such that the six have more in common with their developed partners than underdeveloped countries elsewhere; i.e., that Pacific community offers more than a New International Economic Order and that "reciprocity" rather than "preference" should be ASEAN's structural choice. The second assumption runs counter to the state practice of both the prospective developed and less-developed Pacific community members.

As yet there is no government endorsement of a specific proposal for a regional Pacific cooperative system. The intellectual drive for the Pacific community movement has been largely nongovernmental and carried out through informal structures. ASEAN governments in particular have been reluctant to engage in any kind of structured arrangement for enhanced Pacific

cooperation. In the discussion to follow we shall review the various institutional approaches to enhanced Pacific economic cooperation; identify the ASEAN objections to the process of community formation as it has evolved to date; examine ASEAN's own recent initiatives in terms of Pacific regionalism; and discuss the future prospects for regionalism.

## II. THE PACIFIC COMMUNITY PROCESS

The intellectual impetus for a Pacific Economic Community is usually traced back to 1965, when in Japan, Professors Kiyoshi Kojima and Kurimoto Hiroshi proposed a Pacific Free Trade Area modeled on the EEC.<sup>3</sup> The concept was notionally adopted by Japanese Prime Minister Takeo Miki in his 1967 "Asian Pacific Policy" which was partially implemented in the series of Pacific Trade and Development (PACTAD) conferences, which continue to bring research economists together to discuss issues of international economic policy affecting Asian and Pacific nations.<sup>4</sup> The proposal for a Pacific free trade area has been coolly received by Japan's commercial partners who

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3. For a representative presentation of the literature on the intellectual evolution and institutional background of the Pacific community, the reader is referred to The Pacific Community Concept: A Select Annotated Bibliography (The Japan Center for International Exchange, 1982). For recent discussions see i.a., Pacific Region Interdependencies: A Compendium of Papers submitted to the Joint Economic Committee, Congress of the United States (Washington, U.S. Government Printing Office, 1981); Pang Eng Fong, "The Pacific Community Idea: A Review," ASEAN and the Pacific Community: A Report, (Jakarta: Center for Strategic and International Studies, 1981), pp.7-12; Gavin Boyd, East Asian Pacific Community Formation (United Nations Institute for Training and Research, 1983); Richard L. Sneider and Mark Borthwick, "Institutions for Pacific Regional Cooperation," Asian Survey, XXIII:12, (December 1983), pp. 1245-1254; R. Sean Randolph, "Pacific Overtures," Foreign Policy, 57 (Winter 1984-85), pp. 128-142. Current events are reported in Pacific Economic Cooperation (newsletter of the United States National Committee for Pacific Economic Cooperation and the Pacific Community Newsletter of the Pan-Pacific Community Association).

4. Peter Drysdale, The Pacific Trade and Development Conference: A Brief History (Australia-Japan Research Centre, Pacific Economic Papers 112, 1984).

have seen in this and other suggestions to maximize liberalization of economic exchanges Japanese efforts to institutionalize existing trade inequalities that work to Japan's advantage. Japanese policy in this regard is sometimes cynically viewed as an attempt to recreate the "Greater East Asian Co-Prosperity Sphere" through economic instruments rather than military. While outwardly sensitive to these perceptions, strong indirect support for enhanced Pacific regional cooperation has been the the hallmark of successive Japanese governments.

In 1979, Prime Minister Ohira appointed a Pacific Basin Cooperation Study Group, chaired by Saburo Okita, to find ways to promote the building of a Pacific Community. Okita's group's "Interim Report on the Pacific Basin Cooperation Concept" concluded that regional economic relations had to be complemented by other forms of cooperation for enhanced mutual understanding. Otherwise, in the absence of broader cooperative structures, both the types and pace of economic interactions between developed and less-developed Pacific partners might lead to friction.<sup>5</sup> In other words, Japan saw a "community" as a multilateral harmonizing device in a commercial environment marked by growing bilateral trade irritations and disputes. The report was the basis of Ohira's 1980 Pacific Basin initiative which called for a gradualist approach with the first step to be the formation of a committee to manage a series of international conferences. The committee then would become a private consultative forum for promoting Pacific Basin cooperation. In time, there should emerge an authoritative Pacific Basin standing organization with the necessary status to express joint opinions or

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5. Pacific Basin Cooperation Study Group, Interim Report on the Pacific Basin Cooperation Concept (Tokyo, 14 November 1979). The final report, under the Chairmanship of Tsuneo Iida (who replaced Okita when the latter became Foreign Minister on November 1979) is reprinted in Pacific Region Interdependencies, op. cit., pp. 17-63.

to make recommendations to concerned governments on regional matters where a consensus had been reached. Ultimately, the Ohira initiative envisioned an intergovernmental organization with a permanent secretariat to promote understanding and conflict resolution in all fields of economy, society, culture, transport, communications, and science and technology.

Another premature scheme to institutionalize the Pacific Community idea came in the 1979 proposal for an Organization for Pacific Trade and Development (OPTAD) made in a report by Peter Drysdale and Hugh Patrick to the U.S. Senate Foreign Relations Committee.<sup>6</sup> The OPTAD model was that of the OECD and provided for intergovernmental consultations for the discussion of regional trade, investment, and aid issues. Many felt that OPTAD was an idea before its time in that it presumed too common a level of economic development and interests. Despite that, it generated great attention since it did explicitly advocate a move from the informal level of relations to an intergovernmental body.

Private enterprise's engagement in the Pacific community process came initially through the Pacific Basin Economic Council (PBEC) which was founded in 1967 and regularly brings together influential business men. Its profile is low and its agenda modest. PBEC consciously eschews visionary regionalism, giving priority attention to, "more pragmatic short-term issues and how we can develop a sufficient base of knowledge to meaningfully address some of the more longer-term problems."<sup>7</sup> Even though PBEC, like PACTAD, is limited in scope, it is part of the growing constituency that is trying to define region-wide interests.

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6. [Peter Drysdale and Hugh Patrick], An Asian-Pacific Regional Organization; An Exploratory Concept Paper (United States Senate, Committee on Foreign Relations, 96th Congress, 1st Session, July 1979).

7. "The Quest for talent," Far Eastern Economic Review, 23 May 1985, p. 91

The most important and politically influential development in the Pacific Economic Community process began in September 1980, with the first of what is now the series of Pacific Economic Cooperation Conferences (PECC). PECC I took place in Canberra, blessed by Ohira and Australian Prime Minister Fraser. This began the process of study and consultation around which all future discussions of a Pacific Economic Community would cluster. In the PECC movement regional government officials (in their private capacities) have been involved in a tripartite dialogue with private academic and business counterparts in an informal attempt to build a consensus on systematic arrangements for multilateral consultations on economic issues. Through the promotion of information exchange and consultation among the diverse constituencies with Pacific interests, the PECC process has been seen as generating a sense of Pacific regionalism that might eventually be translated into a more formal organization to facilitate official consultations among Pacific Basin countries. From the very outset, however, it was clear that ASEAN viewed "community" and "cooperation" as institutionally separable.

