

RESEARCHERS AT SINGAPORE'S *INSTITUTE OF SOUTHEAST ASIAN STUDIES* SHARE THEIR UNDERSTANDING OF CURRENT EVENTS

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APEC and ASEAN Connectivity: Areas of Mutual Interest and Prospects of Cooperation

By Sanchita Basu Das, Pham Thi Phuong Thao and Catherine Rose James

EXECUTIVE SUMMARY

- ASEAN and APEC share many goals and priorities in promoting economic and developmental cooperation in Southeast Asia and the wider Pacific region. Connectivity is one of these.
 - ASEAN endorsed the Master Plan on ASEAN Connectivity in 2010, while APEC, under Indonesia's Chairmanship in 2013, is looking at components similar to this plan.
 - To avoid duplication and to optimize on limited resources, APEC has highlighted seven areas for possible collaboration with ASEAN – supply chain connectivity, trade facilitation, investment, disaster management, structural reform, food security and SMEs.
 - But challenges persist. ASEAN wants to ensure its pivotal role in regional economic integration but feels threatened by the US policy to promote APEC or TPP. Moreover, at this moment, ASEAN's participation in APEC is limited because three of its members – Myanmar, Cambodia, and Laos – are not part of APEC.
 - With uncertainty in the West, cooperation in Asia is likely to gain importance. Cooperation amongst Asian neighbours can play the role of 'bridge builder' between individual Asian economies with the rest of the world. This can reduce disparities in income and have positive spillover effects for technological development, energy security, disaster preparedness and other critical areas.
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INTRODUCTION

For the past two decades, APEC and ASEAN have been working to promote regional economic integration in Asia. While APEC with its 21 member states is the much wider organization¹, ASEAN is constituted of ten members² in close geographical proximity and boasts free trade agreements (FTAs) with China, India, the Republic of Korea, Japan, Australia and New Zealand. The latter also engages the US and Russia during the East Asia Summit³ and brings in Canada and the European Union as dialogue partners. Besides economics, ASEAN also works on political-security and socio-cultural cooperation in the region.

Both APEC and ASEAN share similar goals and priorities on trade and investment liberalization, facilitation, economic and technical cooperation, food and energy security, disaster management, connectivity. However, these areas are tackled differently. For APEC, priorities are set from the top down, with direction from Economic Leaders. These are then combined with bottom-up ideas and initiatives with direct inputs from the business community, working groups and lessons from capacity building projects⁴. On the other hand, ASEAN primarily exercises a top-down approach, with legally binding regional commitments. The “ASEAN Way” of making decisions continues to be very much entrenched in *Musyawah* (discussion and consultation), *Mufakat* (unanimous decision) and consensus.

APEC has a distinctive feature of working as a governmental voluntary economic and trade forum. It discusses elimination of trade barriers and increasing investments without requiring its members to enter into legally binding obligations. This is one of its main weaknesses as this informal approach encourages APEC members to participate but without committing to any effective compliance mechanisms. Despite this, Hugh Patrick⁵ points out that “APEC’s record is mixed, but positive.” Its general impact should not be underestimated. By reducing tariffs and other barriers to trade, APEC member economies have become more efficient and exports have expanded dramatically. The region’s real GDP (PPP) has doubled from US\$17.7 trillion in 1989 to US\$35.8 trillion in 2010. By comparison, real GDP (PPP) in the rest of the world has only grown at 3 percent per year, from US\$17.2 trillion to US\$31.9 trillion. Intra-APEC merchandise trade has grown from US\$1.7

1 APEC includes countries from America (USA, Canada, Mexico, Chile, Peru), Russia, Australia, New Zealand, China (including Hong Kong and Taipei), Japan, South Korea, Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam and Papua New Guinea.

2 Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, Cambodia, Laos and Myanmar

3 The East Asia Summit (EAS) is a forum held annually by leaders of, initially, 16 countries in the East Asian region. Membership expanded to 18 countries including the US and Russia at the Sixth EAS in 2011.

4 ‘How Connectivity Can Help Accelerate APEC’s Economic Integration and What We Can Learn from ASEAN?’ Speech by Dr Alan Bollard, Executive Director, APEC Secretariat, at the ISEAS Symposium on 3 April 2013 in Singapore. (http://www.apec.org/Press/Speeches/2013/0403_ISEAS.aspx)

5 Patrick, Hugh (2005) “PECC, APEC, and East Asian Economic Cooperation; Prime Minister Ohira’s Legacy and Issues in the 21st Century.” in Linda Low (ed.) *The Evolution of PECC: The First 25 Years*. Singapore: PECC International Secretariat. pp. 140-162.

trillion in 1989 to US\$9.9 trillion in 2010, nearly a six-fold increase and accounting for 67 per cent of APEC's total merchandise trade. Although there are difficulties in achieving the Bogor Goals⁶, the APEC process has contributed to business facilitation, capacity building, and human security. Moreover, APEC meets at the highest political level and since it has a wider geographical area, it exerts strong influence on the globalization process.

