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PERSPECTIVES ON U.S.-ASEAN RELATIONS:

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PERSPECTIVES ON U.S.-ASEAN RELATIONS

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PERSPECTIVES ON U.S.-ASEAN ECONOMIC RELATIONS

I. The Background Components

The six member nations of ASEAN have done extremely well in their economic affairs when compared to the rest of the Third World. With their ample natural resources and their incipient industrialization, these countries have focussed on exports as the cardinal instrument for accelerating progress. During an upswing in the world economy, such a policy has proven highly successful. But this dependence on the world market, and in particular on the United States (in terms of trade, investment, loans, education etc.), has made these countries also seriously vulnerable to global economic fluctuations. There are no resilient domestic markets to cushion against external uncertainties.

Internal weaknesses in the ASEAN member states tends to aggravate economic misfortunes. As indicated in the following table, the region is culturally fragmented, which makes potential cooperation tenuous and often accompanied by suspicion. More than one-third of the region's population is younger than fifteen years. This will radically escalate future demands for employment and government services. Unemployment has become a permanent condition of life for many,

underemployment is even more widespread. Quickly increasing in size is a new phenomenon: the educated unemployed, whose status and tradition keeps large numbers of graduates from accepting positions considered below their educational attainment. As a result of these social factors, and combined with a mal-distribution of wealth and frequent government insensitivity to popular sentiments, the next few years in the ASEAN region will witness increased labor unrest and a more intense level of political agitation.

Even more decisive for future development is the fact that these statistics have been unable to transform major domestic handicaps into economic assets. Except perhaps for Singapore, none of the other five nations has been willing to subordinate its export drive to a rectification of internal imbalances, a move which could multiply economic performance. Thailand perpetuates its historical developmental focus on Bangkok, its environs and one or two other urban centers while neglecting the commercial potential of the rest of the country. Malaysia takes its ethnic divisions for granted instead of making a major effort to create a united economic front with common objectives and equally-shared benefits.

Indonesia has failed to mobilize its substantial resources by concentrating economic activity in Java. The Philippines has been unable to eradicate the specter of instability; a communist insurgency and a formidable autonomy movement in Mindanao keep foreign investors at bay and international loans at a minimum. Even Brunei, with its lopsided economic infrastructure and its wealth convergence in the royal family, poses considerable dangers for future development. Only Singapore seems to have made the necessary adjustments in accommodating domestic demands, Confucian ethics, and neighborly envy. But its evolution as a prosperous city-state will not be entirely free of impediments. Without a resource base, Singapore's progress depends upon the fortunes of others and its tightly-controlled political system will inevitably stir oppositional forces. If progress has its own price, none of the ASEAN member countries presently appears willing to pay it.

This leaves the proposition of useful developmental assistance with a dilemma: to provide peripherally important services in education, research and the applied sciences or to stimulate basic domestic forces for ultimately reducing intolerably high levels of economic dependence. An examination of other factors may further clarify a rather complex situation.

1. The ASEAN Region's Economic Future Should be Viewed With Optimism.

ASEAN governments are taking steps to redress their economic vulnerability. They are relaxing, and gradually implementing, policies designed to mobilize domestic savings, improve incentives for local investments, and to adjust exchange rates for encouraging international competitiveness. Leaders recognize the urgency of reform but internal politics vacillates against more expeditious action.

The two extremes in the region are Singapore and the Philippines. For 1987, the former's economy recorded an 8% year-on-year growth. Inflation remained below 1%. Merchandise exports during the first nine months increased by 19.7% to \$21 billion and imports by 20.1% to \$24 billion, with the current account showing a surplus of \$585 million. The Singapore economy is expected to further expand in 1988.