The PECC process is given continuity by a Standing Committee and the establishment of Task Forces based in "private" institutions and given specific functional reporting responsibilities. The original recommendation called for the formation of an international Pacific Cooperation Committee to oversee the work of the special task forces. The implementation of the proposal waited on official governmental commitments to the idea. When these were not forthcoming, the decision was made to convene a follow-up conference, PECC II, in Bangkok in 1982, where the essentially private initiative and informal structure was set on course. From the outset, the PECC problem was how to convert its consensual output into meaningful regional governmental policy inputs.

The Task Force structure is reminiscent of the OPTAD proposal which envisioned, "a small administrative apparatus so as not to become heavily bureaucratic, with specific Task Forces to handle defined policy-oriented assignments and an informal consultative communicative style of operations."<sup>8</sup> At the Bangkok PECC II, four Task Forces were charged with developing recommendations for regional cooperation in investment and technology transfer; trade in manufactured goods; trade in agricultural products; and trade in mineral commodities including energy. The Task Forces reported on their studies to the Bali PECC III in November 1983, where the cooperative study agenda was broadened to include a fifth Task Force on capital flows and finance. The PECC organization was modified with the three-tier format of Conference/Standing Committee/and Task Forces being expanded to include a Coordinating Group to handle communications between the Task Forces; and a Secretariat to be located in the host country of the forthcoming PECC Conference; and National Pacific Cooperation Committees of businessmen, government officials, and academics to serve as PECC focal points in each participating country. The United States National Committee for Pacific Economic Cooperation was established in early 1985, somewhat hyperbolically, and certainly prematurely, blessed by the White House as a "focal point of U.S. economic policy and strategy in the region."<sup>9</sup>

The Fourth PECC Conference took place in Seoul in May 1985. Business, academic, and governmental (in private capacities) representatives from twelve countries were present: Australia, Brunei, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and the

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8. Testimony of Hugh Patrick, in U.S. Congress, House Committee on Foreign Affairs, Hearings Before the Sub-committee on Asian and Pacific Affairs, 96th Congress, 1st Session, p. 107.

9. Pacific Community Newsletter, 4:2 (Fall 1984), p. 2.

United States. There were observers from inter alia Papua New Guinea, the Solomon Islands, and the South Pacific Forum, as well as representatives of other regional institutions such as PACTAD and PBEC. In an atmosphere burdened by what representatives from less-developed countries saw as a deteriorating global trade environment, this so-called "prototype for a Pacific 'parliament'"<sup>10</sup> discussed its Task Forces' reports. The conferees made what, Derek Davies, editor of the Far Eastern Economic Review, called "predictable" recommendations — more studies and papers.<sup>11</sup>

After nearly two decades of mixed formal and informal conferences, study groups, consultations, task forces, and the other appurtenances of what might be called the incremental ad hocism of the Pacific Economic Community movement, it is fair to ask where the process is leading. A fifth PECC is scheduled for Vancouver, Canada in late-1986 and a sixth, tentatively, for Japan. Does PECC represent as enthusiasts have it, "the early stages of an evolutionary trend of considerable potential?"<sup>12</sup> Secretary of State Shultz, honoring the U.S. National Committee for Pacific Economic Cooperation, stated: "From modest beginnings less than five years ago, the PECC movement has captured the spirit and has quickened the pace of Pacific cooperation."<sup>13</sup> These kinds of statements can, however, be juxtaposed with that of a disgruntled participant at PECC III, who was quoted as saying: "There is less here than meets the eye."<sup>14</sup>

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10. Dick Wilson, "The Pacific Basin is coming together," Asia Pacific Community, 30 (Fall 1985), p. 4.

11. Derek Davies, "Pacific's flying geese," Far Eastern Economic Review, 23 May, 1985, pp. 88-89.

12. Randolph, op. cit., p. 128.

13. Cited in Pacific Economic Cooperation, I:1 (Fall 1985), p. 1.

14. "Time for a Pacific grouping -- or is it?" Straits Times, 28 November 1983.



With respect to Pacific region intergovernmental institution-building, nothing substantial has been accomplished. The pace seems dead slow. The question is, where does PECC go from here? Are the "vague, undefined, and directionless" debates of PECC the necessary stuff of consensus building in the Pacific?<sup>15</sup> On the other hand, will consensus for the sake of public harmony continue to be devoid of implementable substantive decision making? How long can the PECC momentum be sustained without concrete results in the form of structured, official government to government links? The one major innovative initiative, Korean President Chun Doo Hwan's Hwan's May 1982 call for a Pacific basin summit, fell on deaf ASEAN ears, gently deflected by Indonesia's President Suharto during his October 1982 visit to Seoul.

Concern about the future direction of Pacific regionalism is now manifest among the advocates of the Pacific Economic Community as they gather in the club-like atmosphere of the PECCs and go over laundry lists of often vague and unworkable recommendations that not uncommonly run counter to the established policies of regional governments. Can such an informal grouping have enough influence with governments to make a difference? Can the PECC process ultimately operationalize specific areas of regional economic cooperation, or will it remain the vehicle of academic visionaries and dominated by spokesmen from the vantages of industrial and newly-industrializing societies? Can an organizational format for a Pacific Economic Community be found that can satisfy both the developed and less-developed Pacific rim nations? Or, will the concept of a Pacific Community, in the words of a disappointed President Chun, "simply drag on in interminable seminars and confabs with no practical ending in sight, except for the fact that our perseverance has its limits and if we became convinced

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15. Wilson, op. cit., p. 5

that there will never be light at the end of the tunnel our efforts will necessarily grind to a halt?"<sup>16</sup>

### III. ASEAN AND THE PACIFIC COMMUNITY PROCESS

It is generally acknowledged by all theorists and commentators on the Pacific Economic Community process that the participation of the ASEAN nations is an essential element if a true Pacific Community is to be realized. While nationals of the ASEAN states have been caught up in the multinational network of institutions and individuals that is the PECC movement, their governments have remained distant. Even the most optimistic proponents of community schemes admit that despite their claim of "growing enthusiasm," "there is no sign of agreement or even emerging consensus" on the building of such a community.<sup>17</sup> The problem that must be overcome by advocates of community building is to convince ASEAN that this kind of regionalism is in its interest. To ASEAN governments, "the objectives of Pacific regionalism remain vague, its benefits unclear, and its urgency unperceived."<sup>18</sup>

While there is no consensus of what mechanisms and structures might be employed to create a Pacific Economic Community that could include ASEAN, the ASEAN countries themselves have a clear idea of the characteristics of potential regional structures that would not be in their interest:<sup>19</sup>

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16. As quoted by the Straits Times, 28 November 1983.

17. Palitha T.B. Kohona, "The Evolving Concept of a Pacific Basin Community," Asian Survey, XXVI:4 (April 1986), p. 419.

18. Statement of a senior ASEAN official to the author, December 1985.

19. Mohammed Ariff, "The Pacific Community Idea: Concept and Structure," ASEAN and the Pacific Community: A Report (Jakarta: Center for Strategic and International Studies, 1981), p. 13.

1. a regional community that undermines the integrity and cohesion of ASEAN itself as a formal cooperative grouping and dilutes its bargaining strength;

2. a regional community that would perpetuate ASEAN dependence;

3. a regional community that weakens existing patterns of intra-regional, bilateral, or multilateral arrangements;

4. a regional community that would compromise political nonalignment.