ASEAN is set to form an ASEAN Economic Community (AEC), defined by four main characteristics, namely a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. The AEC Blueprint is a binding document for member countries with clear action plans, targets and timelines. Although 2015 is the deadline for ASEAN to form a community, it should be noted that building a community is an on-going process and ASEAN will continue to evolve going beyond 2015. According to the official AEC scorecard published in March 2012 by the ASEAN Secretariat, ASEAN had achieved 68.2 per cent of its targets for the 2008–11 period. As for trade and economic growth, ASEAN's trade has gone up from US\$430 billion in 1993 to US\$2.4 trillion in 2011. Its GDP of US\$2.1 trillion in 2011 is more than that of India (US\$1.8 trillion) and South Korea (US\$1.1 trillion). The region saw 81 million international travellers in 2011, of which 47 per cent were intra-ASEAN visitors. All these are likely to buttress APEC cooperation as member economies have been given a deadline until 2020 to liberalize trade and investment under the 1994 Bogor Goals.

This paper discusses how these two bodies can cooperate and starts with APEC's initiatives on lowering trade and business cost and ASEAN's initiative on regional connectivity. Connectivity is chosen as a focal issue since ASEAN, in 2010, adopted the Master Plan of ASEAN Connectivity (MPAC), focusing on physical, institutional and people-to-people connectivity. In parallel, APEC, under Indonesia's chairmanship in 2013, has put connectivity as one of its priorities and is building on ASEAN's framework by focusing on similar components of connectivity. However, it should be noted that while connectivity for ASEAN is expected to support the 2015 AEC goals of trade and investment liberalization and facilitation, narrowing the development gap and integration beyond 2015, connectivity in APEC is expected to lower business cost, lift member economies' GDP and generate jobs. The paper finally discusses areas of cooperation in the future.

⁶ *The Bogor Goals, in 1994, agreed to achieve free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies.*

PROMOTING CONNECTIVITY

APEC Initiatives

APEC has consistently focused on the trade and investment liberalisation process of eliminating tariff and non-tariff barriers (NTBs), as articulated in the Bogor Goals in 1994. However, with rapid economic growth and changing global dynamics, it began addressing new issues such as behind-the-border trade restrictions, including common standards on certain aspects of trade, customs and e-commerce, and promoting business mobility. A study by the Conference of Asia Pacific Express Carriers (CAPEC) in collaboration with APEC, noted that setting a *de minimis* exception threshold in the APEC region for customs procedures of US\$100 can bring savings of nearly US\$20 billion per year and also cut delivery time by 10 per cent. This can potentially expand exports by more than 4 per cent.

Accordingly, APEC's agenda on trade facilitation moved from the Trade Facilitation Action Plan (TFAP, 2001-2010) to a Supply Chain Connectivity Action Plan (2010-2015).

TFAP I and II (2001-2010): In 2001, APEC Leaders called for a 5 per cent cut in trade transaction costs over four years until 2006. To realise this, the APEC Trade Facilitation Principles were endorsed in close partnership with the private sector. The TFAP of 2001 was followed by a second TFAP in 2007 with the objective of a further reduction of 5 per cent in transaction costs. The majority of initiatives under both Action Plans were confined to border issues such as customs facilitation, APEC travel card and facilitation of the movement of goods via the adoption of harmonized standards and Mutual Recognition Agreements. However, what was missing was the facilitation of the actual movement of goods across borders i.e. the issue of logistics.

Supply Chain Connectivity Framework / Action Plan (SCFAP; 2010 – 2015): In 2009, APEC included trade logistics in the trade facilitation agenda. It realized that in the current economic environment, businesses seek short transit times, reliable delivery schedules, careful handling of goods, certification of product quality and security from theft. According to a World Bank study in 2002, APEC countries differ substantially in the quality of their logistics and trade facilitation across a broad range of measures. Therefore, to increase trade, APEC should at least bring the lagging countries up to median performance levels.

Consequently, after securing inputs from businesses, APEC developed its Supply Chain Connectivity Framework Action Plan in 2009. The SCFAP was developed to counteract eight critical supply chain 'chokepoints'. Its overall objective is to reduce trading time, cost and uncertainty by 10 per cent in 2015. The eight chokepoints and initiatives to address them are discussed in *Table 1*.