By comparison, the Philippine economy faced rougher times, with a growth rate of 5.5% in 1987 and only a moderate increase in manufacturing activity and agricultural production. The national budget of the Philippines for 1988 shows an \$8.2 billion public expenditure, of which 22% had no fixed revenue base. The government's "pump priming" strategy is the Community Employment and Development Program, concentrated on labor-

THE ECONOMY OF ASEAN - A SUMMARY OVERVIEW
(estimates for 1987/88)

SUBJECT	ASEAN reg.avge	Brunei	Indones.	Malays	Philipp.	Singapore	Thailand
Area(sq mls)	1,226,776	2,226	782,665	127,316	115,830	239	198,500
Population,mil	297.9	0.2	168.4	15.8	58.1	2.6	52.8
cult/relig.	-	MU73%	MU90%	MU58%	CH92%	BU77%	EU95.5%
% under 15 yr.	35.2	37	32.2	39	40.3	24.4	38
pop.proj.2000	384.6	0.3	219.9	20.6	75.5	2.9	65.4
Unemployment	15.38%	none	18%	8.7%	11.8%	4.6%	6.8%
educ.unempl.	87,500	none	2,500	8,000	52,000	5,000	20,000
% UNDER-empl.	12.4	1.13	23.2	2	34.2	0.1	13.6
% bel.poverty	24.75	5.6	51.6	18	59.3	4	10
Per capita GNP	\$ -0-	\$13,274*	380.*	1,700.	590.	7,300.	840.
*GDP							
# rec.sec.& tert. education (mil)	18.75	0.02	9,060	1.72	5.10	0.229	2.62
# overseas plac	153,600	600	25,000	60,000	7,000	2,500	58,500
# in 7 dial.ctr.	84,640	540	19,000	45,000	5,600	2,000	12,500
GNP / % growth '86	2.5%	1.8%	3.2%	1.8%	1.5%	1.8%	3.4%
in \$ bns (*GDP)	194.2	3.06	65.5	27.7	34	19.1	44.8
Industr.Prod. as % of GNP/GDP	24.8	1.21	30.1	19.7	32	36.9	28.8
Gross cap.form.as % of GNP/GDP	27.5	n/a	23.6	32.2	17.1	42	22.6
Tot.Publ.Expend. (\$ bn)	\$53.85	1.55	14.7	10.9	8.2	7.3	11.2
Tot.Publ.Revenue (\$bn)	\$45.74	3.38	14.7	7.0	5.9	5.6	9.7
Foreign Reserves (\$bn)	\$ 50	20	5.5	6.1	1.4	13.2	3.8
Foreign debt \$bn	100.4	none	39	20.7	22.4	2.8	15.5
Debt service % of tot.trade	23.8	n/a	41.0	18.8	31.0	3.2	25.0

Sources: World Bank, World Debt Tables 1986/87 (1987); World Development Report 1986; U.S. State Dept., Economic Data on East Asia & Pacific (1987); Country Data (Oct.1987); ASEAN, Selected Statistics 1967-1984 (1986); Economic and Financial Statistics for Indonesia 1987 (1987)

Note: Data differs occasionally depending on sources. Figures given are latest available, in most instances estimates for 1987/88. Information given permits country comparison and an indication of potential problems.

intensive projects like ports, waterworks, irrigation systems and feeder roads. President Aquino blames "politics getting in the way of work," but despite five coups in less than two years she remains confident that she will complete her term in 1992.

Malaysia's economy continues to suffer from structural deficiencies. Only a 2% real growth in GDP was registered for 1987. The government hopes to keep inflation to 2% in 1988. Malaysia has favored highly expensive prestige projects --e.g. the Penang bridge, the east-west highway, the first locally produced PROTON SAGA automobile--all of which may not bring near-term benefits.

Natural resources, instead of manufactures, still rank as the major economic asset for most ASEAN countries. Import substitution for the 1960s was followed by an export orientation in the late 1970s. A few years later, Singapore and Malaysia began to develop heavy but local-based industries and supporting services. Domestically-trained engineers now process raw materials indigenous to the region (rubber, tin, and timber). Malaysia is beginning to produce semi-conductors, tires, cars, air conditioners, armaments and various electronic gadgetry. It has the capability to assemble and maintain sophisticated aircraft.

Diversification of production is encouraged not just by the challenge of foreign competition and by unpredictable commodity prices but also by regional incentives. Economic growth is based on long-term detailed public planning, the transfer of labor-intensive industries from Singapore to neighboring countries, and an energetic regionalization of the private sector. Malaysia is implementing an ambitious 1986 Industrial Master Plan; Thailand is emphasizing an Eastern Seaboard Development Program with Japanese financial assistance; Indonesia is in the process of deregulating its economy while the Philippines is giving parliamentary priority to land reform without, however, having the wherewithal for its implementation. A common regional phenomenon has been the recent privatization of government-owned or controlled enterprises as a measure of liberalization and revenue enhancement.