There is little reason to expect any future substantive shift in ASEAN in favor of formalizing on an intergovernmental basis Pacific Community initiatives. In an address opening a Pacific Basin Conference celebrating the 25th anniversary of Hawaii's East-West Center, former Malaysian Deputy Prime Minister Musa Hitam once more observed that it was "premature" to think of a single over-arching Pacific Basin organization given that, "the problems of membership, purpose, and value are overwhelming."<sup>20</sup> Let us briefly here outline in greater detail the problems ASEAN elites ostensibly see in the building of a Pacific Community.

#### The Membership Problem.

A most inclusive count of both shores of the Pacific Basin would come up with potential community of some 33 nations. It is difficult to think of this agglomeration of states as a natural region for the purposes of "community building." If we compare the Pacific Basin to ASEAN itself as a region, it is obvious that the diversities of culture, politics, and economies are much greater in the Pacific Basin than in ASEAN and that the process of establishing "consensus" would be all that much more difficult once a process of community formation should go beyond general

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<sup>20</sup> Malaysian Digest, 30 November 1985.

acknowledgements of interdependencies and attempt to address specific issues and policy problems. ASEAN's own pace of cooperation is that of its slowest member. If we should translate that pace to an inclusive Pacific Community, than it would appear very doubtful that meaningful institutionalization could ever be achieved.

Even if we should leave out of consideration for the moment (but to be discussed below) possible membership for the U.S.S.R. and its regional allied socialist states -- North Korea, Vietnam, Kampuchea, and Laos -- an inclusive community would still be more disparate in the political economies of its members than any existing regional organization. That which links the interests, for example, of the ASEAN states to prospective Latin American members of the community tends to be dependencies on the same trading and financial partners in the industrialized world, not reciprocal exchanges of their own.

If, on the other hand, the the kind of grouping represented by the PECC process is to be considered as a prototypic of an embryonic Pacific Community than membership is not really Pacific-wide but North American, East Asian, Southeast Asian, and Southwest Pacific. As an exclusive grouping it appears to be patterned after the reciprocities of economic exchange between the old industrialized, newly industrialized, and would-be industrialized mixed capitalist and neocapitalist states. Exclusivity of this nature, however, immediately creates ambiguities with respect to the question of China and Taiwan. While Taiwan can participate as an observer in the non-official PECC gatherings, it could not hope to have status in an intergovernmental structure.

Even without the Taiwan question, there is still a China problem. Given the growing economic and other links between the PRC and the developed five, it is difficult to conceive of Pacific regionalism without Chinese

membership. In this regard, however, ASEAN increasingly views China as a competitor, not a collaborator. Before China could be integrated into a wider framework of regionalism (leaving aside the question of its intentions in this respect<sup>21</sup>), it would first have to develop closer cooperative ties with the ASEAN states. The sense of China as a looming economic threat, rather than partner, exacerbates already deep suspicions in Indonesian circles in particular about China's long term regional ambitions.

#### The Problem of Economic Asymmetry

While an exclusive Pacific Community founded on the basis of the existing economic exchange patterns of the capitalist and neocapitalist states of Western littoral of the Pacific and North America might solve some of the problems that would be encountered by inclusivity, it would not, however, remove what some ASEAN observers would argue is the basic objection to a formal structure for Pacific cooperation: that is the inequalities of membership inherent in the existing economic asymmetries between ASEAN and the developed Pacific nations.

Although we might agree that one of features of ASEAN's sustained economic growth and its multifunctional relations with the developed economies has been continuous structural change in the development framework of regional comparative advantages, nevertheless, ASEAN leaders still see ASEAN structurally disadvantaged with respect to economic relations with Japan and the U.S. Rightly or wrongly, a Pacific Economic Community that institutionalized coordination and cooperation on an intergovernmental level on the basis of equality of participation and mutual reciprocal obligation is viewed in ASEAN as perpetuating existing real inequalities. A

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21. Wilson, op. cit., pp. 7-9, has an interesting discussion of Chinese orientations towards ASEAN and a Pacific Community.

Pacific Economic Community, then, is generally seen as a form of political legitimization of the domination of the "poor" by the "rich;" more specifically as an effort to internationalize Japan's "exploitative" foreign economic policy. Successive Japanese governments have repeatedly called for dealings with ASEAN on the basis of equality, but still from the ASEAN perspective, to be Japan's "natural economic constituency" is to be permanently enmeshed in a neocolonial relationship.<sup>22</sup>

As the lines of conflict over the terms of trade and access to markets become sharper and ASEAN's "South" location in the North-South debate becomes more pronounced, objections that Pacific Community proposals reflect the interests and dominance of the developed countries become more relevant, if not accurate. Malaysia's Prime Minister Mahathir, perhaps the most outspoken ASEAN advocate of the ideas, if not ideology, of the New International Economic Order, has explicitly coupled the Pacific Community thrust to persistent inequalities of the terms of trade. Still angered, for but one example, by American tin sales from its strategic stockpiles, Mahathir has charged that commercial institutions and the commodity markets of Southeast Asia are blatantly manipulated by the developing countries for their own interests, Mahathir recently demanded: "Let those who most extol the virtues of such concepts of regional cooperation like the Pacific Basic Cooperation act to redress these grievances."<sup>23</sup> He suggested that this kind of regional cooperation would formalize the economic distortions between the

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22. For a recent cogent analysis of the mutual perceptions and misperceptions characteristic of the ASEAN-Japanese relationship, see Bernard K. Gorden, "'Bone-In or Boneless': The Political Economy of Japan - ASEAN Relations," paper prepared for the 1986 Annual Meeting of the Association for Asian Studies.

23. "Regional Cooperation: Challenges and Prospects," text of an address delivered at Quing Hua University, Beijing, November 1985, as given in the Malaysian Digest, December 31, 1985.

producers of raw materials and the consumers of raw materials to the advantage of the latter. "We in Malaysia," he said, "will not accept this." Collective action to demand a better economic deal, in his opinion, could better be carried out in the framework of the NIEO.

#### The Political Implications.

To the technical, organizational, and structural concerns about a Pacific Economic Community noted above, ASEAN leaders have added a political factor. Indonesia's and Malaysia's political reluctance to endorse the notion of a Pacific Community, in particular, has roots in suspicions that any system of expanded forms of organized multilateral regional cooperation could carry with it an implicit political framework. Although the fears seem exaggerated, ASEAN leaders have voiced apprehension that Western proponents of Pacific Economic Community schemes had an unwritten agenda that included tighter political and security links between ASEAN and Northeast Asia. The historical prototypes to which they could refer were the 1960s' Asian and Pacific Council (ASPAC) and the Southeast Asia Treaty Organization (SEATO). While the stipulated objectives of the various PECC initiatives to date do not in anyway envisage the creation of a military or political alliance, a Pacific Community, with or without China, that excludes the U.S.S.R. and its friends in Southeast and Northeast Asia will implicitly tie its ASEAN members even more closely to the western security community.