Table 1: SCFAP – The Chokepoints

Chokepoints (CP)	Examples of initiatives
CP1: Lack of transparency/awareness of full scope of regulatory issues affecting logistics; Lack of awareness and coordination among government agencies on policies affecting logistics sector.	<ul style="list-style-type: none"> • Advance rulings • Compendium of Best Practices of national Logistics Associations • Survey among industry to better understand the various services involved in the logistics industry
CP2: Inefficient or inadequate transport infrastructure; Lack of cross border physical linkages (e.g. roads, bridges).	<ul style="list-style-type: none"> • Assess best practice in PPP markets and prioritize reform measures • Examine individual transportation/trade policies that use a gateway or trade corridor approach
CP3: Lack of capacity of local/regional logistics sub-providers.	<ul style="list-style-type: none"> • Review constraints affecting engagement of Small and Medium Enterprises • Help raise the quality of APEC economies' logistics services and management
CP4: Inefficient clearance of goods at the border; Lack of coordination among border agencies, especially relating to clearance of regulated goods 'at the border'.	<ul style="list-style-type: none"> • Implementation of Single Window system • Conduct Time Release Survey (TRS) to measure the effect of simplifying and facilitating cargo clearance at border.
CP5: Burdensome procedures for customs documentation and other procedures (including for preferential trade).	<ul style="list-style-type: none"> • Self-Certification of Origin Capacity Building Program • Simplification and harmonisation of customs procedures on the basis of revised Kyoto Convention • Explore the possibility of adopting electronic certificates related to customs procedures
CP6: Underdeveloped multi-modal transport capabilities; inefficient air, land, and multimodal connectivity	<ul style="list-style-type: none"> • Introduce the Secure and Smart Container (SSC) concept for intermodal transport • enhancing "supply chain visibility" to determine the feasibility of constructing an information network to share cargo status information in the multi-modal logistics
CP7: Variations in cross-border standards and regulations for movements of goods, services and business travelers.	<ul style="list-style-type: none"> • Improving Submarine Cable Protection • Reducing International Mobile Roaming charges • Improving 'Road Safety Measures for Heavy Vehicles in the Transport Supply Chain Sector in APEC'
CP8: Lack of regional cross-border customs-transit arrangements.	<ul style="list-style-type: none"> • Examine and identify issues relating to transport and customs-transit • Identify specific issues and impediments relating to cross-border customs-transit arrangements for logistics companies

Source: Adapted from Bayhaqi, 2013 (APEC Secretariat)⁷

⁷ 'APEC Supply-Chain Connectivity Action Plan', by Akhmad Bayhaqi, at the ISEAS Symposium on 3 April 2013 in Singapore. (<http://www.iseas.edu.sg/ISEAS/upload/files/Akhmad-Bayhaqi%282%29.pdf>)

APEC views three key areas that will emerge with the connectivity agenda – 1) improving reliability by reducing supply chain uncertainty characterized by the lack of consistency in supply chain transit time around which users have organized their activities, 2) building awareness of the risks of connectivity and 3) higher visibility through the creation of an information-sharing platform that could ensure real-time integrity of the data.

ASEAN Initiatives

ASEAN has come a long way since its establishment in 1967. The region witnessed a natural progression from the signing of the ASEAN Free Trade Area (AFTA) in 1992 to Bali Concord II in 2003, when it decided to form an AEC by 2020. The deadline was later brought forward to 2015. The AEC Blueprint was further adopted in November 2007, which was then facilitated by the adoption of ASEAN Connectivity Master Plan in 2010.

