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Report to USAID of
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Perspectives on U.S.-ASEAN
Economic Relations in 1988

Executive Summary

I. Background Components

ASEAN economies continue to have excellent potential for growth, but this potential is challenged by recalcitrant domestic weaknesses. Dependence on exports to the world market has made the six ASEAN nations extremely vulnerable to global economic fluctuations. Conflicting social factors, a maldistribution of wealth, and frequent governmental insensitivity to popular sentiments could well stimulate increased labor unrest and political agitation.

Severe domestic political constraints are not being confronted in a manner conducive to the realization of potential economic assets. This produces a dilemma for the outside donor interested in development assistance: whether and how to provide peripherally important services that keep the ASEAN economies growing or whether to seek to effectively develop alternative and sometimes conflicting longer-range programs to cope directly with basic domestic structural constraints.

A. ASEAN Economic Goals. Leaders in ASEAN recognize the need to undertake fundamental changes to invigorate their national economies. Expanded production of manufactures, a sizable increase in domestic consumption, and diversification of export target countries are regarded as the foremost priorities.

ASEAN has made some attempts to contribute to national development with major infrastructural projects, but thus far only the private joint venture scheme has had a semblance of success. Stronger inflows of foreign capital and technology transfer are desired but are inhibited by scepticism over political stability and general economic and societal resilience.

B. Re-structuring Trade Patterns. Total U.S.-ASEAN trade in 1987 approached $23.5 billion and constituted about 11% of U.S. trade with the developing countries. While ASEAN has a trade surplus with the U.S. of about $7 billion, this is not a significant factor in the overall U.S. trade deficit. Persistent regional demands for greater access to the U.S. market presently prevail, but America is unlikely to continue to accomodate ASEAN demands for greater access without meaningful reciprocity.

The direction of ASEAN's trade is gradually shifting to the non-market economies of Eastern Europe and China. In the long run, this could have serious political consequences.

C. ASEAN Contributions to Regional Development are Negligible. Despite 20 years of cooperation, ASEAN has not demonstrated an ability to deal effectively with intra-regional economic demands. ASEAN lacks the political will to confer enhanced central authority to its secretariat. It is an inter-governmental organization with only incidental linkages to the private sector.

Decision-making within ASEAN is aggravated by the consensus rule. More emphasis is placed on structure and procedure than substance. The lack of a legal identityy makes international negotiations difficult. The success of ASEAN has been primarily in projecting itself to others, as symbolized at the recent Manila summit when most new cooperative ventures were postponed.

D. Minimal Economic Impact of the ASEAN Dialogue. The ability to involve seven highly industrialized nations and the major international organizations in a dialogue process for the advancement of ASEAN interests has added to ASEAN's credibility, but ASEAN's political and diplomatic influence has not thereby measurably increased.

Over the last few years, the dialogue process has settled into a low-key routine, with agenda issues becoming perennial for lack of solution. Initial enthusiasm for the process has given way to multilateral frustration. Today, the dialogue process has become a diplomatic liability which needs the urgent input of new ideas, attainable objectives, and simplified procedures.

E. Strategic Considerations Determine Dialogue Content. Assistance from dialogue partners is commensurate with the political importance accorded to the region. Contributions to ASEAN are minimal when compared to bilateral aid and institutional loans. Assistance to ASEAN is significant for its symbolic value but not for its monetary volume.

The exception is Japan, which has contributed more than $4 billion to ASEAN over the last six years.

Organization and procedures are largely duplicated in the various ASEAN dialogues: each partner has a joint business council and a human resource development project. Programs emphasize technical know-how, equipment and training facilities.

F. ASEAN-U.S. Linkages Serve Political Purposes. American relations with ASEAN (as opposed to bilateral contacts) are regarded by ASEAN as congenial, multi-faceted and politically important, but not economically productive. A mutual feeling of uneasiness prevails. ASEAN attends joint meetings to negotiate grievances and to avoid topics peripheral to its interests. For the U.S., the ASEAN region is an important but small part of its global overall interests. Creating a co-equal partnership remains a major task for the future.

Sober pragmatism in U.S.-ASEAN relations has replaced the period of initial enthusiasm. Both sides agree that an accord on aspects of trade policy is more important than development assistance as an issue . Yet, the annual amount set aside for regional projects continues to be a barometer of mutuality. Specifics of development assistance programs are also matters of contention.

G. ASEAN Seeks Co-Equal Partnership. The development of regional cooperation and regional organizations is important for the world's future. ASEAN can be a successful example or prototype. It must correct its weaknesses from within with specific objectives, clearly delineated priorities and a well-defined schedule for implementation.

Dialogue partners can assist by respecting national sensitivities, refraining from advocacy of premature supra-national projects, and by avoiding the appearance of a superpower-client relationship. Development projects have sought to improve past and present conditions; ASEAN wants to prepare itself for the future. Projects have to advance from the agro-business sector to the technocratic age. A more sobering pragmatism is required to determine the form and content of prospective collaboration.

II. New Initiatives

As 1988 gets underway, a fundamental but still subdued re-appraisal is in progress in Washington, and in the ASEAN capitals, concerning each other's worth in the design of future policies. Changing American priorities will dictate correct and perfunctory relations with ASEAN but will most likely lack exuberant generosity and challenging innovation. ASEAN is re-assessing the extent of its dependence and seems to have chosen a path aimed at greater global impact. It is against this background that prospective relations and recommendations for new initiatives should be viewed.