ASEAN as a group, and the nonaligned members of ASEAN individually, have resisted efforts to engage them in overt political linkages in the regional theater of the global "East-West" confrontation. While all of the ASEAN states have some form of security link to the U.S. or its Pacific allies, ASEAN collectively rejects any strategic linkage between U.S. allies

in Northeast Asia and ASEAN. Almost from its inception, ASEAN's declaratory policy has had as its presumptive goal the insulation of Southeast Asia from great-power conflict and strategic penetration in a Zone of Peace, Freedom, and Neutrality (ZOPFAN). While the ZOPFAN cannot be operationalized, particularly in the circumstances of ASEAN-Vietnamese confrontation, it remains the ideal value base of ASEAN nonalignment. It is, perhaps, unfortunate for Pacific Economic Community schemes, that the PECC impetus in the early 1980s occurred as the U.S. defense policy in the Asian region was reinvigorated. It is not surprising, therefore, that to some Southeast Asians, the already somewhat ambiguous objects of a Pacific Community could be conflated with Defense Secretary Weinberger's 1982 efforts to build a "strategic consensus" in Asia.

ASEAN's confusion of the Pacific Economic Community with the implicit U.S. based Pacific "security community" is exploited by the Soviet Union in its attack on the Pacific Community proposal as a new form of confrontation and tension for the region. In the major, authoritative April 1986 statement on the Asia Pacific region, the Russian government condemned the so-called "Pacific Community" as a structure and mechanism "which can be transformed in the future into a closed regional grouping, into another militaristic bloc," and which shows no concern, "for changing the inequitable structure of interstate trade and economic relations" characteristic of the region.<sup>24</sup> ASEAN sensitivity to the implications for its relations with the U.S.S.R. of potential compromise of symbolic nonalignment through association with an exclusive Pacific Community should also be placed in the context of ASEAN's efforts to open up new markets in the Socialist bloc.

24. Soviet Government Statement on Asia-Pacific Region, Moscow TASS as reported in Foreign Broadcast Information Service, Daily Report - U.S.S.R., 23 April 1986, p. CC-1.



### ASEAN's Bottom Line.

In summary, to ASEAN the benefits to be gained through the formal institutionalization in multilateral structures of the dependencies and interdependencies of Pacific region linkages are unclear since the the Pacific Economic Community concept still seems to reflect essentially the economic and strategic interests of the developed dominant partners. Furthermore, there has been concern that a policy investment in the Pacific Economic Community would detract from the evolution of ASEAN itself as a vehicle for the member states to act collectively. There is concern that no matter how inclusive or exclusive a Pacific regional community might be, the impact on ASEAN would be to dilute its effectiveness in dealing with its major economic partners and fragment its hard-won internal cooperative patterns as each ASEAN state reoriented its policy flows to the wider regional grouping.

The obstacles identified above set the broad parameters for what might be possible for alternative ways of gradually enhancing regional cooperative interactions. While the Pacific Community process as such may seem to be foundering in ASEAN's disinterested hesitations, the issues promoting the call for a Pacific Community are real. Thus, although unpersuaded by the arguments for a Pacific Economic Community, ASEAN leaderships have not been unresponsive to the perceived challenges of growing interdependencies and the need to maximize their interests in economic cooperation.

The key to the ASEAN approach to "cooperation" -- its bottom line so to say -- is to be found in measures designed to redress ASEAN's grievances. What ASEAN wants is not a community based on assumptions of equality and reciprocal exchange, but a framework for collective action to demand a better economic deal. In other words, the PECC process is founded on a mutuality of interests not perceived in ASEAN. ASEAN's goal is to

strengthen its collective position vis a vis its major economic partners in what is becoming a semi-adversarial regional political economy. For ASEAN, then, rather than creating new kinds of intergovernmental structures that would eliminate, from ASEAN's point of view, mediating ambiguities, the better approach would be to rearticulate existing structures in new patterns of linkages to their developed Pacific partners. Since 1984, this has been one of the objectives of the ASEAN - Pacific Cooperation Program, which some observers have hopefully suggested, may indicate a shift in ASEAN policy, that "could presage or facilitate ASEAN turning its attention to Pacific Community cooperation."<sup>25</sup>

#### IV. THE ASEAN - PACIFIC COOPERATION PROGRAM

The Indonesian-inspired plan for ASEAN - Pacific Cooperation (APC), unveiled at the 1984, Jakarta, 17th ASEAN Ministerial Meeting, in its public aspects is designed to be at least minimally responsive to the pressures for a more structured form of communication between the ASEAN states and its dialogue partners in the Pacific. In its most rudimentary expression, the APC involves the separation of the ASEAN post-ministerial meetings with its Pacific partners from the EEC, thus theoretically defining an exclusive grouping of states based on regional interests as opposed to global issues of trade.

##### The "Six Plus Five" Regional Format.

In what is called the "six plus five" formula, the ASEAN foreign ministers met in 1984 and 1985 en bloc with their Pacific dialogue counterparts in forum fashion. The ASEAN nations sought practical ways to build "a

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25. Garry Woodard, "The Pacific Community — Start, Stop. Start?" Asia Pacific Community, 25 (Summer 1984), p. 121.

more productive and intensified relationship" with their traditional Pacific partners in three main areas: securing better market access; securing better terms of trade and investment; and securing better transfer of technology. The new wrinkle in the "six plus five" format was to include on the agenda a formal exchange on issues of importance to the Pacific region, not just economic or trade questions; exchanges it should be added that were taking place informally already through a variety of channels.

In addition to a regular, structured exchange of views between ASEAN and its Pacific partners, the APC program also had as its aim the identification of new areas of cooperation between ASEAN and its dialogue partners. This is being concretely operationalized through the Pacific Human Resources Development programs discussed in detail below.

While the "six plus five" format might optimistically be seen as a step towards a new, broader Pacific dimension to the ongoing bilateral ASEAN dialogues with its partners, it does not provide an institutional basis for the entangling of ASEAN in the policy concerns of other Pacific nations. Although the APC is couched in terms of ASEAN's desire to enhance meaningful and long term cooperation between the ASEAN six and the five developed Pacific nations, there is no evidence to suggest that the APC represents any fundamental change of ASEAN strategy towards the Pacific Economic Community — just the opposite. Indonesian Foreign Minister Mochtar made no bones about it when explaining the APC: "We do not intend to adopt the Pacific Community idea."<sup>26</sup> As one senior ASEAN official put it: "ASEAN has a Pacific future. It has a role to play, not as part of a larger community, but as an independent regional grouping in collaboration with the five

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26. Mochtar interview with Zainul Abidin Rasheed and Yang Razali Kassim, Straits Times, 5 July 1984.

Pacific countries."<sup>27</sup> In other words, the "six plus five" format expresses ASEAN's limited willingness to consult on matters of common interest with the other five, but without need for new formal organization. This consultation is seen as complementing ASEAN bilateral and global diplomatic engagements. It is not meant to replace them. The primary point of economic connection between an ASEAN nation and the developed country remains bilateral. The most important ASEAN policy point of connection with the developed partners is still on a "six plus one" basis.

The ASEAN Political Context.

The manner and timing of the APC initiative has to be placed in the broader ASEAN foreign policy context. Although symbolically stated in terms of Pacific regional cooperation and seemingly responsive to policy inputs from the regional environment, the political impetus for the APC was generated in the inter-ASEAN dialogue over ASEAN's future. This internal ASEAN exchange has been centered on the slow crumbling of ASEAN's consensus over policy towards Vietnam's invasion and occupation of Kampuchea, particularly Indonesian criticism of ASEAN's unidimensional focus on confrontation with Vietnam in Kampuchea.