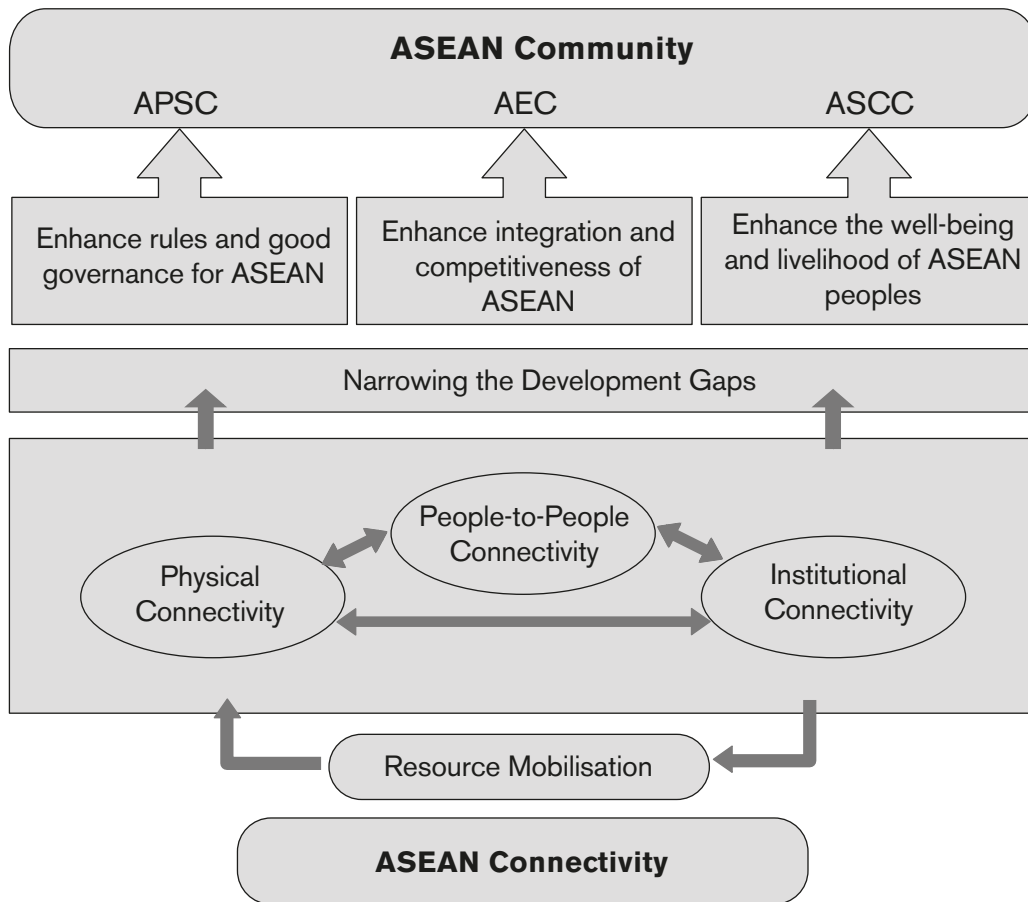
Master Plan on ASEAN Connectivity

In 2010, during the 17th ASEAN Summit in Vietnam, the Leaders adopted the MPAC. In effect, the plan strives to integrate a region of over 600 million people with a combined GDP of about US\$2.3 trillion.

Connectivity is crucial for ASEAN because community building through physical, institutional and people-to-people connectivity is not only expected to reduce business transaction cost, time and travel cost, but also to connect the “core” and the “periphery” in ASEAN, thus distributing the benefits of multi-faceted growth more widely in the region and reducing the development divide in ASEAN. Moreover, better connectivity within ASEAN is essential for further connectivity with other regions, which will help ASEAN to maintain its centrality in the evolving regional architecture⁸. The overall strategy of MPAC is illustrated in *Figure 1*.

⁸ Basu Das, Sanchita, 'Understanding the MPAC' in Sanchita Basu Das (ed.) *Enhancing ASEAN's Connectivity*, ISEAS (Singapore), 2013

Figure 1: Interaction between ASEAN Connectivity and ASEAN Community



Source: MPAC, ASEAN Secretariat, June 2011

ASEAN thus has a three-pronged strategy for enhancing connectivity:

- Physical connectivity – This includes land and maritime transport, ICT, and energy infrastructure. Currently, in ASEAN, the physical infrastructure, particularly in the less developed members, is characterized by structural weaknesses. Most ASEAN countries are also short of 'soft' infrastructure (ICT), which are important prerequisites for the next stage of development. This calls for the upgrading of existing infrastructure, the construction of new infrastructure and the harmonization of regulatory framework.
- Institutional connectivity – This relates to free flow of goods and investment and transport facilitation. ASEAN continues to struggle with the issue of NTBs to trade and investment. While some such barriers

ers are necessary – for example, to protect the environment or the health of humans, animals and plants – others unnecessarily distort trade flows and restrict competition. To address this, ASEAN needs to harmonize standards and conformity assessment procedures, and operationalize key transport facilitation agreements to reduce the costs of moving goods across borders. In addition, ASEAN Member States must fully implement their respective National Single Windows towards realizing the ASEAN Single Window⁹ by 2015.

- People-to-people connectivity – This entails deeper intra-ASEAN cultural interaction, greater intra-ASEAN people mobility through progressive relaxation of visa requirements and development of mutual recognition arrangements (MRAs) to facilitate the ongoing efforts to increase greater interactions between the peoples of ASEAN.

The Master Plan identified 15 priority projects and provided key strategies and essential actions with clear targets and timelines (*Table 2*).

Table 2: Strategies and Key Actions of MPAC

	Physical connectivity	Institutional connectivity	People-to-people connectivity	Total
Key Strategies	7	10	2	19
Key Actions	32	32	20	84
Prioritised Projects	6	5	4	15

The priority projects were chosen for their high likelihood of success and impact and for balanced synergies between the three pillars of connectivity and between mainland and archipelagic member states. *Table 3* shows the 15 key projects under the MPAC.