A. A framework for future relations should be developed which would include greater efforts to enhance and project regionalism. Washington can be expected to assist ASEAN intentions so long as the organization shows indigenous efforts for constructive progress and continues to be sympathetic to Western values.

Regionalism should be promoted through inter-regional studies and new forms of cooperation with the South Pacific and South Asia. The process of developmental assistance should concentrate on the preparatory level of Washington-based machinery and the decision-making level of the annual post-ministerial conferences. The need for an intermediary forum is questioned.

Future assistance should be narrow in focus, larger in substantive dimensions and monetary support, and of long-term duration.

B. Protectionism and non-tariff barriers to trade are viewed as the greatest obstacles to economic expansion. A free trade area (FTA) for ASEAN is currently being discussed in negotiations between the two parties. Since creation of a regional common market has been postponed by ASEAN until the next century, the ASEAN-U.S. initiative could point to market liberalization through multilateral arrangements.

As the primary beneficiary of an FTA, the private sector should be intimately involved in the preparation of such a measure. Establishment of a Private Joint Commission on FTA Impact and its procedural consequences would seem in order, perhaps with assistance from the U.S.-ASEAN Business Council.

C. Technology transfer is needed but must be adapted to the environment in which it is used. Inter-institutional linkages between technical, university-related laboratories could stimulate local production of advanced technology. The goal would be to bring about a partnership between industry and government in Southeast Asia for sponsoring industrial research at regional universities, and for American institutes to assist their ASEAN counterparts in being prepared to respond positively to private and public demands.

This method of technology transfer should prove to be of broader significance than company-specific imports of machinery. Because there is increasing educated unemployment in the ASEAN region, suitable manpower would be available.

D. Reducing constraints on foreign investment in the ASEAN countries could accelerate capital inflow and services. It should be a priority to establish joint investment committees (JICs) in each ASEAN capital for the purposes of identifying and improving conditions for investment, publicizing opportunities, and negotiating terms.

ASEAN governments, U.S. Embassies, national chambers of commerce, and representatives of American business abroad could form the organizational nucleus of the JICs. Periodic publication and distribution of committee findings to the U.S. would be essential functions of the JICs.

E. Multiple barriers to cooperation exist on both sides--in policies, organization and procedures. Improved mutual understanding of the reasons for such barriers could help lay the basis for future cooperation.

American assistance has concentrated on ASEAN individuals and institutions. The U.S. must re-focus this approach and direct its attention to the American public, which needs to be better informed about regional opportunities within ASEAN and U.S. activities in the area.

Private American support can only be increased through U.S.-based endeavors. These include inter-personal and inter-institutional contacts. The single most rewarding project that might promote such contact would be inter-parliamentary meetings on topical interests. Mutual appreciation of each other's problems can elevate relations to a higher level of intimacy and understanding.

F. Information dissemination in the ASEAN region is limited by differing attitudes toward press freedoms. Creation of a regional press center, although a sensitive regional topic, should be explored.

A regional press center could provide "neutral" services like basic skills training, topical seminars, modern media machinery, and facilities and opportunities for informal meetings of regional and extra-regional policy-makers. The ultimate purpose of a press center would be to serve as a common denominator for Western ideas of press freedom and Third World concepts of information management.

G. Conceptual studies of ASEAN's future are needed and there are regional experts and resources to carry them out. Many suitable research projects have been or could be proposed but support from ASEAN national governments is difficult to obtain.

Working with a quasi-governmental institute could facilitate the carrying out of projects in a manner acceptable to governments in ASEAN. A selection of regionally important and non-sensitive projects might be made initially. Two subjects are suggested: 1) the regional role of the ASEAN private sector; and 2) regional movement of labor as a challenge for the future. Both subjects are of imminent regional concern and both affect all ASEAN states equally.

H. Export and Investment promotion are crucial for ASEAN and the U.S. Among options, the most acceptable approach is a U.S.-ASEAN Center for Trade Promotion and Research, to mobilize the American public for providing a centralized resource for pertinent information.

A U.S.-ASEAN Center for Trade Promotion and Research would operate exclusively in the United States and would balance the region-oriented activities of the U.S.-ASEAN Center for Technology Exchange. It would carry out several new functional tasks and offer a focus for many existing ASEAN-related activities in the U.S. that are presently uncoordinated and undirected toward realistic, long-term needs. The nucleus for such a center already exists in Washington.

I. Alternatives to USAID involvement in regional project administration could be regionally-resident private agencies, but only as an interim measure. Ultimately, ASEAN wants and should assume full responsibility for its own development projects, including project design, management and supervision, evaluation, and partial funding.

Soliciting support from dialogue partners should remain an ASEAN task but can be simplified through an integrated project list and more coherent development strategies. A lump-sum deposit of aid, rather than incremental disbursements, would be most conducive to invigorating the process.

J. A multilateral approach to regional development assistance can no longer be avoided. Advantages are manifold. An annual meeting of project sponsors, to be held in Jakarta under ASEAN auspices, should be the first step. Information could be exchanged and experience evaluated. Joint sessions could define additional areas of cooperation and perhaps even an occasional jointly funded large project. Such a step might obviate the need for discussions on development assistance in the U.S.-ASEAN forum.