For the Indonesian authors of the APC, it was specifically designed, in Foreign Minister Mochtar's explanation, to "correct" the impression that ASEAN was only occupied with the politics of the Kampuchean problem, the issue that has dominated its ministerial and post-ministerial consultations since 1979. It should be pointed out that the most recent stringent criticisms of ASEAN's preoccupation with Kampuchea has come from influential Indonesian circles, with the foreign ministry itself not being immune. This, of course, is a reflection of Indonesia's disenchantment with the Thai

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27. Straits Times, 12 July 1984.

front-line state position and its lack of "flexibility."<sup>28</sup> Increasingly, Kampuchean problem is being defined in Jakarta not in terms of Vietnam's continued occupation and control there, but as Thailand's PRC-abetted stubbornness in not accepting the fact.

In one sense, then, the APC plan may be seen as a tactical response by Indonesia in the inter-ASEAN dialogue over Kampuchea in a strategy of reshaping the ASEAN agenda, moving it away from —from the Indonesian point of view -- the failures and frustration of the political investment in Kampuchea, to other areas of cooperative activity. Even more narrowly conceived, the APC may be a tactical response in the internal Indonesian policy struggle over the Kampuchean issue in which because of the dominance of the Kampuchean question, some would now question the value of Indonesia's association in an ASEAN that cannot show results. We also could add speculatively that it should also be kept in mind that President Suharto, whose allegiance to the "ASEAN way" seems undiminished, may wish to point to some concrete achievements in ASEAN deriving from Indonesian leadership as the nation moves again into its quinquennial election cycle.

Through the APC initiative, Mochtar, the 1984 chairman of the ASEAN Standing Committee, sought to inject what he called "balance" into ASEAN's deliberations and shift the focus to economic issues to show that ASEAN was "true to the original intentions of the group's concept of regional cooperation."<sup>29</sup> By shifting the focus (for both domestic and foreign audiences), however, to interactions between the ASEAN six and the developed Pacific five, Mochtar deftly sidestepped the fact that the

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28. This understanding of Indonesian attitudes is based on a number of discussions with informed official and nonofficial Indonesians in December, 1985.

29. Mochtar interview, Straits Times, 5 July 1984.

obstacle to meaningful cooperation along the functional lines laid out in ASEAN's founding charter has not been the Vietnam problem but the unwillingness of many ASEAN nations, Indonesia especially, to make a significant political commitment to functional inter-ASEAN economic cooperation, which if the Bangkok Declaration is to read literally, was the "original intention" of ASEAN. Ironically, given Indonesia's current perspectives on the impact of the Kampuchean crisis, it has been the political stimulus of the Kampuchean crisis that has been the cement of ASEAN regionalism. While ignoring the fact that a significant obstacle to meaningful cooperation in other areas has been Indonesia's reluctance to move ahead, Jakarta critics now argue that ASEAN should not be dominated by Kampuchea.

There is a second policy dimension to Indonesia's new interest in Pacific cooperation as well. This relates to Indonesia's new, generally higher foreign policy profile. Some observers see Indonesia as asserting a claim to recognition as an emerging global spokesman for the nonaligned and the nations of the South in the world political economy. Because of its power attributes, Indonesian leadership feels that it should have a leading voice in determining its region's relationships to the international order. At the minimum, it would seem to us that its objectives with respect to ASEAN in this regard are:

1. to prevent alterations in the regional status quo that would inhibit the realization of its full potential as a medium-sized power;
2. to attempt to multilateralize its policy in cooperative and associational structures that increase its capabilities but do not limit its policy options outside of such structures if its interests should dictate.

It would seem that Indonesia no longer sees ASEAN's Vietnam policy as congruent with these objectives; for example, in terms of the intrusion of

China into the ASEAN distribution of power and Indonesia's bilateral relations with Vietnam. The APC proposal, on the other hand, fits nicely within this policy framework. It has been suggested in Indonesia that the previous negative ASEAN posture towards formal consultations in a Pacific regional structure may in the long term work against Indonesia's realizing its ambitions. Hadi Soesastro, a political economist of Jakarta's influential Center for Strategic and International Studies, has made a provocative analysis in this respect.<sup>30</sup> Hadi uses the evocative term "involution" to describe the result of an ASEAN "secluded" from extra-regional interactions. This will lead to "stagnation" in cooperation and the weakening of the political will underlying the ASEAN framework itself.

Hadi goes on:

The reason is simple: ASEAN is too small for Indonesia when we speak of economic relations and cooperation [*italics added*]. Therefore, it is difficult for Indonesia to get a fair economic share from regulations within ASEAN. This is because the potential of the Indonesian market is much bigger than that of the other ASEAN countries. Yet, Indonesia's big weight tends to cause ASEAN to be pushed down by Indonesia, of course unconsciously.

Viewed from this aspect, ASEAN needs to give a greater focus to economy of the wider Pacific region. In this way, the forces which caused the involution could be compensated . . . . With a drop from the Pacific, ASEAN could be more fertile and not become weak as some people fear. The question is how ASEAN will use it.

The APC initiative might be seen as the first tentative step by Indonesia to broaden its regional horizon as a Pacific rim country in which its ASEAN identity is sub-regional — not regional.

A discussion of ASEAN-Pacific Cooperation can be policy relevant only in the framework of (1) ASEAN efforts to increase its leverage on Japan and the United States in trade and aid matters; (2) internal stresses over

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30. Hadi Soesastro, "A Drop of Pacific for ASEAN," Tempo, 14 July 1984 (U.S. Embassy Translation Unite Press Review 130/1984, 12 July 1984). ASEAN's concentration on the Kampuchean question; and (3) Indonesia's

claims to regional leadership. This is a very different agenda than that of the theoreticians of a Pacific Economic Community. Nor is there any assurance that Indonesia's ASEAN partners share Jakarta's enthusiasms for the APC.

#### V. PACIFIC HUMAN RESOURCES DEVELOPMENT

In addition to the "six plus five" forum, a second general thrust of the APC scheme is to identify and develop specific themes for possible Pacific cooperation. While policy guidance and approval is to be given through the ministerial meetings, the actual formulation and implementation of these programs is a functional responsibility at the senior officials level. These senior officials are very mindful of the past pitfalls encountered in efforts at ASEAN regional economic cooperation. At the initial stages of the APC, then, and with Indonesia taking the conceptual lead as program "coordinator", a theme was selected that was viewed as feasible, would entail common regional interests, was non-controversial, and would pose no meaningful difficulties of acceptance by the five —hence the Pacific Human Resources Development Program (PHRD).

If human resources development simply means efforts to enhance the potentials of people in the region including training and education, there can be no question but that the criteria for an APC theme noted above have been met. However, it is more difficult to see how this can be implemented in a way that gives real substance -- as opposed to symbolic -- to the policy objective of the PHRD program of heightening awareness and a sense of identity in Pacific cooperation and towards this end to enhance contacts and working relationships among the member countries.



The problem to be faced is how to operationalize the PHRD program in a "regional" manner that will distinguish it from existing patterns of bilateral and multilateral assistance activities. If one tries to penetrate the rhetorical adherence to the symbolic manipulation of the concept of a Pacific Human Resources Development Program characteristic of discussion at the ministerial level, to identify what PHRD is in fact in terms of a concrete program of action, one finds at the working levels of ASEAN circles ambiguity and confusion.<sup>31</sup> There is no firm handle to grasp the concept of human resources development as an instrumental component furthering cooperative regional development.

