

## **ASEAN's Institutional Structure and Economic Co-operation**

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### **ABSTRACT**

The Association of South East Asian Nations (ASEAN) was established in 1967 as an exclusively regional economic cooperation organization. However, given the circumstances of its birth, its formation was a political act. It is hence somewhat ironical that ASEAN's very success in the political sphere has led to growing disillusionment with its lack of equal success in other areas—notably in economic co-operation where progress has been slow and erratic. While there are various objective reasons for this (Chng 1985) there has also been a growing feeling that inadequate organizational machinery may be partly responsible for this state of affairs. Much attention has thus been directed in the last few years, both officially as well as by outside bodies, towards the question of reforming the ASEAN machinery. To what extent have organizational inadequacies held up ASEAN economic cooperation? Are these inadequacies merely a convenient scapegoat for more basic weaknesses that reside in ASEAN as an economic cooperation organization? Could not organizational weaknesses themselves, like the difficulties encountered in economic co-operation, be a reflection of such basic weaknesses? And if so, to what extent can organizational change be the means to accelerate greater economic co-operation without tackling the basic weaknesses themselves?

**Key Words:** ASEAN, Economic cooperation, organization, collaboration, social progress

### **The ASEAN Declarations**

The ASEAN subscribes to high sounding goals approved by the member states:

#### **The Bangkok Declaration, 1967**

Affirming that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly processes of their national development;

1. "To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equity and prosperous and peaceful community of South East Asian nations.
2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the regions.
3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural and administrative fields.

4. To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres.
5. To collaborate more effectively for the greater utilization of their agriculture and industries”(Broinowski, 1982).

ASEAN assistance shall take into account, among others, the following principles and objectives in the pursuit of political stability in region;

1. “Natural disaster and other major calamities can retard the peace of development of member states. They shall extend within their capabilities, assistance for relief of member states in distress.
2. Member states shall take cooperative action in their national and regional development programs, utilizing as far as possible the resources available in the ASEAN region to broaden the complementarity of their respective economies.
3. Member states, in the spirit of ASEAN solidarity, shall rely exclusively on peaceful processes in the settlement of intraregional differences” (Broinowski, 1982).

### **ASEAN's Institutional Structure**

Over the last few decades regions and sub-regions of the world are being connected into regional cooperation organizations and different cooperation organizations are developing relationship with one another. These include, among others, association of ASEAN and the European Union (EU), the EU and the United States, the EU and Africa, the World Trade Organization (WTO), and much more ongoing bilateral, trilateral, and multilateral connectivity's the world over. This connectivity focuses on trade liberalization, business innovation, investment promotion, technology transfer, conservation of environment, overcoming the ecological hazards, climate change, and so on (Kalam, 2015).

The ASEAN machinery has evolved gradually. As illustrated in Chart A, under the Bangkok Declaration of 1967, the Annual Ministerial Meeting (AMM) of Foreign Ministers constituted the highest decision-making body of ASEAN. Below the AMM, a Standing Committee, chaired by the Foreign Minister of the country hosting the AMM and comprising the accredited Ambassadors of the other member countries, meets six times a year to carry out the work of the Association in between Meetings of Foreign Ministers. “A National ASEAN Secretariat was established under the charge of a Director-General in the Foreign Ministry of each member country to co-ordinate ASEAN activities at national level. As the seat of the Standing Committee rotates among member countries, so its membership changes annually, and its work is almost wholly effected by a prior preparatory meeting of Directors-General whose decisions are then essentially rubber-stamped by the Standing Committee. As the scope of ASEAN co-operation expanded various specialist committees comprising relevant officials from national

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ministries were formed on a permanent or ad hoc basis to initiate and implement programmes of co-operation in the areas under their purview” (Kalam, 2015). Since 1972, with the opening of dialogue relations with third countries, ASEAN ambassador in such third countries were organized into third-country committees. The first of these was the ASEAN Brussels Committee (ABC) organized as an overseas arm of the ASEAN Standing Committee to represent ASEAN interest in the European Community (EC).

By the early 1970s, it was clear that economics was the fastest growing field of ASEAN co-operation. Reflecting this, of the eleven specialist Permanent Committees that were formed up to the Bali Summit of February 1976, eight were on economic matters (Food and Agriculture; Ship-ping; Civil Aviation; Communications; Finance: Commerce and Industry; Transportation and Telecommunication; and Tourism). So also were the two "Special Committees". i.e.. the Special Coordinating Committee of ASEAN Nations (SCANN) with the primary task of negotiating for better market access to the EC, and the Special Coordinating Committee of ASEAN Central Banks and Monetary Authorities dealing with monetary and financial co-operation. In addition three of the four specialist Ad Hoc Committees established were also on economic matters, most of these dealing with third country or international economic issues.