ASEAN has made some attempts in contributing to the national development of its member states but so far has been largely unsuccessful. Four policies stand out from the mass of minor measures. One is the Preferential Tariff Agreement (PTA) which was upgraded by the Manila summit in December 1987 to include half of all intra-ASEAN trade within five years, to freeze and gradually reduce non-tariff barriers, to apply a 50% discount to existent tariff rates, and to drastically curtail the voluminous exclusion list.

Another ASEAN policy is the Joint Industrial Projects (AIP) scheme in which one country decides on production of a regionally advantageous product whereafter the other member states would commit themselves to capital investments and absorption of a certain part of the production. Although initiated in 1976, only two countries have established operational projects.

Industrial complementation, the third policy, was to establish horizontal linkages between ASEAN industries for achieving the benefits of economies of scale. After an ASEAN selection of automotive parts for regional cooperation, Malaysia decided to produce its own national car, the PROTON SAGA, and the ASEAN project fell into disuse. A more successful attempt was made with the ASEAN Industrial Joint Venture (AIJV) agreement in which the private sector took the initiative in view of the public failure rate. Here, two firms from different ASEAN member states must cooperate in joint production. They, in return, receive preferential tariff rates and market access. Again, the Manila summit assisted in simplifying the process and the AIJV remains the most hopeful of all ASEAN regional economic policies. Nevertheless, a more promising role for the organization could be to lobby more actively against protectionism, to stimulate the transfer of technology, and to attract the inflow of foreign capital. Development will remain a national responsibility.

2. Trade is the Major Engine for ASEAN's Economies
but it Faces Substantial Restructuring.

ASEAN is the United States' fifth largest trading partner behind the European Community, Canada, Japan and Mexico. Total U.S.-ASEAN trade in 1987 approached \$23.5 billion and constituted about 11% of US trade with the developing countries. Trade expansion with the ASEAN member states of about \$7 billion is not an important factor in the total spectrum of the U.S. trade deficit.

As ASEAN advances its industrialization, the expansion of exports in manufactured goods and semi-processed raw materials attains a higher priority. The United States accepts more than 60% of ASEAN exports in manufactures while Japan imports only a minimal 3%, even lower than the European Community with its 23%. Reverse trade from the U.S. to the ASEAN region increased from \$3.9 billion in 1977 to \$8.5 billion in 1986, 70% of which was in high technology items.

The United States is already taking a considerable share of ASEAN exports but persistent regional demands for even greater market access continue. There is only reluctant realization that the U.S. trade deficit is not created by failing U.S. exports but by soaring U.S. imports. It is impossible for all countries to be net exporters at the same time. ASEAN "must work hard to diversify its markets...it must take other steps

to compete in today's international economy...it clearly will not be able to look to the U.S. to make major increases in its exports." (These are the words of Secretary Shultz to the ASEAN ministerial meeting in Singapore, June 1987). ASEAN is slowly adapting to this advice; regional trading patterns in traditional goods are accommodating the exports from information-based industries. Making the concession of protecting intellectual property rights and accepting trade in services are still problematic issues in some ASEAN states.

Japan and the United States dominate the regional trade. Western Europe is playing only a minor role, and the other dialogue countries make, proportionately, insignificant contributions to the region's commerce. ASEAN's direction of trade is shifting gradually to the nonmarket economies of Eastern Europe and China. Because of the inconvertibility of their local currencies, countertrade is becoming a favorite feature.

