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ASEANFocus



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researchers Dr. Tang Siew Mun and Dr. Tham Siew Year's assessments of the Sunnylands Summit and its impact on the future of ASEAN-US relations.

The ASEAN-US Summit was the first major ASEAN meeting under the chairmanship of Laos, which now holds the formal leadership of ASEAN for only the second time since it joined ASEAN in 1997. Laos will have the task of building on the achievements of Malaysia's term as chair last year, and lead the charge on implementing the many initiatives put in place in the 2025 Blueprints. We are privileged to have Ambassador Yong Chanthalangsy, the Director-General of the Lao Institute of Foreign Affairs, outline Laos' priorities as ASEAN Chair in 2016 as well as its vision for the year ahead.

One of the most tangible aspects of this newly-forged ASEAN Community is the ASEAN Single Aviation Market (ASAM). The proliferation of air travel across the region, capable of not only carrying goods for trade but also of bringing people together to understand and appreciate the rich cultural diversity within the ASEAN Community, is a strong indicator of a more integrated and connected ASEAN. Dr. Alan Khee-Jin Tan of the National University of Singapore shares with us the prospects of "open skies" in ASEAN in his article on ASAM, and two leading figures in the world of aviation in the region, Tan Sri Tony Fernandes of Air Asia and Mr. Sentot Mujiono of Garuda Indonesia, provide us with insights into and recommendations for ASAM in our *Insider Views* segment.

In our regular sections, *ASEANInfo* focuses on the ASEAN Ministerial Meeting on Drug Matters (AMMD), ASEAN's newest ministerial body and a key platform for regional cooperation against narcotics trafficking. *People and Places* features the 2015 Miss Universe Pia Wurtzbach of the Philippines, and the charming Kampong Ayer at the heart of Bandar Seri Begawan in Brunei Darussalam. We sign off this issue with statistics on tourism in ASEAN, illuminating this crucial part of ASEAN's sustained economic growth and the potential for more intra-ASEAN connectivity.

On 4 March 2016, we received news that Khun Thanat Khoman, former Thai Foreign Minister and the longest-surviving signatory of the 1967 ASEAN Declaration, passed away at the age of 102. Khun Thanat had been instrumental in the creation of ASEAN and the formulation of Thai foreign policy in the midst of the Vietnam War. The ISEAS-Yusof Ishak Institute and the ASEAN Studies Centre pay homage and salute Khun Thanat for his visionary foresight and lifelong commitment towards ASEAN.

It was business as usual for ASEAN following the much-anticipated landmark establishment of the ASEAN Community on 31 December 2015. February 2016 bore witness to a turning point in the history of ASEAN-US relations as US President Barack Obama hosted ASEAN's 10 leaders in an informal summit at Sunnylands, California, the same estate in which President Obama had hosted Chinese President Xi Jinping in June 2013. Although the argument can be made that the essence of the summit lies more in the symbolism than the substance, the summit made clear that Washington places a high priority on maintaining solid relations with ASEAN. By holding the summit less than a year before his presidency ends, President Obama has made it clear that he intends to entrench the strategic rebalancing to Asia to become one of his administration's most lasting legacies in US foreign policy. ASEANFocus is honoured to have prominent Singaporean diplomat and keen observer of the United States, Professor Tommy Koh, contribute a piece on ASEAN-US relations in the build-up to the Sunnylands Summit. Professor Koh's piece is accompanied by ISEAS

Turning Vision into Reality for a Dynamic ASEAN Community

The Director-General of the Lao Institute of Foreign Affairs outlines Laos' agenda for its ASEAN Chairmanship in 2016

BY AMBASSADOR YONG CHANTHALANGSY



Being a small developing country with less than 7 million in population and the only land-locked member of ASEAN, narrowing the development gap and promoting ASEAN connectivity now feature prominently among the eight priorities for the ASEAN Chairmanship of Laos in 2016.

Dr Thongloun Sisoulith, the Lao Deputy Prime Minister and Minister of Foreign Affairs, received strong support from his ASEAN colleagues when he introduced Laos' eight priorities for consideration at the retreat of ASEAN Foreign Ministers Meeting (the AMM Retreat) in Vientiane on 27 February.

The other six priorities are: implementation of the ASEAN Community Vision 2025; trade facilitation; small and medium-sized enterprise development; tourism development; decent work promotion and transition to formal economy in ASEAN; and preservation, protection and promotion of ASEAN cultural

heritage. Taken together, these eight priorities reflect a desire by Laos to accord the same level of importance to all three pillars of the newly-forged ASEAN Community, and realise a more people-oriented and people-centred ASEAN.

The Ministers agreed that in order to ensure effective implementation of the ASEAN Community Vision 2025, ASEAN will further strengthen the capacity of ASEAN institutions, streamline ASEAN meetings, and expedite the secondment of officers from government agencies in the AEC and the ASCC pillars to reinforce member governments' Permanent Missions to ASEAN in Jakarta. A "robust monitoring and reporting system", in which the ASEAN Secretariat shall work closely with the Committee of Permanent Representatives to ASEAN (CPR) in Jakarta, shall also be put in place.

This is the second time that Laos is chairing ASEAN since it joined the regional organisation in July 1997. It first chaired ASEAN between 2004

and 2005, when it hosted the 10th ASEAN Summit in Vientiane from 29-30 November 2004. That Summit produced, among other things, the historic Vientiane Action Programme (2004-2010), and laid the foundation for subsequent community-building in ASEAN. The ASEAN Summit which Laos will host in Vientiane this year will be special for Laos: President Barack Obama has confirmed that he will lead the US delegation to Vientiane and attend not only the 4th ASEAN-US Summit but also the 11th East Asia Summit. If the trip materialises, President Obama will be the first US president in history to visit Laos.

It may be somewhat anti-climactic for Laos to chair ASEAN after the adoption of the new 2016-2025 Roadmap by ASEAN Leaders at the 27th ASEAN Summit in Kuala Lumpur last November. In the wake of the formal "establishment" of the ASEAN Community on the 31 December 2015, what can Laos do to make ASEAN interesting this year?



LAOS

ASEAN
Chairmanship
2016

Turning Vision into Reality for a Dynamic ASEAN Community

“Translating the good ideas in the ASEAN 2025 blueprints into tangible actions and outcomes presents a far bigger – and more important – challenge.”

Laos is aware of the heavy responsibilities and expectations, and has as such designated as the theme for its 2016 chairmanship “*Turning Vision into Reality for A Dynamic ASEAN Community*”. Translating the good ideas in the ASEAN 2025 blueprints into tangible actions and outcomes presents a far bigger – and more important – challenge.