In the first place, there is the problem of defining for policy purposes (as opposed to intellectual or theoretical) what human resources development means.<sup>32</sup> Obviously it is related to issues of manpower and employment. These, in turn, can be viewed from two vantage points. In the abstract, we are talking about enhancing the productive capacity of the populations in relation to the development needs of the society. More concretely, there is the demonstrated need of the ASEAN states individually and, now in the context of the PHRD scheme, collectively to attack the structural problem of job creation for a growing labor force. The objectives of human resources development have to be considered within the broad national social, economic, and political frameworks, which in fact means taking into account every activity or factor that increases the

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31. The author is indebted to a number of senior ASEAN officials, particularly Indonesian, for nonattributable insights into the Pacific Human Resources Development program in August 1984 and December 1985/January 1986.

32. For a discussion of the concept see Chira Hongladarom, "Some Thoughts On ASEAN Human Resources Development," paper presented at the International Seminar on World Structural Change, II, Bangkok, 21-24 October 1985. Dr. Chira is director of the Human Resources Institute, Thammasat University. The author is indebted to him for his time and materials supplied in January 1986.

productive capacity of the members of society. As one Indonesian official puts it, "The challenge of HRD is therefore as wide as development itself."<sup>33</sup> More narrowly, however, we are talking about the quantity and quality of skills and experiences that can be utilized in productive employment. In practice, human resources development, often simply turns out to be a euphemism for education and training.

In the operational sense of education and training, a regional approach to human resources development is not a new idea in Southeast Asia. The Southeast Asian Ministers of Education Organization (SEAMEO), for instance, has been engaged in human resources development for two decades. By 1985, more than 12,000 graduates had passed through its programs. There are currently eight training centers and projects under the SEAMEO aegis including the Regional Centre for Education in Science and Mathematics, the Tropical Medicine and Public Health Project, and the Project in Archaeology and Fine Arts. The latest SEAMEO initiative is an integrated community-based human resource development pilot project to "harness" graduates of its various centers as trainers.

Current discussions of issues of human resources development have moved away from basic skills towards science and technology, management, and research and development for a more effective adoption of the technology and techniques of modern industrial societies. Through HRD programs, the knowledge gap can be closed. Some regional enthusiasts speak of indigenous capabilities in "knowledge intensive" areas such as biotechnology, space industries, and software for personal computers. In this way HRD is a short cut to the future in the more narrow context of technology transfer. The

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33. Ferdy Salim, "Pacific Economic Cooperation and Human Resources Development," The Indonesian Quarterly, XIII:3 (July 1985), p. 372.

U.S.- ASEAN Centre for Technology Exchange (CTE), for example, is part of a strategy of economic growth of "compressing time and leapfrogging" in the gradual transformation and application of intermediate technology. The Centre was established in Kuala Lumpur in 1984 under U.S. government and private sponsorship, with future CTEs planned elsewhere in ASEAN.

An examination of the PHRD scheme with its goals of skill development through training, education, and research, seminars, symposia, scholarly exchange, etc., suggests that at best we are talking about an intensification of existing programs; at the least, "old wine in new bottles." The "six plus five" agreed to program development in certain strategic areas: management and entrepreneurship; science and technology; agriculture, forestry and fisheries; industry, transport and communications, trade and services; and research and planning.<sup>34</sup> The implementing strategy called for an Immediate Action Program with 34 project proposals based on infrastructure and programs already in place and for which funding was available. Supplementing the Immediate Action Program is a list of 39 project proposals which may be undertaken as funding becomes available. A further 36 proposals are deferred to an Intermediate Action Program for further study and development and which would require new new capabilities. While lip-service is paid to the development of linkages between the different programs and institutions in the ASEAN region, the primary linkage would be between the dialogue partner that would be providing financial and technical support for the projects and the ASEAN country in which the particular project was located. Japan has rushed to generate proposals and appears interested in expanding the role of its private sector. This has led to worry on the part of ASEAN officials that while the PHRD scheme may

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34. The discussion of the PHRD strategy is based on materials supplied by the ASEAN Secretariat.

be a way to wring out greater official development assistance, it could at the same time open the way for even greater Japanese economic penetration of the region. Some ASEAN officials have expressed concern that Japanese activism has not been matched by official U.S. expressions of commitment.<sup>35</sup> This, however, may wait upon the outcome of proposal number 25 of the Immediate Action Program, sponsored by Japan, Australia, and the United States, a joint study on ASEAN - Pacific Cooperation for Human Resources Development and which is still at the "experts" level of exchange.

The APC-HRD program also has the potential for engaging the Republic of Korea in the ASEAN process by linkage to PHRD projects but still keeping Seoul outside the official dialogue structure. Both the United States and Japan have conveyed South Korea's request for inclusion in the post-ministerial conferences. ASEAN, however, has been unwilling to accommodate another dialogue partner. Officially, as explained by Malaysia's Foreign Minister Rithauddeen, the reason for a negative response is the limited time available for dialogue on an already stretched agenda.<sup>36</sup> The underlying objections, to the formal inclusion of South Korea, however, have more to do with the general impediments as seen by ASEAN to Pacific regionalism. South Korea is welcome to participate in the PHRD program on a project by project basis.

While the project structure and technical arrangements of the PHRD program seems routine and its vaunted contribution to "regionalism" somewhat hyperbolic, there is yet one component in the PHRD approach that may contain

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35. This concern was first expressed to the author by ASEAN officials immediately following the July 1984, Post-Ministerial at which Japanese Foreign Minister Abe presented a comprehensive Japanese plan for its participation in the PHRD program.

36. "Why Korea can't be included in ASEAN post-ministerial conferences," Malaysian Digest, 31 July 1985.

within it the germ of greater real Pacific regionalism. It was agreed that the implementation of the APC-HRD program would leave open the opportunities for the participation of other Pacific countries at the project level. While on the "donor" side this means Korea, on the "recipient" side it leads from ASEAN into the South Pacific. Not only would there be a transfer of expertise from the developed countries of the Pacific rim to ASEAN, but ASEAN itself could be a source of development assistance to the South Pacific through project participation in human resource development.

In the initial ASEAN decision to provide assistance to developing Pacific nations through human resources development, the immediate prospective South Pacific partners were identified as Papua New Guinea, Fiji, and Western Samoa. The use of the PHRD scheme as an ASEAN bridge to the South Pacific is congruent with existing policies of Indonesia and Malaysia of strengthening functional ties to the South Pacific region.<sup>36</sup> While this coincides with the desire to strengthen "South-South" relations, for Indonesia, it comes at time when Jakarta feels compelled to burnish its political image in the Melanesian world, badly tarnished by events in Irian Barat. The PNG already enjoys a special relationship with ASEAN; since 1976 in observer status, and since May 1985, through participation in three of ASEAN's committees.

It is yet too soon to tell whether the APC-HRD program carries within it seeds of further regional organizational development, or whether -- like so many other ASEAN cooperative ventures in past -- it will be derailed by lack of common interests, not so much between ASEAN and the "five," but among the ASEAN states themselves.