Mr. Gorbachev's Vladivostok speech in July 1986, introduced, among other initiatives, a diplomatic and trade offensive in Southeast Asia. Earlier this year, the Soviet Union made tentative gestures to ASEAN for acceptance as a dialogue partner. Joint committees for economic cooperation have been created and new friendship societies came into being. Prominent Soviet visitors can be found in the region at any time. Moscow is

TRADE BETWEEN ASEAN AND THE DIALOGUE COUNTRIES

DIALOGUE PARTNER	1984		1985		1986	
	actual \$mil	% of total	actual \$mil	% of total	actual \$mil	% of total
<u>AUSTRALIA</u>						
total volume	3,590	2.35	3,369.7	2.45	3,033.9	2.34
from Austral.	2,025.4	2.64	2,007.9	2.96	1,655.2	2.58
to Australia	1,564.6	2.07	1,361.8	1.95	1,378.5	2.1
<u>CANADA</u>						
total volume	1,306.1	.86	1,061.9	.77	1,134.6	.87
from Canada	778.5	1.02	586.9	.86	605.6	.94
to Canada	527.6	.70	475.0	.68	529.0	.81
<u>EUROP. COMMUNITY</u>						
total volume	17,138.9	11.25	16,367.8	11.89	17,327.6	13.35
from E.C.	9,109.2	11.88	8,565.9	12.62	8,55.9	13.34
to E.C.	8,029.7	10.60	7,801.9	11.17	8,775.7	13.36
<u>JAPAN</u>						
total volume	36,594.3	24.01	31,469.6	22.85	28,837.5	22.22
from Japan	16,038.8	20.91	13,320.7	19.62	13,879.1	21.66
to Japan	20,555.5	27.15	18,148.9	25.99	14,958.4	22.77
<u>NEW ZEALAND</u>						
total volume	822.9	.54	734.5	.53	603.8	.47
from New Z.	367.2	.48	340.5	.50	320.3	.50
to New Z.	455.7	.60	394.0	.56	283.5	.43
<u>UNITED STATES</u>						
total volume	26,311	17.26	23,485	17.05	23,594	18.18
from U.S.	9,439	12.30	7,861	11.58	8,413	13.13
to U.S.	16,872	22.28	15,624	22.37	15,181	23.11

Source: Dept. of Commerce, Direction of Trade, 1987

looking for greater reciprocity in its perennially minimal and deficit trade with ASEAN countries. Its relations with the region are described as dynamic but ASEAN hesitates to respond enthusiastically.

China has played an entirely different role. It is a close neighbor with an historic influence in the area. Indonesia and Singapore are still following a policy of non-recognition of China which, however, has not prevented an exchange of resident trade missions in each other's capitals. While Chinese trade with the region is not more voluminous than that of the Soviet Union, it by no means opens the immense Chinese market to ASEAN products. Thailand has been singled out for special attention from Beijing and economic linkages have expanded to include arms transfers. Trade is supplemented with an energetic exchange program but China's impact on the region remains political rather than commercial.

Without doubt, Japan is currently the only country providing competitive challenge to U.S. economic intentions in Southeast Asia. Japan is the major export recipient from Indonesia, Malaysia, and Brunei (primarily for oil and liquid gas), and the largest supplier to Thailand, Malaysia and Indonesia. Nonetheless, ASEAN remains critical of Japan in terms of market access, operational procedures of the aid and loan program, and the slow implementation of financial commit-

ments. Tokyo has been quite generous with aid, loans and direct investments, which exceed the U.S. involvement by two to one. However, high interest rates and the strengthening of the yen have considerably increased ASEAN's debt burden.

ASEAN has maintained its dependence on exports and its close association with western industrialized countries. It needs continued access to foreign markets but on a geographically broader scale. A successful transformation to an industrialized state requires substantial assistance from abroad, whether in capital movement, professional expertise or technology transfer.

3. ASEAN Contributions to Regional Development are Negligible and Far-Reaching Political Decisions are Postponed

Existence of a respected regional organization has to be a part of any calculation concerning investments or other commercial transactions. Determining the conditions for foreign participation in national development remains the prerogative of the host country. ASEAN has not yet agreed to regional norms which could guide business practices areawide.

Owing to its international reputation, ASEAN is perceived by many to be a single unit which is equal, if not superior, to its component parts. This is incorrect. The term ASEAN pro-

vides only a convenient abbreviation for referring to the six member countries which singularly are very much concerned with any infringement upon their sovereignty. Business contracts or government approaches are with member states and not with ASEAN.