⁹ The ASW will allow the ASEAN trading community to process the clearance of goods at the border through a single submission of data and simultaneous and expeditious processing and decision making. This is expected to increase efficiency through time and cost savings for traders.

Table 3: List of 15 Priority Projects which will have substantial impact upon implementation

<p>6 Projects under Physical Connectivity</p> <ul style="list-style-type: none"> • Completion of the ASEAN Highway Network (AHN) missing links and upgrade of Transit Transport Routes (TTRs); <ul style="list-style-type: none"> • Completion of the Singapore Kunming Rail Link (SKRL) missing links; <ul style="list-style-type: none"> • Establishment of an ASEAN Broadband Corridor (ABC); • Building the Melaka-Pekan Baru Interconnection (IMT-GT: Indonesia); • Building West Kalimantan-Sarawak Interconnection (BIMP-EAGA: Indonesia); <ul style="list-style-type: none"> • Study the Roll-on/roll-off (RoRo) network and short-sea shipping;
<p>5 Projects under Institutional Connectivity</p> <ul style="list-style-type: none"> • Developing and operationalising mutual recognition arrangements (MRAs) for prioritized and selected industries; <ul style="list-style-type: none"> • Establishing common rules for standards and conformity assessment procedures; <ul style="list-style-type: none"> • Operationalising all National Single Windows (NSWs) by 2012; • Providing options for a framework/modality towards the phased reduction and elimination of scheduled investment restrictions/impediments; <ul style="list-style-type: none"> • Operationalising ASEAN Agreements on transport facilitation
<p>4 Projects under People-to-People Connectivity</p> <ul style="list-style-type: none"> • Easing visa requirements for ASEAN nationals; • Developing ASEAN Virtual Learning Resources Centres (AVLRC); <ul style="list-style-type: none"> • Developing ICT skill standards; and • Pushing the ASEAN Community building programme.

Source: MPAC, ASEAN Secretariat, June 2011

Implementation Arrangement

To oversee the implementation of the Master Plan, an ASEAN Connectivity Coordinating Committee (ACCC) has been established which is expected to work closely with the respective National Coordinators and government agencies as well as relevant ASEAN sectoral bodies. The ACCC is also expected to engage all relevant stakeholders, including the Dialogue Partners and Development Partners, in formal or informal dialogues to improve the efficiency of connectivity efforts, avoid duplication, and ensure sustainability. The ACCC is finally expected to report progress to the ASEAN Coordinating Council, which then reports to the ASEAN Summit. In this connection, a dedicated unit has been set up in the ASEAN Secretariat to support the ACCC.

To evaluate progress, an implementation matrix/ scorecard mechanism has been set up. This is to ensure that all the listed priority measures and actions are in line with ASEAN's priorities. Public outreach and advocacy activities are developed both at the national and the regional levels to ensure cohesive and close collaboration among stakeholders. The ACCC has also drawn up concise project information sheets to flesh out details of the 15 prioritised projects.

Financing MPAC¹⁰

According to the Asian Development Bank (ADB), the complete realization of ASEAN Connectivity requires around US\$ 596 billion in funding, underscoring the need for cooperation with the ten Dialogue Partners and Public-Private Partnerships (PPP).

There are several funding sources and most of the time they are likely to be mixed for a particular project. While international financial institutions (such as the World Bank or ADB) are expected to contribute substantially, bilateral agencies (such as the Japanese, Chinese or US ODA) and commercial banks are equally important. ASEAN is also trying to increase private sector participation through approaches like PPP. It is looking at new sources of funding such as the development of the domestic and regional capital markets and the establishment of the ASEAN Infrastructure Fund (AIF) done in collaboration with ADB in 2011 which has an initial equity of US\$485 million.

Indeed, ASEAN Connectivity is a herculean project, but it is a necessary element in ASEAN community building, and in ensuring ASEAN's competitiveness. Going forward, what is needed is effective coordination between regional, sub-regional and national connectivity project planning and financing so as to improve the convergence of purposes and actions of various work plans. Prioritisation is crucial for optimal use of scarce resources that will deliver quick wins and build momentum. It should be noted that besides the financial and human investment and transfer of technology, what is also needed is good governance as all these together will finally lead to a rise in flows and volumes of goods, services, people and information across the ASEAN region¹¹.