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36. For Indonesian policy see A.Wahab Rangkutyo, "Indonesia and South Pacific Countries," Kompas, 2 February 1985 (U.S. Embassy Translation Unit Press Review, 24/1985, 4 February 1985).

## VI. FUTURE DIRECTIONS FOR ASEAN-PACIFIC COOPERATION

Speaking at the opening session of the July 1985, 18th ASEAN Ministerial Meeting, Foreign Minister Mochtar expressed satisfaction with the general response other ASEAN countries had given to the APC initiative and the fact that there were now concrete HRD projects. nesia and South Pacific Countries," Kompas, 2 February 1985 (U.S. Embassy Translation Unit Press Review, 24/1985, 4 February 1985).

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The Malaysian Prime Minister — overriding his senior officials — Malaysia pushed for an abandonment of the "six plus five" format and return to the traditional "six plus one" post-ministerial dialogues. While Malaysia assured its partners that it was not retreating from its commitment to greater regional cooperation, it insisted that the interests of the region would be better served outside of a structured exchange that both compromised ASEAN's nonaligned stance and gave Japan and the U.S. a dominant voice in the dialogue.<sup>37</sup> In other words, the same arguments that can be adduced against a Pacific Economic Community were used against the APC. A particular filip to the Malaysian attack on the APC was the suspicion that

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37. For reportage on the dispute between Indonesia and Malaysia, see i.a. "Meeting of ASEAN Foreign Ministers Opens," AFP, 8 July 1985 [FBIS, Asia and Pacific, 8 July 1985]; "No Agreement on Pacific Rim," AFP, 10 July 1985 [FBIS, Asia and Pacific, 10 July 1985]; "Mochtar pleased with response to Pacific relations," Straits Times, 9 July 1985; "ASEAN differences on cooperation resolved," New Straits Times, 12 July 1985; James Clad, "Pre-empting a threat of domination," Far Eastern Economic Review, 11 July 1985, pp. 24-25. For an analysis of the Malaysian position from a Malaysian vantage point, see, Zakaria Haji Ahmad, "ASEAN and Pan-Pacific Cooperation: The Long Way Ahead," Asia Pacific Community, 30 (Fall 1985), pp.16-17.

in addition to Indonesia's own interest in pursuing a more activist role in the Pacific, the Jakarta push for the APC was being instigated by the United States in contradiction to an embryonic Malaysian conception of a "Western Pacific Cooperative arrangement" that would have Malaysia at the ASEAN point with Japan and Australia.<sup>38</sup>

An angry Mochtar, whose personal prestige as well as Indonesian national prestige was caught up in the APC, temporarily carried the day through the intervention of President Suharto, and the "six plus five" dialogue was held. In the aftermath, Mochtar has agreed that the APC formula is not meant to replace bilateral exchanges and it now appears that at the upcoming 19th Post-Ministerial, at Malaysian insistence, the "six plus five" will become a "six plus six" with the inclusion of the EEC, thus making the forum a "north-south" dialogue rather than a Pacific regional exchange.

Malaysia has also hesitated to commit itself to the PHRD component of the APC. It did not make any proposals for either the Immediate or Intermediate Action Programs (nor did Brunei) and has stalled the implementation of the HRD projects by noncooperation in Senior Officials Meetings, to the consternation of the Indonesian officials who are charged with coordinating the implementation. Indonesia insists, however, that it will proceed with or without Malaysian participation.<sup>39</sup> Its first project is a three months practical training course for seamen scheduled (after one postponement) to begin in July 1986. This tends to reinforce our perception that the PHRD program does not really break new ground in terms of contribution to regionalism.

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38. Zakaria Haji Ahmad, op. cit., p. 15.

39. Author's conversations in Jakarta, December 1985.

The quarrel between Indonesia and Malaysia over the APC program represents at one level of analysis a fundamental difference in strategies of dealing with their developed Pacific economic partners. Malaysia does not want to institutionalize in the APC formal ties that would either politically compromise ASEAN or perpetuate dependencies. The terms of Malaysia's opposition are those historically associated with ASEAN's posture towards Pacific regionalism in general. Indonesia, on the other hand, impatient with lack of progress in other areas of ASEAN activities, sees the APC scheme as a double opportunity. It provides a concrete example of ASEAN cooperation independent of the Kampuchean crisis which simultaneously gives Indonesia in its "coordinating" role a leadership position with implications for its role in the wider Pacific basin. This reflects growing divergencies between Malaysia and Indonesia in perceptions of their future international identities. For Malaysia, ASEAN itself defines a region — not a sub-region. There is suspicion in Kuala Lumpur that Indonesia no longer shares the common regional identity and that Jakarta is using ASEAN as an instrument of Indonesian foreign policy as it seeks to establish an increasingly independent extra-ASEAN identity, which Malaysia fears might weaken ASEAN itself.<sup>40</sup>

Singapore's Foreign Minister Dhanabalan has tried to downplay the issue, minimizing the importance of the APC initiative. He has said that he does not regard the "six plus five" format as "institutionalization" of the APC, adding that: "One mustn't expect too much out of ASEAN-Pacific Cooperation at this stage. It's still an idea which has to germinate."<sup>41</sup> Thailand, while viewing the South Pacific link as a specifically Indonesian

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40. Authors' discussions in Kuala Lumpur, December 1985.

41. Straits Times, 12 July 1985.



interest as opposed to generalized ASEAN interest, does not want to rock any boats about the APC as it seeks to keep the Indonesians engaged in an ASEAN consensus on the Kampuchean issue.<sup>42</sup>

The "six plus five" approach is touted as an indigenous ASEAN adaptation to new circumstances and as such evidence of its ongoing vitality. Even if this is so, there exists an external "ideal" blueprint for the future. The APC approach adopted by ASEAN in 1984, reminds one of Kiyoshi Kojima's ASEAN-Pacific Forum scheme proposed in 1981.<sup>43</sup>

Kojima, who recognized that his earlier suggestion for a Pacific Free Trade Area was incongruent with the global trade commitments of the U.S. and Japan, still sought some structured form for region-wide efforts at economic cooperation. Other Japanese schemes for building a Pacific Economic Community were too broad, making the concept itself vague and ambiguous and its objectives too diverse. Kojima concluded that in fact the Organization for Pacific Trade and Development (OPTAD) model came closest to meeting the need for a unique Pacific forum to consultation on political, cultural, and economic problems of the region.

Kojima realized that at the current stage of regional evolution it would be preferable to employ a problem-by-problem approach towards economic development and trade growth and more realistic to deal with these problems on the sub-regional level rather than take on the complex affairs of the entire Pacific region. Specifically Kojima stated that in the absence of agreement on the formation of an OPTAD, "a desirable alternative would be for ASEAN, a group with considerable stake in any such venture, to take the initiative and establish an ASEAN-Pacific Forum, a sub-regional OPTAD

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42. Author's discussions in Bangkok, January 1986.

43. Kiyoshi Kojima, "Economic Cooperation in a Pacific Community," Asia Pacific Community, 12 (Spring 1981), pp. 1-10.

involving the ASEAN nations and the five advanced Pacific nations."<sup>44</sup> Once such an ASEAN-Pacific Forum was operational two possible routes of development would be open. The participation of other nations in the region could be invited, thereby transforming the Forum into a fully regional organization. If such regionalization proved impossible to achieve, other sub-regional groupings involving the developed five could be formed: for example, an East Asia-Pacific Forum, a Pacific Islands-Pacific Forum, a Latin America-Pacific Forum, even a China-Pacific Forum. While this latter outcome might be criticized as a fragmentation of the Pacific Economic Community concept, it would still, in Kojima's opinion, indirectly lead to the goal of joint policy making.