Another important deliverable for Laos is to shepherd the conclusion of the drafting of the Third Work Plan of the Initiative for ASEAN Integration (IAI) to further narrow the development gap among ASEAN member states, and a Post-2015 Master Plan on ASEAN Connectivity, which will take into account significant recent developments, such as China’s Belt and Road Initiative, and the establishment of the Asian Infrastructure Investment Bank (AIIB), which all 10 ASEAN members have joined. Laos is very pleased to take the lead in formulating these two important ASEAN documents, because narrowing the development gap and enhancing connectivity are crucial to Laos’ national development.

Nearly 1,000 Meetings

One recent estimate shows that there will be nearly 1,000 ASEAN meetings this year. This is a far cry from the 400 ASEAN meetings which were held during Laos’ first time as the ASEAN Chairman in 2004-2005. Under the ASEAN Charter, the ASEAN Chairman for the whole calendar year shall chair and host two ASEAN Summits and

related summit meetings, notably the ASEAN+1 Summits with China, Japan, the Republic of Korea, India, the US, and the UN; the ASEAN Plus Three Summit; and the EAS. In an effort to streamline the ASEAN-related meetings, the two ASEAN Summits (28th and 29th) will be held back-to-back in Vientiane in September after the 11th G-20 Summit in China.

Laos will also have the responsibility of chairing key ministerial meetings, including the ASEAN Foreign Ministers Meeting (AMM, of which the 49th edition and its related meetings will be held from 21-26 July in Vientiane), the ASEAN Defence Ministers Meeting (ADMM, although there will be no ADMM-Plus meeting planned for 2016), the ASEAN Economic Ministers Meeting (AEM), and the ASEAN Finance Ministers Meeting (AFMM). In addition, Laos will also lead other key ASEAN bodies, including the Committee of Permanent Representatives (CPR), and the ASEAN Intergovernmental Commission on Human Rights (AICHR).

Undoubtedly, the human resource requirements for any country, particularly Laos, to effectively chair ASEAN are huge. Therefore, as part of the national preparation, about 700 Lao officials have undergone special training with assistance from several countries - notably the US, New Zealand, and Singapore - and a large pool of Lao officials and ASEAN veterans have been mobilised to tackle the formidable workload. The National

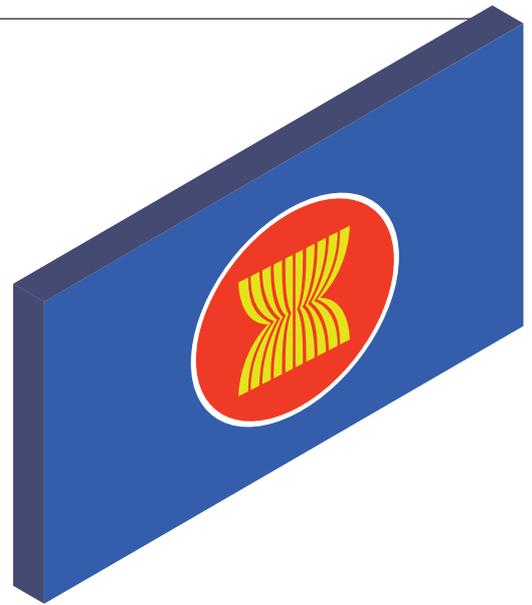
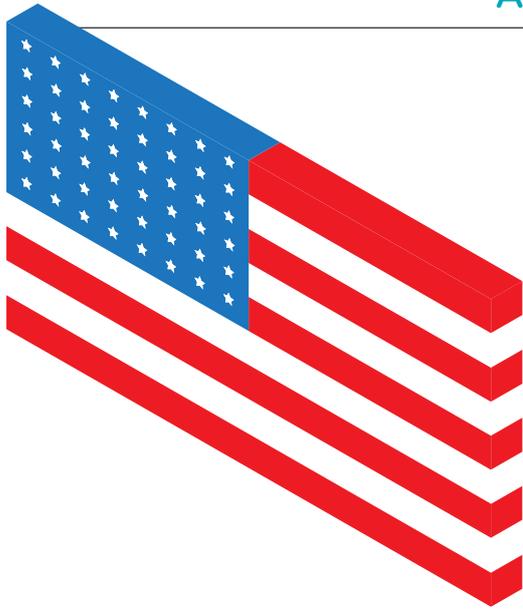
Steering Committee, led by Deputy Prime Minister and Minister of Foreign Affairs Thongloun Sisoulith, has carefully planned and mobilised the resources necessary to prepare Laos for the ASEAN Chairmanship.

Maintaining ASEAN’s Attractiveness

Laos is fully aware of the need to continue defending ASEAN’s centrality and maintaining the organisation’s attractiveness. At the same time, Laos will also try to be accommodating and avoid offending any friend or partner. ASEAN has the good reputation of being friendly to all and threatening none, so it is important that it remains constructive, positive and neutral. Laos will endeavour that all of ASEAN’s Dialogue Partners support ASEAN’s neutrality and to avoid turning the regional organisation into a “rugby scrum”.

Laos considers chairing ASEAN to be both a great honour and a great opportunity for it to showcase itself and its unique cultural heritage to the world. Laos is ready to do its part to keep ASEAN a continuing success in community-building and engagement with the rest of the world. ■

Ambassador Yong Chanthalangsy is currently Director-General of the Institute of Foreign Affairs of the Ministry of Foreign Affairs of the Lao People’s Democratic Republic, and a former Lao Permanent Representative to the United Nations in Geneva



ASEAN and the United States: An Enduring Friendship

One of Southeast Asia's most prominent diplomats share with us his thoughts on ASEAN's ties with the US in the lead-up to the Sunnylands Summit

BY PROFESSOR TOMMY KOH

On the 15th and 16th of February, President Barack Obama hosted the ten Leaders of ASEAN to an informal ASEAN-US Summit at Sunnylands, Rancho Mirage, California. The venue is significant because this was where President Obama and President Xi Jinping held their historic informal summit in June 2013. The message is that President Obama attaches as much importance to ASEAN as he does to China.

ASEAN's Friend in the White House

ASEAN has never had a better friend in the White House. President Obama had spent several years of his childhood in Jakarta and is able to speak Bahasa Indonesia. Because of his background, he has a feel for our region and an understanding of its culture. He has made a paradigm shift in US policy towards Southeast Asia and towards ASEAN.