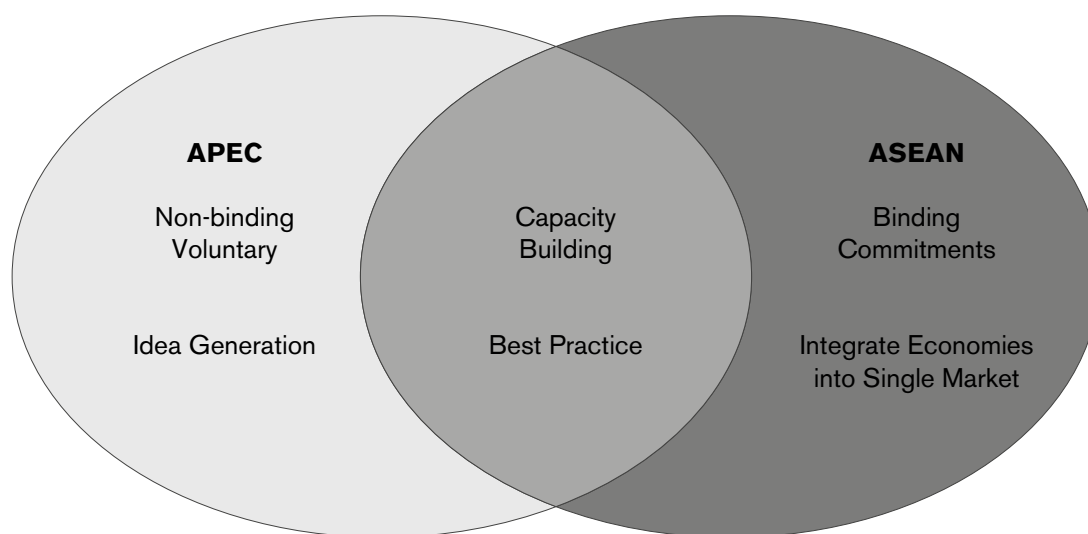
APEC AND ASEAN: AREAS OF MUTUAL COOPERATION

Both APEC and ASEAN aim to achieve sustainable growth and development in the region, as well as to fully integrate it into the global economy (*Figure 3*). It should be noted that apart from Cambodia, Laos and Myanmar, the rest of ASEAN are members of APEC.

¹⁰ This is explained in *ISEAS Perspective 2013*: 26: "Addressing Infrastructure Financing in Asia".

¹¹ 'Master Plan on ASEAN Connectivity: From Planning to Implementation', by Sanchita Basu Das at the ISEAS Symposium on 3 April 2013 in Singapore. (<http://www.iseas.edu.sg/ISEAS/upload/files/Sanchita-Basu-Das%281%29.pdf>)

Figure 3: APEC – ASEAN Overlap



Source: Adapted from Hew, 2013¹², APEC Secretariat

In 2011, the then Heads of ASEAN and APEC Secretariats, Dr. Surin Pitsuwan and Ambassador Muhamad Noor agreed to strengthen Secretariat-to-Secretariat cooperation in mutually beneficial areas that will add value to their respective cooperation agendas. The then Deputy Secretary-General of ASEAN for ASEAN Economic Community, Dr. S. Pushpanathan, said that *“In order to synergise the work we are individually undertaking in many of these areas, we could share resources and expertise, collaborate on specific initiatives or activities, and exchange experiences on institutional development of our respective Secretariat.”*¹³

Since then, APEC has been working on a mapping exercise to identify APEC and ASEAN initiatives and highlighting areas for possible collaboration. As part of this exercise, seven broad areas of possible collaboration have been listed (Table 4). In the area of connectivity, the themes that APEC proposes to collaborate with ASEAN on are: customs procedures, risk management methodologies, single window procedures, aviation and multimodal transport, mutual recognition agreements and harmonization of devices.

¹² Areas of Potential ASEAN-APEC Cooperation¹, by Denis Hew, at the ISEAS Symposium on 3 April 2013 in Singapore (<http://www.iseas.edu.sg/ISEAS/upload/files/APEC-ASEAN-Cooperation-Denis-Hew.pdf>)

¹³ ASEAN and APEC Secretariats Strengthen Cooperation, Philippines Information Agency, Presidential Communications Operations Office, June 29, 211 (<http://archives.pia.gov.ph/?m=7&r=GHO&id=40712&y=2011&mo=06>), accessed on 17 April 2013

Table 4: Possible Areas of Collaboration between APEC and ASEAN

Topic	APEC	ASEAN
Supply Chain Connectivity	Supply Chain Connectivity Framework Supply-Chain Connectivity Action Plans	Master Plan on ASEAN Connectivity
Trade Facilitation	Trade Facilitation Action Plans I & II	Trade Facilitation Framework & Action Plan (as annexed to the ASEAN Trade in Goods Agreement) Agreement to establish and implement the ASEAN Single Window
Investment	APEC Investment Facilitation Action Plan APEC Strategy for Investment (2010)	ASEAN Comprehensive Agreement on Investment
Disaster Management	Strategy for Disaster Risk Reduction and Emergency Preparedness and Response in the Asia Pacific Region: 2009 to 2015	ASEAN Agreement on Disaster Management and Emergency Response (AADMER)
Structural Reforms	Leaders Agenda to Implement Structural Reform (LAISR)	No overarching structural reform initiative AEC Blueprint commitments on Competition Policy and IPR; Free Flow of Goods, Services, Labor and Capital Markets
Food Security	APEC Action Plan on Food Security	ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action on Foods Security in the ASEAN Region (SPA-FS)
Small and Medium Enterprises	APEC Small and Medium Enterprise Working Group (SMEWG) Strategic Plan 2013-2016	ASEAN Strategic Action Plan for SME Development (2010-2015) ASEAN Policy Blueprint for SME Development (APBSD) 2004 -2014