The year 1971 witnessed the breakdown of the Bretton Woods system. Then 1972 saw an international food crisis followed in 1973 by a traumatic oil crisis that precipitated a sharp global recession in 1974-75. Thus, while the trigger for the Bali Summit was the collapse of American power in Indochina in 1975, the economic experiences of the early 1970s formed a thematic backdrop to the meeting, and the central message of the Bali Summit was that economic development is not only a desideratum in itself but is the only long-term guarantor of political freedom and stability in Southeast Asia. Given the importance placed on economic co-operation, and its embodiment as a formal plan of action in the Declaration of ASEAN Concord, the major institutional innovation of the Bali Summit was, not surprising, the creation of new machinery for more effective economic co-operation. The machinery envisaged by the Bali Summit was finalized at the Kuala Lumpur Summit in August 1977 and has remained essentially un-changed to the present. With the K. L. Summit, Meetings of ASEAN Economic Ministers (AEM) were formalized and they oversee directly the work of the 'specialist committees on economic matters which were reconstituted into the present five Economic Committees on Trade and Tourism (COLT); Industry, Minerals and Energy (COIME); Food, Agriculture and Forestry (COFAF); Transportation and Communication (COTAC): and Finance and Banking (COFAB). Under the AEM machinery, co-operation is defined by area rather than on the basis of individual portfolios. Hence it includes all Ministers responsible for matters within that broadly defined area in their respective governments. As constituted, the AEM form a council of Economic Ministers.

This arrangement seemed appropriate not only because of the interrelatedness of economic matters, which often require the decision of more than one Economic

Minister, but also because differences in national institutions make a matching of portfolios among five countries very difficult. The other major institutional innovation arising from Bali was the establishment of the ASEAN Secretariat in 1976 as a central managerial organ to give for better competence in the co-ordination of ASEAN. There was apparently some reluctance on the part of some member countries to such a move partly because, given the scope of ASEAN co-operation, it was felt premature and partly because such a central organ smacked to some of supra-nationality. However, given the heady new tack that ASEAN appeared to take at Bali, with a move from the consultative mode typical of political co-operation to a more functional, technical, and administrative type of activity implied by economic co-operation, there did appear a need for such a central administrative outfit. Further, with the creation of a parallel Economic Ministerial structure next to that of the Foreign Ministers, a central ASEAN administrative organ could play a useful coordinating role. An important aspect of the K. L. Summit was the presence of the Prime Ministers of Japan, Australia, and New Zealand. This was testimony to the increasing international attention that ASEAN was receiving from the outside world. By 1977 formal dialogues had been established with the EC (1972), Australia (1974), New Zealand (1975), Canada, Japan and the United States (all 1977), and ASEAN third country committees established in their respective capitals. While such dialogues may be significant largely as expressions of political commitment on the part of the dialogue partners, all of whom are developed capitalist countries, the day-to-day business of these relationships is largely in the economic sphere. Chart B illustrates the present ASEAN machinery.

### **Aims and Purposes**

The ASEAN states a number of objectives, which include:

- “To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations;
- To improve regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres” (<http://asean.org/asean/about-asean/overview/>).

## **ASEAN Charter**

The ASEAN charter came into being in on 15 December 2008. A Meeting among the Foreign Minister ASEAN which was held at the Jakarta ASEAN Secretariat to mark this very significant occasion for ASEAN.

Principles set out in the charter include:

- “Emphasis on the centrality of ASEAN in regional co-operation.
- Respect for the principles of territorial integrity, sovereignty, non-interference and national identities of ASEAN members.
- Promoting regional peace and identity, peaceful settlements of disputes through dialogue and consultation, and the renunciation of aggression.
- Appointment of a secretary-general and permanent representatives of ASEAN.
- Establishment of a human rights body and an unresolved dispute mechanism, to be formalized at ASEAN Summits”( <http://asean.org/wp-content/uploads/images/archive/publications/ASEAN-Charter.pdf>).

## **Achievements and Performance**

The ASEAN is born as a “politico-security pact in the aftermath of the Viet Nam War in 1967, it started with five countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei Darussalam joined in 1984, followed by Viet Nam in 1995, Lao PDR and Myanmar in 1997, and finally Cambodia in 1999, bringing the total to 10 countries” (Hill and Menon 2012).

“In 2000, 14 percent of the region’s population was below the international poverty line of \$1.25 a day (calculated in purchasing-power-parity terms), but by, that share had fallen to just 3 percent. Already some 67 million households in ASEAN states are part of the consuming class, with incomes exceeding the level at which they can begin to make significant discretionary purchases (Exhibit 2). That number could almost double to 125 million households by 2025, making ASEAN a pivotal consumer market of the future” (Hill and Menon 2012). Some of the major achievements by the ASEAN Economic Community by the ASEAN member states in 2015:

- “Tariffs. This is a success story of political commitment for ASEAN member states. Following the implementation of the ASEAN Free Trade Area, common effective preferential tariff rates are virtually zero for ASEAN-6. More than 70% of intra-ASEAN trade is conducted at zero most-favoured nation tariff rates, and less than 5% are subject to tariffs above 10% (WTO 2011).
- Trade facilitation. The five original member states of ASEAN have live implementation of national single windows already with planned full rollout to all significant ports and airports by 2015” (<https://www.quora.com/What-are-ASEANs-biggest-accomplishments>).