Paradigm Shift on US Policy

First, President Obama overcame the reluctance of previous US administrations and acceded to the iconic Treaty of Amity and Cooperation in Southeast Asia. Second, President

Obama made the unprecedented move of institutionalising an annual ASEAN-US Summit, committing the US President to meet all ten ASEAN Leaders every year. Third, the US was the first non-ASEAN country to appoint an Ambassador to ASEAN. Fourth, the US has joined the ASEAN-led East Asia Summit and has played a constructive role in it. Fifth, President Obama visited Myanmar to encourage all the stakeholders to make a successful transition to democracy. Sixth, during the past seven years, the US has conscientiously sent high-level representations to the annual East Asia Summit (EAS), as well as the ASEAN Regional Forum and the EAS ministerial meetings.

The ASEAN-US relationship is comprehensive, substantive, mutually beneficial and trouble-free. The relationship is supported by substantial economic ties, common values and visions, and political and security cooperation.

Substantial Economic Ties

The US is ASEAN's largest foreign investor, with cumulative investments of over US\$225 billion. The US is

ASEAN's fourth largest trading partner. The ASEAN Economic Community and the recently-concluded Trans Pacific Partnership (TPP) will create more opportunities for ASEAN and US businesses. The result is that trade and investment will be boosted. Economically, ASEAN is growing and integrating. It is the world's seventh largest economy and is projected to become the fourth largest in the near future. It is today a larger recipient of FDI than China. The US has overcome the 2008 financial crisis and will once again be a locomotive of the world economy.

US Contributions to ASEAN's Development

Over the years, the US has also played an important role in ASEAN's educational, social and cultural development. Many of ASEAN's leaders have received their education in the US. American foundations and universities have helped the ASEAN countries to eliminate illiteracy and to educate and train their people. American initiatives have helped to empower girls and women. Other initiatives have sought to strengthen the rule of law in the ASEAN countries. President Obama has also

been personally invested in growing the people-to-people relationship, as seen through his personal involvement in the Young Southeast Asian Leaders Initiative (YSEALI).

ASEAN and the US are cooperating extensively in the realm of non-traditional security, such as counter-terrorism, cyber-crime, human-trafficking, the smuggling of drugs, emergency preparedness, etc. Both sides are also exploring new areas of cooperation, such as climate change, innovation and information and communications technology.

Common Values and Vision

ASEAN and the US share certain important values and objectives. They share the common objective to promote peace and stability in the region. They have both benefited from the current rules-based regional and international order and seek to uphold it. They believe that when disputes arise they should be settled peacefully and in accordance with international law. The US appreciates the central role which ASEAN plays in regional institutions and supports that role. The US' positive track record in contributing to the

region's stability and prosperity has made it a trusted partner for many ASEAN states.

Strategic Partnership

When ASEAN and US Leaders met in Kuala Lumpur in November 2015, they decided to elevate their relationship to a strategic level. They recognised that the ASEAN-US partnership has played a key role in contributing to the stability and prosperity of the Asia-Pacific region. Both sides will have to invest energy and resources to nurture and grow the relationship. The summit in Sunnylands was an opportunity to chart the future direction of ASEAN-US relations. While the elevation of relations marks an important milestone in the ASEAN-US relationship, the more meaningful task ahead lies in realising the Strategic Partnership in tangible ways that will benefit the peoples of both sides. ASEAN welcomes the continued engagement of our region by the US. We hope that this will be sustained and enhanced beyond the current US administration.

ASEAN Centrality

ASEAN believes that it can be friends with the US and, at the same time,

maintain friendly ties with China, Japan, India, the EU and others. ASEAN does not wish to take sides in the disputes among the major powers or in their competition for influence. By being neutral, independent and trusted, ASEAN is able to play the role of the region's convenor and facilitator.

Conclusion

I hope that the ASEAN-US Leaders' Summit in Sunnylands offered an opportunity for the Leaders to go beyond their scripted remarks and have a heart-to-heart talk on the pressing issues of the region and the world. I also hope that the informal summit will consolidate the achievements of the past seven years and institutionalise them in a way which will endure no matter who will be elected as the new President of the US in November. ■

Professor Tommy Koh is Ambassador-at-Large at the Ministry of Foreign Affairs, Singapore, and Chairman of the Centre for International Law, National University of Singapore



US President Obama and ASEAN Leaders at the Sunnylands Summit

Office of the President, Republic of the Philippines

Why US should stay engaged with ASEAN

BY THAM SIEW YEAN

After weathering a tumultuous 2015, the Association of South-east Asian Nations (ASEAN) appears headed into an uncertain 2016 despite the formal establishment of the ASEAN Community, including the ASEAN Economic Community (AEC), at the end of 2015.

The ASEAN Community remains very much a statement of intention rather than a reality. Steep declines in commodity prices, falls in most regional currencies against the dollar and weak global demand, including weakening demand from China, have all combined to slow down growth in the ASEAN economies. Some countries in the region have grappled with internal problems. These include, among others, economic restructuring woes for middle-income economies such as Malaysia, high household debt in Malaysia and Thailand, Thailand's weakening economy under military rule and the emergence of protectionist sentiments in Indonesia.

The new US-ASEAN Connect initiative announced by United States President Barack Obama at the historic summit with ASEAN leaders in Sunnylands to coordinate US economic engagement in the region is therefore welcome.

According to Mr Obama, Washington plans to set up a network of three hubs across South-east Asia — in Singapore, Jakarta and Bangkok — to connect entrepreneurs, investors and businesses from both sides.

While details are still scarce, the initiative will focus on four main areas, dubbed Business Connect, Energy Connect, Innovation Connect and Policy Connect. The first part aims to facilitate regional trade and economic integration under the AEC framework and boost US and ASEAN business ties in sectors such as information and communications technology and

infrastructure. The second pillar seeks to support the connectivity, clean energy and energy security goals set out by ASEAN, while the third provides technical support for various programmes related to innovation, science and entrepreneurship. Finally, Policy Connect seeks to support ASEAN in creating policies conducive to trade and investment, digitally enabled innovation, and sustainable and equitable economic growth.

Closer US-ASEAN Ties

The geopolitical rationale for the US' deeper economic engagement with ASEAN can be attributed to the rise of China and the increasingly close economic links between ASEAN and China, which is currently ASEAN's largest trading partner outside the region; Beijing also has a free trade agreement with ASEAN while the US does not.

The US-ASEAN Connect initiative is probably a calculated move to show that besides contributing to regional security, America has still much more to offer Southeast Asia on the economic development front.

Tellingly, the US has indicated that as part of the initiative, it will also be conducting a series of workshops to help ASEAN members such as Indonesia, the Philippines and Thailand become members of the Trans-Pacific Partnership (TPP).

Currently, Brunei, Malaysia, Singapore and Vietnam are the only ASEAN members that are parties to the 12-nation TPP, which does not include China.

ASEAN has little to lose and much to gain with greater economic links with the US. For one, the ongoing economic recovery in America can serve to counterbalance slowing demand from China as it grapples with its own

economic transition from an export base to domestic consumption and from manufacturing to services as new drivers of growth.