Source: APEC Secretariat

Currently, APEC and ASEAN face similar challenges such as global economic uncertainty, urbanisation, infrastructure deficiency and income inequality. They are also looking for new ways of generating growth – innovation, supporting the regional production networks with increase in SMEs participation, and the proliferation of Regional Trade Agreements/Free Trade Agreements. In the next three years, APEC will be hosted by developing economies – China, the Philippines and Peru – and most likely these host economies will be focusing on development issues and ways of building economic resilience.

In 2013, under Indonesia's Chairmanship of APEC meetings, the host economy is drawing on the ASEAN Connectivity Master Plan to focus on 3 specific areas: a) Physical Infrastructure, b) Institutional connections, c) People-to-people ties. It should be noted that ASEAN is an official APEC observer, implying that ASEAN is able to participate in APEC meetings and has full access to documents and information related to these meetings. These call for cooperation between APEC and ASEAN as regional organisations. The goals of cooperation would be to:

- Avoid duplication of work, especially in capacity building activities and institutional connectivity, and maximize synergy among ASEAN and APEC working groups.
- Agree on areas of common interests and undertake pilot projects such as building transport, energy and ICT infrastructure that has the nature of public goods and financing the infrastructure that may involve steering region's savings into investment, developing investment vehicles similar to the ASEAN Infrastructure Fund or Asian bond markets and devising ways to tap international capital markets.
- Share knowledge and leverage on each other's strength. For example, ASEAN can set examples for East Asia and APEC to improve on forms of connectivity and at the same time gain from APEC's plans for structural reforms (legal & regulatory environment)¹⁴.

Challenges for APEC-ASEAN Cooperation

APEC and ASEAN cooperation are expected to face some political/ strategic challenges. APEC is viewed as a US-driven organisation. Lately, the US has shown increasing interest to engage with Asia. It joined the East Asia Summit (EAS) in 2011, and is negotiating a comprehensive regional trade agreement, the Trans-Pacific Partnership (TPP), with twelve nations. The Obama Administration has frequently portrayed APEC as the premier economic and trade organization in the Asia-Pacific, and views the EAS as the main platform to discuss geopolitical and security issues of the region¹⁵. More recently, TPP has been introduced as a 21st century forum for discussing trade and investment relations.

However, the original ASEAN+6 members may not agree with it since the supposed importance of APEC as the primary path for regional economic integration may threaten ASEAN Centrality. Prior to the creation of the 18-member EAS, ASEAN along with China, Japan and South Korea have been discussing the creating of an East Asian Community/ East Asia Free Trade Area. Australia, India, and

¹⁴ 'Connectivity: APEC and ASEAN' by Andrew Elek, at the ISEAS Symposium on 3 April 2013 in Singapore (<http://www.iseas.edu.sg/ISEAS/upload/files/Andrew-Elek.pdf>)

¹⁵ *The Asia-Pacific Economic Cooperation (APEC) Meetings in Honolulu: A Preview*, by Michael F. Martin, Congressional Research Service, 25 October 2011

New Zealand were subsequently added to counterweight China. ASEAN then also concluded FTAs with China, Korea, Japan, India, Australia and New Zealand and launched a new framework for the Regional Comprehensive Partnership Agreement (RCEP) in 2011¹⁶.

Furthermore, ASEAN works on a principle of “all for one and one for all”, as a key component of its foreign economic relations. But APEC does not include all ASEAN member states. The leaders believe that ASEAN needs to forge closer ties and form common positions on numerous issues in order to negotiate with bigger economic partners or other regional groupings.

CONCLUSION

ASEAN and APEC have been active in promoting economic and developmental cooperation in Southeast Asia and the wider Pacific region. Building connectivity is one such activity, where ASEAN has endorsed its Master Plan on Connectivity in 2010 and APEC, under Indonesia’s chairmanship in 2013, is drawing connectivity plans that are similar to ASEAN’s.