What we might call Kojima's "intermediate" strategy for community building has been discussed in ASEAN circles. Hadi Soesastro acknowledged that: "The Feasibility and acceptability of Kojima's proposal to the ASEAN countries needs to be examined," concluding, somewhat prematurely, that, "it appears, however, that either a region-wide OPTAD or a continuation of bilateral ASEAN dialogues with each of the five advanced Pacific countries could be considered by ASEAN, but anything in between may be hard to sell."<sup>45</sup> We now seem to have in embryonic stage at least something that is "in between" in the APC "six plus five" formula. For it to go further, however, the formula will have to be extended beyond the foreign ministers level with additional bureaucratic participation, especially from trade and finance.

Kojima argued that one of the practical benefits would flow from an ASEAN-Pacific Forum, was that official development aid to ASEAN could be

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44. Ibid., p. 6

45. Hadi Soesastro, "ASEAN and the Political Economy of Pacific Cooperation," Asian Survey, XIII:12 (December 1983), pp. 1265-1266.

greatly enhanced. Theoretically, staying in the Kojima framework, if one were straining for positive evidence of community building, the PHRD program could be considered as tentative steps towards sub-regional functionally integrative activity.

Although some cynics have observed that the HRD ASEAN bridge to the South Pacific means that Japan and South Korea will be underwriting an expansive Indonesian foreign policy in that region,<sup>46</sup> we are at the same time reminded again of Kojima's ASEAN-Pacific Forum proposal. Kojima suggested that once established such a sub-regional grouping could expand its membership to become regional or, alternatively, other sub-regional groups could be formed. In that case, Kojima saw the developed "five" as providing inter-group linkage. In the APC's PHRD proposal it is ASEAN itself that provides the linkage to the South Pacific Forum nations (although of course with Australian and New Zealand membership overlap). This also fits well with Singapore's building-block approach to greater Pacific cooperation that sees the best approach as one of strengthening existing groups such as ASEAN and the South Pacific Forum. This, in an echo of Kojima, could be followed by the creation of other regional sub-groupings and the establishment of links between sub-groups, such as between ASEAN and its dialogue partners.<sup>47</sup>

As it now stands, it seems that no matter how theoretically interesting it might be, it is extremely unlikely that the APC scheme will ultimately lead to more extended forms of truly regional cooperation between ASEAN and the five Pacific developed economies, let alone lead to an even more encompassing regional grouping. In fact, in its first two years, the APC

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46. This is how one Western diplomat in Jakarta put it to the author in December 1985.

47. Straits Times, 9 July 1985.

approach has proved disruptive to existing patterns of cooperation with ASEAN itself. The legacy of yet another failure of an ASEAN cooperative initiative will not be progress towards a Pacific Economic Community, but a new set of bilateral assistance projects and even greater impetus for Indonesia to give priority to its own Pacific role overlaying its ASEAN role.

It is, perhaps, too much to expect ASEAN as a unit to extend to a wider Pacific region patterns of institutionalized economic cooperation and shared commitments that ASEAN has not been able to achieve yet for itself. It would seem that a condition of future ASEAN cooperation in Pacific community building will be a stronger and better integrated ASEAN itself. A crucial test for that future will be the preparation for and outcome of the ASEAN economic summit scheduled for mid-1987. While ASEAN seeks to internally cope with the impact of external market forces, the summit agenda will include many of the same issues that are on the PECC agendas and in fact, if not in rhetoric, will underline the interdependencies of the ASEAN states. It will be interesting to see if a "third blueprint" for ASEAN will acknowledge these by having a greater Pacific tinge.

As ASEAN continues to wrestle with the management of its Pacific region interdependencies, the rationale of a Pacific Economic Community is being eroded even further. In this case not by ASEAN reluctance to participate but by the threatened breakdown of cooperative patterns between Japan and the United States as disruptive protectionism and other forms of economic nationalism are deployed as commercial policy through plural political systems. The problem of averting dysfunction in the political economy of the bilateral Japanese-American relationship, with the deleterious spillover effects for their economic partners in East and Southeast Asia, is much higher on the policy agenda than the Pacific Economic Community.

## VII. IMPLICATIONS FOR UNITED STATES POLICY

The above analysis leads to four primary conclusions that can be relevant for shaping the U.S. policy attitude towards the Pacific Economic Community notion and ASEAN's orientations.

1. There remains after more than two decades little progress towards building a Pacific Economic Community as the minimum requisites for true community seem to be absent.

2. ASEAN's negative reactions to the Pacific Economic Community are rooted in political as well as economic objections that relate to ASEAN's perceptions of the future imperatives of the regional political economy more than technical issues.

3. There is little reason to expect ASEAN's objections to the Pacific Economic Community to be overcome in the future. On the contrary, as terms-of-trade and balance-of-trade issues sharpen in a more protectionist global economic environment, the prospects for community building become even dimmer.

4. The Asean-Pacific Cooperation program does not appear to have any evolutionary promise in the direction of an ASEAN-Pacific Community and may prove to be ephemeral.

Given the above, in terms of U.S. relations with the ASEAN grouping there seems no rationale for the U.S. to officially attach any priority to or to make any substantial policy investment in promoting the Pacific Economic Community. This would likely turn out to be counterproductive for both the Pacific Economic Community process and U.S. policy. We have in the analysis pointed out the suspicion in ASEAN about the underlying motives of the U.S. and Japan in encouraging the PECC movement. These would be exacerbated by any enhanced U.S. profile.

This does not mean in any way that the U.S. should not seek to promote greater economic cooperation with or seek to identify further areas of common interests between ASEAN and the U.S. Our policy conclusion based on this study is limited to the proposition that the Pacific Economic Community concept is not, in the intermediate range at least, a suitable vehicle to reach these ends. They are to be still better realized both in bilateral settings and in the "dialogues" with ASEAN. In these frameworks for exchange and negotiating as well, U.S. interests in ASEAN can be more easily segregated out from Japan's and be less easily generalized to the "North" than might be the case with pressures for a Pacific Community.

It is doubtful that the new structures of communication and assistance of ASEAN-Pacific Cooperation program, the future existence of which is problematical, are of a nature that would require significant alterations in the patterns of U.S. policy in the ASEAN region. While the U.S. for good political reasons must at least appear to be responsive to ASEAN initiatives, there is little in the content of the APC approach that will require functional response.

The diplomatic background of the APC program, particularly when set in the context of the broader ASEAN internal political dynamic, suggests that changes are occurring in the ASEAN region that are likely to be much more consequential for U.S. policy than the elusive Pacific Economic Community. We refer here to an emergent Indonesian foreign policy identity that is becoming increasingly politically and economically independent of ASEAN. Rather than an ASEAN gradually being integrated into a wider Pacific Community, future U.S. policy may have to deal with the issues created by a disintegrating ASEAN. In an ironic fashion, it might turn out that a prerequisite for a broad Pacific Economic Community will be the failure of ASEAN. But this is a subject for a separate study.

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