The US can benefit from deeper economic engagement with ASEAN as well. ASEAN is America's fourth-largest trading partner. Two-way investments are also growing and the US is now the fourth-largest investor in ASEAN. Accelerating economic integration within ASEAN will offer a growing consumer market for American companies, driven by the expanding the middle classes of Vietnam and Indonesia.

According to the ASEAN Business Outlook Survey 2015, US companies are upbeat about the region's potential as a large market, and this is not surprising as almost 60 per cent of ASEAN's population is under 35 years of age.

The choice of the three Connect centres in ASEAN — Jakarta, Singapore and Bangkok — to coordinate US resources is well suited. The ASEAN Secretariat is in Jakarta while Singapore hosts a large number of US companies. Bangkok, on the other hand, hosts a few important regional offices for the US government.

It is important for US and ASEAN to ride on the momentum of the Sunnyland summit to kick-start the US-ASEAN Connect initiative as soon as possible, starting with more detailed information on the specific plans and programmes to be implemented.

Translating these into concrete actions will enhance the positive signals of the US' continued interest in ASEAN. ■

Dr. Tham Siew Yeap is Senior Fellow at ISEAS – Yusof Ishak Institute. This article was previously published on TODAY, 26 February 2016.

Turning the US-ASEAN strategic partnership into a lasting one

BY TANG SIEW MUN

When Mr Barack Obama hands over the United States presidency to his successor on Jan 20 next year, he will leave behind, among other achievements, the legacy of elevating the relationship between the Association of Southeast Asian Nations (ASEAN) and the US. No other US President in history has attached as much importance to ASEAN as Mr Obama has.

However, there are lingering concerns in the region that America's rebalancing strategy to the region may not survive beyond the Obama administration. Washington's short attention span on ASEAN has been a perennial concern. But this perception may soon be a thing of the past for two reasons.

First, ASEAN is no longer at the periphery of US national interest. Washington cannot afford to "deprioritise" ASEAN since doing so will cede strategic ground to China and thereby give Beijing a freer hand to expand its influence in the region at the expense of the US. Second, ASEAN is an efficient and cost-effective means of engaging Southeast Asia, and cultivating ASEAN gives Washington leverage and policy options in the larger context of East Asian geopolitics. The incoming US President will thus find that engaging ASEAN serves the US national interest.

In the near term, ASEAN's concerns vis-a-vis the US revolve less around Washington's strategic endurance and more towards the quality of its engagement. The US is ASEAN's fourth-largest trade partner, but its growth rate is the lowest among ASEAN's top five trade partners. Statistics compiled by the ASEAN Secretariat showed that from 2007-13, US trade with ASEAN grew at the average rate of 3.62 per cent, which is markedly lower than ASEAN's other major trading partners: China (14 per cent), EU28 (6.26 per cent), Japan (5.84 per cent) and South Korea (13.4 per cent).

Another distinctive characteristic of US engagement in the region features

an overwhelming concentration on the larger ASEAN economies. For example, nearly 90 per cent of US foreign direct investment are located in six ASEAN member states. Statistics from the tourism sector showed a similar pattern of imbalance. Three in every four American tourists in 2013 opted to visit only the Philippines, Singapore, Thailand and Vietnam.

In this context, the newly unveiled US-ASEAN Connect initiative is a positive development and will harness US support across the business, energy, innovation and policy domains to bolster ASEAN integration. When implementing this laudable initiative, the US should give due attention to ensure that Cambodia, Myanmar, Laos and Vietnam (CMLV) are not sidelined. The choice of Jakarta, Singapore and Bangkok as Connect Centres is a case in point. Adding one of the CMLV capitals to the list will serve to send the strongest political signal that the "newer" ASEAN members are just as important. This is a missed opportunity that could easily be rectified by adding a fourth Connect Centre.

Managing China

Engaging ASEAN should translate into meaningful outreach and partnerships with all 10 ASEAN member states instead of cherry-picking the most advantageous partners. In comparison, China's "shotgun" approach at engaging the whole of ASEAN has positioned China as a key economic partner, and has edged ASEAN even closer to the Chinese orbit as a result.

China is also making substantive inroads into ASEAN by investing in infrastructure projects across the region. It secured a US\$6 billion (S\$8.41 billion) rail project in January this year that will link landlocked Laos with China, and is in negotiations with Thailand on a US\$14 billion rail project.

Infrastructure financing is one battle that the US cannot win given China's deep

pockets and its strong political will to use them. Washington will have to look to its ally — Japan — to provide ASEAN states with an alternative source of financing and developmental partner.

While the 720-word joint statement at the recent US-ASEAN Summit did not contain a single mention on China, the shadow of the world's second-largest economy loomed large. The three paragraphs on the South China Sea (SCS) were as much as about the freedom of navigation and rule of the law as they were about ASEAN's growing queasiness on China's muscle-flexing.

The alleged failure to finger-point China in the declaration above all showed a high degree of pragmatism on the part of ASEAN and the US. Calling out China will provide nothing more than short-term political gratification. Handling the SCS issue in a measured manner preserved the strategic and diplomatic space for ASEAN and the US to continue engaging China. Notwithstanding the rhetoric on all sides, ASEAN, the US and China realise that there is little to gain and all to lose if the disputes spiral out of control. There are clearly more common interests that unite ASEAN and the US with China than concerns that divide them.

But the success of the Sunnylands Summit — and by extension, the rebalancing policy — will be short-lived if the ASEAN-US relationship remains a personal victory for Mr Obama. His legacy in elevating ASEAN-US relations can only be secured if he succeeds in depersonalising these achievements to institutionalise the strategic partnership. Otherwise, the ASEAN-US relationship will again be subjected to the vagaries of whoever sits in the White House as well as a Congress perpetually distracted by the noise of domestic politics. ■

Dr. Tang Siew Mun is Head of the ASEAN Studies Centre at ISEAS – Yusof Ishak Institute. This article was previously published on TODAY, 3 March 2016.



What flies ahead?

Much still needs to be done to further integrate the region through the ASEAN Single Aviation Market

BY ALAN KHEE-JIN TAN

Air travel is one of the designated priority sectors for regional integration, in line with the ASEAN Economic Community (AEC). The ASEAN Single Aviation Market (ASAM) project takes place amidst a boom in regional airline operations, led by the now-ubiquitous low-cost carriers (LCCs) such as AirAsia, Lion Air, Jetstar, Tigerair and Cebu Pacific. Now that its declared deadline of 2015 has come and gone, ASAM (and the AEC as well) has seen some progress, but is essentially still a “work in progress”. Much remains to be done, while work on technical/regulatory integration is still in its early stages. Clearly, ASAM has to be extended beyond 2015 to tackle both unfinished and new matters.