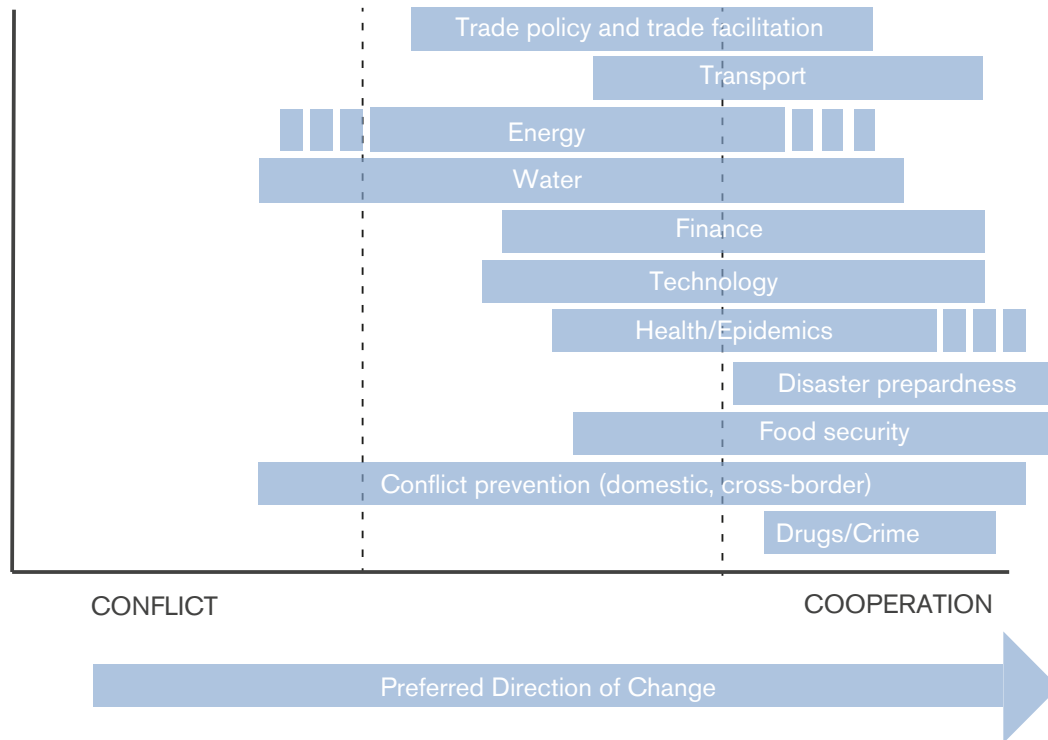
This leads to the question of identifying areas of cooperation in order to avoid duplication and to optimize on limited resources. APEC, based on a mapping exercise of APEC and ASEAN initiatives, has highlighted seven areas for possible collaboration – supply chain connectivity, trade facilitation, investment, disaster management, structural reform, food security and SMEs. But challenges persist. ASEAN endeavours to ensure its pivotal role in regional economic integration but risks getting sidelined by US promotion of APEC and TPP. Moreover, at this moment, ASEAN’s participation in APEC are limited since three of its members – Myanmar, Cambodia, and Laos – are not part of APEC.

Nevertheless, cooperation is likely to increase in the near future.¹⁷ This is because regional cooperation plays the role of ‘bridge builder’ between individual economies and the rest of the world. Moreover, with economic uncertainty in the West, Asia will need to increasingly rely on domestic and regional demand. Again, not only is regional cooperation crucial for reducing cross-country disparities in income, it also has positive spillover effects, such as technological development, energy security, disaster preparedness and others. This is illustrated in *Figure 4*. Conflict, competition and cooperation at the regional level are part of a continuum of relations among neighbouring states. For example, transport is an area that although it involves competition initially, finally moves to a phase of cooperation as national transport links are public goods with positive spillover effects and do connect states across borders.

¹⁶ RCEP: *Going Beyond ASEAN+1 FTAs*, by Sanchita Basu Das, *ISEAS Perspective*, 17 August 2012 (http://www.iseas.edu.sg/documents/publication/ISEAS%20Perspective_4_17aug12.pdf)

¹⁷ *Asia 2050: Realising the Asian Century*, Asian Development Bank, 2011

Figure 4: From Conflict to Cooperation



Source: *Asia 2050: Realising the Asian Century*, ADB

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This is the last paper in a series of three which are based on the Singapore APEC Study Centre Symposium on 'Building APEC and ASEAN Connectivity: Areas of Mutual Interest and Prospects of Cooperation', held on 3rd April 2013 at ISEAS, Singapore (<http://www.iseas.edu.sg/apec-past-events.cfm>). The other two are: "Promoting Asia's Infrastructure for Regional Trade" (ISEAS Perspective 2013: 26) and "Addressing Infrastructure Financing in Asia (ISEAS Perspective 2013: 27". We sincerely thank all the participants of the Symposium.

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