## **Economic Achievement**

ASEAN belongs to the wider East Asian region which is showing the signs of rapid economic growth. The combined GDP of East Asian states was 4 percent of world GNP in 1960, it rose to 25 percent in 1992 and it touched the figure of 33 percent in 2010. The Central Banks of East Asian countries held about 45 percent of the World's foreign exchange reserves. The ASEAN's efforts have produced changes in the region's structure of production between 1970 and 1993. The primary sector's share declined from 27% to 20%. The secondary sector increased significantly from 26% to 33%; the tertiary sector retained its share of 47%. Industrial and service sectors have experienced much expansion and a major source of employment.

The Kuala Lumpur Summit of the ASEAN vigorously advanced its economic cooperation with other countries through the launching of dialogue relations with several countries, especially Japan, Australia and New Zealand. This marked the beginning of ASEAN's trade and economic linkages with its Dialogue Partners. At the Manila Summit in 1987, the ASEAN leaders agreed a number of measures to expand the scope of the Preferential Tariff Arrangement (PTA) such measures as which allowed more and more goods to move across the territorial boundaries of the member states, deepening the margin of preference and doing away of the ASEAN-content requirement.

The ASEAN Industrial Projects (AIP) launched in 1976 laid down a framework for cooperation in industrial sector. This was followed by the Brand-to-Brand Complementation (BBC) scheme in 1988, and the ASEAN Industrial Joint Venture (AIJV) Scheme initiated in 1983. The ASEAN Industrial Cooperation Scheme, adopted in 1966, replaced the earlier schemes. It also increased cooperation in finance and banking in order to promote capital market development, free movement of capital and financial resources.

Increased cooperation in transportation and communications was promoted through an arrangement of Action in Communications and Transport with the objective multimodal of increasing transport and trade facilitation, and uniformity in road transport regulations and laws. The ASEAN, cooperation in food, trade, agriculture, industrial and many more fields like forest as well, which give those sectors a boost to grow with a rapid fast speed.

We can argue that "ASEAN's economic cooperation underwent two stages: The first stage covers the first 25 years of ASEAN's existence, and the second stage began at the Singapore Summit of 1992, during which ASEAN launched the CEPT for AFTA promoting the whole ASEAN region as a competitive international production base for both local and foreign investors" ([http://asean.org/?static\\_post=economic-achievement](http://asean.org/?static_post=economic-achievement)).

## **Major Features of ASEAN**

ASEAN is an intergovernmental association. The member states value this organization and work towards making it an effective organization. The Foreign Ministry of the member states plays a key role in the organizational network. The major objective of ASEAN were outlined in 1967 Declaration (See Appendix A for details).

### **Heads of Government Meetings**

The highest result making body is the Heads of Government Meetings which meets on a regular basis. The Foreign Minister meeting is another important forum of ASEAN.

### **Council of Ministers**

Horizontal linkage may, to use the model of the European Community (EC), be forged through the formation of a unified Council of Ministers assisted by a trans-sectoral and strengthened Standing Committee (similar to the Committee of Permanent Representatives, COREPER, of the EC, as suggested by the ASEAN Task Force). The composition of the Council varies depending on the issues discussed. Thus Foreign Ministers and different groups of economic or other ministers may continue to meet one another.

### **The ASEAN Secretariat**

One of the main functions of the ASEAN Secretariat, established as the central administrative organ of ASEAN, is to facilitate the regional co-ordination of ASEAN activities. In fact, there was an expectation that the ASEAN Secretariat might be able increasingly to take over some of the more administrative functions of the Standing Committee. This has not happened. Member countries were not ready to give the Secretariat any meaningful delegated authority, even of an administrative kind. The secretariat is headed by a Secretary General. The Secretariat can play a more active role as initiator of, and channel for, new ideas and proposals in forcing the pace of ASEAN co-operation. In this regard, the effectiveness of the Secretariat also depends very much on the stature and personal influence of the Secretary-General.

## **Conclusions**

ASEAN is one of the relatively successful regional cooperation organizations among the other organizations. It went though slow and difficult evaluation. By now it is working well, promoting economic and political cooperation in the region. The ASEAN also collaborates with other regional cooperation

organizations. It also interacts with non-member states for economic interaction through its forum.

The ASEAN members do not have any serious dispute with one another which has enabled them to work together for trade and economic cooperation.

The meeting of the Heads of States/Government is the highest decision making body. However the major work is done by the meeting of Foreign Ministers and other bodies as well as the secretariat which is headed by a Secretary General.

ASEAN is viewed as a relatively effective regional organization but economic disparity and internal issues in member states, at times, slow down cooperation. which ultimately affect the work capacity and efficiency of the ASEAN in the region.

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