Market Access Barriers

ASAM relies on three multilateral agreements that provide for unlimited third, fourth and fifth freedom operations within the region. State parties to these agreements are obliged to provide for the following operations to become unlimited in frequency, capacity and aircraft type used:

“Third freedom” – the right of State A’s designated carriers to operate from State A to State B.

Example: *Thai Airways (TG) flight from Bangkok to Singapore*

“Fourth freedom” – the corresponding right in the reverse direction back to State A.

Example: *The same TG flight returning from Singapore to Bangkok*

“Fifth freedom” – the same right but with an additional right to make a stopover in State C to discharge and take on traffic for profit.

Example: *TG operation between Bangkok and Singapore but with a stopover in Kuala Lumpur in both directions to discharge and take on traffic.*

However, the agreements do not provide for “seventh freedom” rights. These would allow State A’s airlines to place

aircraft in State B and fly them to State C and back (e.g. Thai Airways operating a Singapore-Jakarta-Singapore sector). Neither are domestic operations allowed under ASAM – thus, Thai Airways cannot operate a Jakarta-Bali sector. All these restrictions exist to protect the respective markets of national airlines. In the European Union, in contrast, all these restrictions have been abolished, allowing an EU airline to connect any two points within the region without any frequency or capacity limitation.

Some Member States Are Still Not Parties

Despite the relatively modest commitments in the ASEAN agreements (limited to third, fourth and fifth freedom relaxations), several member states, namely Indonesia and Laos, have yet to accept them fully. Hence, while Indonesia and Laos have opened up their capitals to unlimited operations by other ASEAN carriers from their respective capitals, access into their non-capital cities remain restricted by the relevant bilateral air services agreements (ASAs). Omitting Indonesia’s secondary cities leaves a significant gap in the ASEAN liberalisation project, given the country’s sprawling size and huge population.

The Indonesian position can largely be linked to its carriers’ lobbying to keep out other airlines and protect their market shares. Meanwhile, there is an additional constraint. While there are now unlimited rights to fly into Jakarta, congestion at Soekarno-Hatta Airport means that other ASEAN carriers find it difficult to obtain landing and take-off “slots”. Manila’s Ninoy Aquino Airport is similarly congested.

The Need for ASEAN Seventh Freedom to Counter External Carriers

Disallowing seventh freedom operations disadvantages the region’s airlines vis-à-vis those from outside. To illustrate, ASEAN has already adopted an Air Transport Agreement (ATA) with China which provides for unlimited third and

“ASAM (and the AEC as well) has seen some progress, but is essentially still ‘work in progress’. Much remains to be done, while work on technical/regulatory integration is still in its early stages. Clearly, ASAM has to be extended beyond 2015 to tackle both unfinished and new matters.”

fourth freedom operations. Thus, a Thai carrier can operate to all Chinese points, though only from points in Thailand. Conversely, a Chinese carrier can connect all points in its own “backyard” (China, a single market) with all points in ASEAN. This is possible because the Chinese carriers have a unified “backyard” of their own, while the ASEAN carriers do not.

This presents a network imbalance that can only be “cured” by ASEAN states treating their “backyard” as a true common market. A Thai carrier should be allowed to connect Vietnam, Singapore, Indonesia and indeed all of ASEAN with China. For that to happen, ASEAN member states must grant each other’s carriers seventh freedom rights.

Unlike the EU, ASEAN lacks a supranational mechanism to compel member states to prioritise the regional interest over individual national interests. The real challenge is the uneven level of development and competitiveness among member states and their airlines. ASEAN states thus resort to protecting their own carriers, even though there are clear benefits in liberalising to promote extra-regional competition and choice.

There is also a long-term need for a common external aviation policy that allows for ASEAN to negotiate with other countries as a bloc. This involves coordinating member states’ positions to strengthen their collective bargaining position vis-à-vis bigger trading partners.

Ownership and Control Barriers

In addition to market access barriers, ownership and control restrictions remain. ASEAN airlines must respect the traditional “substantial ownership and effective control” rule. Hence, carriers must be majority-owned (beyond 50%) by their own nationals, with foreign interests restricted to minority shares. The ASEAN agreements actually allow alternative ownership and control regimes such as the ASEAN “Community Carrier”, in which majority ownership can be held by ASEAN nationals taken together (e.g. a Myanmar-registered carrier with 20% Myanmar, 20% Malaysian, 11% Vietnamese and 49% Japanese interests).

However, individual member states retain the right to reject a Community Carrier that wishes to operate to it, ostensibly to continue protecting its own airlines. That is why no Community Carrier has been established to date. One way to lift this barrier is for member states to retain the traditional “substantial ownership and effective control” rule for their

own carriers *only* if they so wish. For other ASEAN carriers, the community model should be allowed and welcomed.

Infrastructure and Human Capital Constraints

LCC operations now account for more than half of all airline capacity (international plus domestic) in ASEAN. Airports have seen passenger traffic and aircraft movements grow robustly on the back of LCC operations. Yet, ASEAN governments have generally not made adequate policy changes to accommodate the spectacular growth of aviation. Major ASEAN airports in Jakarta, Manila and Bangkok have now exceeded their intended capacity. This has created increasing congestion, insufficient slots and longer delays. Governments must thus pay more attention to airport capacity investments.

There will also be pressure on pilots and maintenance personnel. The industry projects that the Asia-Pacific region alone will require 185,000 more pilots and 243,500 maintenance personnel over the next 20 years. ASEAN will thus benefit from a harmonised crew training, accreditation and licensing programme. This will allow ASEAN pilots to enjoy hiring mobility across the region. However, this requires mutual confidence in each member state’s standards. In a region with wide disparities, this would be difficult to achieve.

Technical Integration and a Common ASEAN Regulator?

Technical integration is thus necessary to develop robust common standards. ASAM should steer the region to consider a common regulator to oversee technical matters. Notably, standards need not be uniform, but harmonised to a sufficient degree to allow cross-border enforcement cooperation in line with international requirements. Like pilot training standards, aircraft inspections conducted by one member state according to harmonised rules could be recognised by others as adequate. This avoids duplication in checks and enforcement.

Conclusion

ASAM should pursue further liberalising steps beyond 2015, such as continuing to liberalise market access and ownership/control rules beyond the *status quo*; overcoming infrastructural, human capacity and other constraints; establishing an ASEAN regulator to develop harmonised standards, and; fostering a united ASEAN negotiating bloc stand vis-à-vis other countries. ■

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Views from the Skies

The ASEAN Single Aviation Market (ASAM) is one of the hallmarks of the ASEAN Economic Community. Its success or failure will be a reflection of the state of ASEAN-wide efforts at further integration and cooperation as outlined in the ASEAN 2025 Agenda. Departing from the usual format for Insider Views, we are proud to feature two thought-provoking insights written exclusively for ASEANFocus by prominent Southeast Asian figures in the aviation industry, Tan Sri Tony Fernandes of AirAsia and Mr. Sentot Mujiono of Garuda Indonesia.



Tan Sri Tony Fernandes
is Group Chief Executive Officer of AirAsia Group, a network of low-cost carriers flying to 100 destinations in 22 countries.

With the ASEAN Community now in place, air connectivity has become even more crucial. Ours is a region divided by large bodies of water and without a comprehensive land transportation system – the most convenient way to traverse the region is by air. Yet, despite the enormous demand for air travel and its key role in providing true connectivity in the region, ASEAN has yet to make adequate policy changes to support commercial aviation.

I would like to highlight some of the changes that we need in order to better integrate the region. I cannot emphasise enough the importance of implementing these changes to better connect our communities.

We should prioritise the implementation of the ASEAN Single Aviation Market (ASAM), including ASEAN Open Skies, following the timeline provided in the Implementation Framework of ASAM that was adopted in Phnom Penh in December 2011. All but two of the 10 ASEAN countries have ratified all protocols governing the ASEAN Open Skies, but barriers – such as lack of infrastructure and unavailability of slots – remain.

Liberalising airline ownership and control rules will not only allow for the establishment of ASEAN community carriers and develop strong regional airlines, but it will also attract more investments into ASEAN's aviation sector and enable true ASEAN connectivity.

We need to create an independent regional ASEAN aviation regulator to streamline the region's fragmented regulatory landscape and enforce harmonised standards. As has been suggested, ASEAN can start with the creation of an ASEAN Joint Aviation Committee, with a representative from the civil aviation authority of each ASEAN Member State, to oversee the harmonisation of technical matters such as air safety compliance and later evolve this committee into an independent regional regulator.

We should adopt Mutual Recognition Agreements (MRAs) such as on air crew licensing and training, flight operations, safety programmes, maintenance programmes and air traffic management. This would support the single aviation market and allow mobility of aviation personnel in the region. Industry studies estimate that ASEAN would need some 56,500 pilots and close to 60,000 aircraft technicians in the next 20 years.

Last but not least, we have to establish dedicated low-cost carrier terminals (LCCTs) across the ASEAN region to cater to the unique demands of LCCs and their passengers. LCCs have been fueling the growth of aviation in the region and now account for a growing market share in intra-ASEAN travel from 3.3% in 2001 to almost 60% in 2014.

These changes are feasible and necessary. The region must now muster the political will to implement them for the successful integration of ASEAN, this region that we call home. ■



A According to the World Bank, there were 252 million passengers on all of ASEAN's domestic and international air carriers in 2014. Given that ASEAN's total population in 2014 was about 600 million, the high number of air passengers in the ASEAN region is a promising indicator of the region's economic growth as well as a sign of the huge potential for the airline industry as a means of moving people and goods across the region. Add this to the astounding figure of 55.8 million tourist arrivals from outside ASEAN in 2014. The growth of the airline industry presents an opportunity to foster intra-ASEAN tourism and to promote ASEAN as an integrated tourism destination for visitors from the rest of the world.

However, there remains many obstacles to the ASEAN Single Aviation Market. Infrastructure remains a key challenge, with many airports in the region (especially the secondary cities) lacking the facilities and safety mechanisms to cope with the accelerated expansion of regional air travel. Existing traffic rights allow for operations covered by the 3rd, 4th and 5th freedoms, but it remains to be seen whether the crucial 7th and 8th freedoms will be implemented, and how many ASEAN governments will actually implement it. Securing landing slots in major airports at optimal times of the day is becoming increasingly difficult as airlines need to strike a balance between exercising the option to fly to secondary cities to meet the demand whilst maintaining a healthy bottom-line, with or without government subsidies. Lastly, the

industry must increase the number of skilled manpower capable of handling the increased demand and fleet additions, including ground staff, pilots and air crew.

As part of the "Sky Beyond 2016-2020" plan, Garuda Indonesia sees ASEAN as an integral part of our growth strategy for the next five years. We are looking to connect Indonesia with other ASEAN countries, with Vietnam and the Philippines as our immediate priorities. We are also hoping expand to Cambodia, Laos and Myanmar through codeshare programmes with partner airlines.

We have also unveiled a Wonderful Indonesia Travel Pass which encourages travel beyond Java and Bali to breath-taking destinations such as Nias, Derawan and Raja Ampat. Our strategy in the next five years will be to grow our presence in the region and promote intra-ASEAN travel in line with ASEAN's sustained economic growth under the ASEAN Economic Community. ■

Mr. Sentot Mujiono is Vice President of Indonesia's state-owned flag carrier Garuda Indonesia, overseeing its operations in Brunei, India, Laos, Malaysia, Myanmar, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.



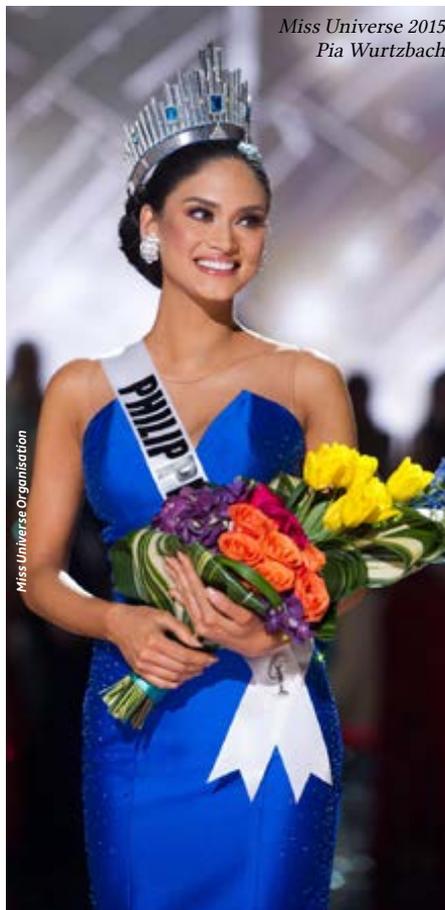
Queen of the World

Pia Wurtzbach reigns as the first Miss Universe from Southeast Asia in 27 years

Southeast Asia is home to some of the world's most beautiful people, like Pia Wurtzbach of the Philippines, the 2015 Miss Universe.

Although the 2015 Miss Universe pageant may long be remembered for the time host Steve Harvey announced the wrong winner, it was a moment of pride for the Philippines as one of their very own became the third Filipina (and the fifth Southeast Asian since the pageant started in 1952) to win this much-coveted crown.

Born in Stuttgart, Germany, to a German father and Filipino mother, Pia Alonzo Wurtzbach grew up in Cagayan de Oro in Mindanao. In an interview with the *Sun Star* newspaper in the Philippines, she revealed that she was called "Piazilla" in school for her height (she is now 1.73m tall). She has modelled and acted in television shows since she was 11 under the name "Pia Romero", and is presently not only a trained chef but also a frequent contributor to the beauty advice column of the *Philippine Daily Inquirer*, the Philippines' newspaper of record. She was a relatively late entrant into the highly-competitive Filipino beauty pageant scene, taking part in her first *Binibining Pilipinas* (Miss Philippines) pageant in 2013 at the age of 24 and placing a respectable 5th position in the finals (the top 4 winners of *Binibining Pilipinas* attend 4 different pageants, with the champion participating in Miss Universe). Never one to easily forsake



her dream, she took part again in 2014, only to stumble at the Q&A segment and perform worse than the previous year. Third time eventually proved the charm for Pia, who emerged victorious in the 2015 *Binibining Pilipinas* and earned the much-coveted ticket to the 2015 Miss Universe pageant in Las Vegas. The rest, as they say, is history.

Pia returned to the Philippines in January 2016 to a rambunctious homecoming, complete with a tickertape parade through the thoroughfare connecting Manila and Makati cities. She met with Philippine President Benigno Aquino III, and was honoured in the chamber of the Philippine Senate, which had earlier passed a resolution commending Pia's "positive attitude and strong determination ... (as a) great inspiration to her countrymen, particularly the youth".

In a speech thanking her supporters, she said that

"My goal was to bring back home the crown, and finally, we did it! I say we, because this is not my crown, this is our crown. This is for you, this is for the Philippines."

As for her future plans, Pia might have let on a little hint to Senate President Franklin Drilon, who told the media that she was interested in politics. If she does, she will follow in the footsteps of the many Filipino celebrities – in particular champion boxer Manny Pacquiao – who have thrown their hats into the Filipino political arena. In any case, 2016 will be a hectic year for Pia as she embarks on the myriad of activities and responsibilities awaiting her as the reigning Miss Universe. ■



Did You Know?

Ms Apasra Hongsakula from Thailand was the first-ever Southeast Asian to win the Miss Universe crown in 1965. Since then, three more have followed: Ms Gloria Diaz from the Philippines in 1969; another Filipina, Ms Margarita Moran-Floirendo in 1973; and Thailand's Ms Pornpip Nakhirunkanok in 1988.

Floating through Time

Although Brunei may be off Southeast Asian tourism's beaten track, it is home to one of the largest and most authentic water settlements in the world



Of the many waterfront cities in Southeast Asia, Bandar Seri Begawan in Brunei Darussalam is one of the few that manages to blend modernity and the rustic charm frequently associated with the days of yore. Central to that mix of old and new is *Kampong Ayer*, a water settlement at the mouth of the Brunei River and in the heart of Bandar Seri Begawan. Kampong Ayer's 40 villages are built on stilts and are linked to one another by approximately 30 kilometres of footbridges. Home to 13,162 people (as of 2012) and connected to the not-too-distant mainland by an intricate network of water taxis, it is not just at the heart of life in Bandar Seri Begawan but a rich part of Brunei's long heritage.

Song Dynasty records showed that Kampong Ayer has existed as early as in 960AD, at a time when Chinese traders plied the *Nan Hai* or the South Seas in junks and Kampong Ayer itself constituted the royal seat of the Brunei kingdom. Even the famous Portuguese navigator Ferdinand Magellan made a stop at Kampong Ayer during his famous circumnavigational voyage in 1521. His visit to Kampong Ayer was extensively chronicled by

Antonio Pigafetta, Magellan's scribe. Pigafetta described Kampong Ayer as a "Venice of the East", a city "built entirely in salt water (containing) twenty five thousand families. The houses are structured from wood and built up from the ground on tall pillars." Over the centuries, Kampong Ayer has witnessed the massive transformation of Brunei from its days as a sleepy village through British colonial rule to its present days as a modern and independent sultanate, whilst retaining its simple, old-world charm through the

ebbs and flows of time. The sights and sounds of Kampong Ayer today would not be too foreign to Pigafetta if he could time-travel back from 500 years ago.

In recent years, many Bruneians have opted to forsake life on the water for much more solid ground in the mainland. The population of Kampong Ayer has decreased from 24,745 people in 1991 to 13,162 in 2012, in part due to the National Resettlement Scheme and the Indigenous Resettlement Scheme introduced by the Bruneian

Government. However, even as mainland-bound resettlement continues, the Government has embarked on an experimental project to build modern homes in an effort to lure people scared of flooding or fire to return to the water village. This is perhaps in line with a national effort to recognise the intrinsic cultural value as well as tourism potential of Kampong Ayer.

Many academics too have touted Kampong Ayer as a possible choice for Brunei's first UNESCO World Heritage Site. As Brunei Darussalam lunges forward into the 21st century, perhaps there is a future after all for this authentic heart of the city, the soul of Brunei. ■

“Pigafetta described Kampong Ayer as a ‘Venice of the East’, a city ‘built entirely in salt water (containing) twenty five thousand families. The houses are structured from wood and built up from the ground on tall pillars.’”





ASEAN's Newest Ministerial Body: ASEAN Ministerial Meeting on Drug Matters (AMMD)

AMMD reflects ASEAN member states' commitment to combating the proliferation of drugs and substance abuse BY TERMSAK CHALERMPALANUPAP

The ASEAN Ministerial Meeting on Drug Matters (AMMD) was approved by the ASEAN Leaders last November. The body has operated informally since 2012 before it was institutionalised as a body under the ASEAN Political-Security Community (APSC). Its formal creation represents a revitalised ASEAN effort and commitment to address the shortcomings of previous effort to achieve Drug-Free ASEAN 2015.

In a statement released on 29 October 2015 after chairing the 4th AMMD in Langkawi, Malaysia, Deputy Prime Minister and Minister of Home Affairs, Dato' Seri Dr. Ahmad Zahid Hamidi noted that "the institutionalisation of [the] AMMD

will ensure high-level political commitment to the fight against drugs and provide strategic guidance to the work of ASOD [the ASEAN Senior Officials Meeting on Drug Matters]."

The 4th AMMD endorsed ASOD's proposal to establish a post-2015 Work Plan on Combating Illicit Drug Production, Trafficking and Use. Indonesia will host a workshop in 2016 to develop the Work Plan.

The AMMD traces its roots to the ASEAN Special Ministerial Meeting on Drug Matters, held in Bangkok on 30 August 2012. The 2nd AMMD was held in Bandar Seri Begawan



Did You Know?

At 5,881 metres, Hkakabo Razi, located in Myanmar's Kachin State, is Southeast Asia's tallest mountain, nearly 2 kilometres higher than Gunung Kinabalu. With such a high altitude within a subtropical region, this Himalayan giant is home to a diverse array of natural environments, ranging from tropical rainforests around its base to a permanently snow-capped peak.

on 3 September 2013; and the 3rd AMMD in Jakarta on 3 December 2014.

At the 4th AMMD on 29 October 2015, the meeting shared their concerns about the following: increased opiate drug production in the Golden Crescent [where Central Asia, South Asia, and Western Asia converge around Afghanistan]; the threat of Amphetamine-Type Stimulants (ATS) and diversion of precursors that continue to flow into the ASEAN region; and increased threat of synthetic drugs, particularly New Psychoactive Substances (NPS), and the challenges posed to law enforcement.

The 4th AMMD also endorsed the ASEAN position statement to be reiterated by every ASEAN Member State's delegation attending the upcoming UN General Assembly Special Session on the World Drug Problem, to be held at in New York from 19-21 April 2016. The common ASEAN position includes the following: zero-tolerance against drugs; comprehensive and balanced approach towards drugs; and supporting the role of the UN's Commission on Narcotic Drugs.

In its World Drug Report 2015, the UN Office on Drugs and Crime (UNODC) estimated that a total of "246 million people" worldwide, or 1 out of 20 between the ages of 15

and 64 used illicit drugs in 2013. It noted that the numbers of people requiring treatment for their use of cannabis and ATS are increasing; and the prevalence of ATS use in Asia is "relatively high".

The AMMD has been promoting regional and international efforts in eliminating illegal crop cultivation (opium and cannabis), and in improving access to treatment and rehabilitation of drug users to facilitate their reintegration into society. In addition, the AMMD has also been in the forefront of tackling the illicit precursor trafficking and international drug syndicates active in producing and smuggling of ATS and other synthetic drugs.

The AMMD meets every two years, starting in 2016 in which Singapore has offered to host the 5th AMMD. The ASEAN Ministerial Meeting on Drug Matters uses the abbreviation AMMD, instead of AMMDM, because the AMMDM refers to the ASEAN Ministerial Meeting on Disaster Management, which was created in October 2013 to enhance ASEAN cooperation in disaster management and emergency response. ■

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Tourism In ASEAN

Rich in culture with numerous heritage sites, diverse landscapes and natural beauty, the ASEAN region remains an attractive destination for international tourism.

BY PHAM THI PHUONG THAO

In 2014, tourist arrivals to Southeast Asia exceeded 100 million, an increase of 40% from 2010. Intra-ASEAN travel maintained its position as the most important source of tourist arrivals, making up for 46.8% of total international arrivals in 2014.

The region has also garnered increased interest from markets in Europe and Asia. China continues to be the second largest source of visitors to the ASEAN region in 2014 (accounting for 12.4%), followed by the EU (8.8%), Republic of Korea (4.8%), Japan (4.4%), Australia (4.2%) and the US (3.1%).

According to the Airports Council International annual report, the three busiest international airports in the

ASEAN region were the Soekarno-Hatta International Airport in Jakarta, Changi International Airport in Singapore and Suvarnabhumi Airport in Bangkok which handled 60 million, 54 million and 51 million passengers respectively in 2013.

At the ASEAN Tourism Ministers' Meeting in January 2016 held in Manila, the Ministers highlighted the contribution of the tourism sector to the establishment of the ASEAN Community and its role in making greater contribution towards the realisation of ASEAN integration goals.

The ASEAN Tourism Strategic Plan 2016-2025 predicts that "by 2025, ASEAN will be a quality tourism destination

offering unique, diverse ASEAN experience, and will be committed to responsible, sustainable, inclusive and balanced tourism development, so as to contribute significantly to the socio-economic well-being of ASEAN people". In line with the establishment of the ASEAN Community and to commemorate the 50th anniversary of ASEAN in 2017, the "Visit ASEAN@50" campaign was launched to jointly promote and showcase ASEAN as a single tourism destination.

As part of the on-going efforts for ASEAN integration and promoting ASEAN as a single tourism destination, the ASEAN member states have implemented the 2006 Framework Agreement for Visa Exemption of ASEAN nationals and

TOP FIVE COUNTRY SOURCES OF VISITORS TO ASEAN IN 2014

YEAR	NUMBER OF TOURISTS	SHARE TO TOTAL TOURIST ARRIVALS TO ASEAN (%)
ASEAN	49,223,000	46.8
CHINA	13,059,500	12.4
EUROPEAN UNION	9,275,200	8.8
REPUBLIC OF KOREA	5,018,400	4.8
JAPAN	4,634,200	4.4

THE BUSIEST INTERNATIONAL AIRPORTS IN THE ASEAN REGION

WORLD RANK	CITY (AIRPORT)	PASSENGERS IN 2013
10	Jakarta, ID (CGK)	60,137,347
13	Singapore, SG (SIN)	53,726,087
17	Bangkok, TH (BKK)	51,363,451
20	Kuala Lumpur, MY (KUL)	47,498,127

TOURIST ARRIVALS IN ASEAN

YEAR	INTRA-ASEAN	EXTRA-ASEAN	TOTAL	INTRA-ASEAN SHARE TO TOTAL	EXTRA-ASEAN SHARE TO TOTAL
2010	35,042,797	38,709,844	73,752,641	47.5	52.5
2011	37,732,932	43,496,090	81,229,022	46.5	53.5
2012	39,845,476	49,379,753	89,225,229	44.7	55.3
2013	46,154,447	56,044,602	102,199,049	45.2	54.8
2014	49,222,951	55,860,818	105,083,769	46.8	53.2

is currently working on the initiative to develop the ASEAN common visa for non-ASEAN nationals. Eight ASEAN member states have committed to the Open Skies initiative to create a single ASEAN aviation market, which is expected to increase regional and domestic connectivity, as well as encouraging higher traffic growth and service quality.

The growth of low-cost carriers (LCCs) have been a boon for ASEAN tourism by making air travel accessible and affordable. AirAsia's eponymous tagline, "Everyone Can Fly" accurately surmises the effect LCCs have on the face of air travel and

regional economy. Its ASEAN Pass offers passengers the luxury of paying for flights at a fixed rate on more than 148 routes across Southeast Asia. Tourism is not just good for the local economies, it also serves to enhance people-to-people connectivity and promoting greater understanding amongst Southeast Asians. ■

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