Creation of ASEAN in 1967 was in response to hostile external events; inherent impediments to cooperation and common denominators are carefully balanced by emphasizing gradualism, minimal machinery, and operation by consensus only. The business of the association is essentially conducted in national secretariats and in numerous regional committee meetings. A Central Secretariat, established in Jakarta in 1976, employs less than fifteen professionals; ASEAN lacks the legal capability and the political will to confer unifying authority to its secretariat.

Over the past two decades, hundreds of regional projects have been implemented, from standby credits and a reinsurance pool to a food security reserve, and from joint film festivals and a regional climatic atlas to driving license privileges in each other's territory. The emerging transnationalism has encouraged many private groups to identify themselves with ASEAN, but the association provides no benefits for them and allows only minimal consultation. ASEAN is an inter-governmental organization and any linkages to the private sector are coincidental and connected to specific projects.

The phenomenal economic growth of member states can only tangentially be linked to ASEAN. Regional cooperation is now regarded as a necessary concomitant to national development, providing for an easier exchange of goods and services, optimal use of macro-planning, and collective representation. The presence of ASEAN has also minimized neighborly interference. Continuous participation of hundreds of civil servants, government officials and business executives in ASEAN affairs has increased social affinities and a personal commitment to regionalism. Still, ASEAN economic cooperation remains outward-directed; intraregional trade has never exceeded 20% of total trade; the original leaders at ASEAN's creation are disappearing and a new wave of young contenders may see greater merit in national advancement than in equitable regional growth.

In its structural arrangements, ASEAN has placed more emphasis on procedure than on substance. This is understandable if it is recalled that the organization lacks a corporate personality in the absence of a constitution or a charter, and thus all decisions must be unanimously approved by the six member governments. The need for consensus has led to delay and even cancellation of promising cooperative ventures. At the initiative of Singapore, an informal compromise was accepted, designated as the "6-X" principle. Application of this concept permits a member state to abstain from the required unanimity

but it reserves the right to participate in a given project at a later time. Opposition would be an automatic veto. The moderated consensus rule did not necessarily expedite the decision-making process. Most ASEAN committees meet on a quarterly basis, their ministerial superiors perhaps twice a year, but final decisions are made only by the annual meeting of foreign ministers. Any verdict on fundamental issues would have to await a summit meeting, now scheduled for every 3-5 years, "as necessary." As the attached flow chart on U.S.-ASEAN relations indicates, any final judgement on pending proposals can take a long time.

One last problem requiring reference is the restraining nature of ASEAN rules. The adopted guidelines include the stipulations that:

- * cooperation with ASEAN as a group cannot be at the expense of existing bilateral arrangements
- * a project must complement ASEAN's capabilities
- * a project should originate with ASEAN and be beneficial equally to the six members
- * a third party should not impose conditions on cooperation
- * ASEAN project sponsors should find third-party financing before proceeding with implementation

These rules are plausible but can be interpreted as restrictive. They have the effect of enhancing ASEAN cohesion with the help of ASEAN dialogue partners.

4. The Dialogue gives ASEAN International Credibility
but makes only a Minimal Impact on the Region's
Economic Fortune

The mere existence of ASEAN has achieved an increase in the combined influence of its member states. And yet, the organization has not become an important factor in world politics, nor has it equalled its potential economically and diplomatically. Consequently, in 1976 the organization agreed to employ its residual strength for enlisting the help of specific industrialized nations. The ensuing negotiations became known as the dialogue and eventually involved five free-market countries as well as two international organizations. The original enthusiasm for being part of an innovative experiment in north-south collaboration soon gave way to multilateral frustration over the inability to attain meaningful results. Innovation succumbed to bureaucracy, achievement to the structural satisfaction of regular meetings, and substance to the ephemeral glow of symbolism. Today, the dialogue is regarded as a diplomatic liability which needs the urgent input of new ideas, attainable objectives, and simplified procedures.

For the past decade of the operation of the dialogue, ASEAN and its partners settled into a low-keyed routine that belied the initial intentions of discussing mutual problems and acceptable compromises, such as a market opening and technology transfer, foreign investments and private sector activities. These became cardinal and, for lack of solution, perennial issues of the dialogue. Consequently, the parties turned to developmental assistance as something specific, measurable and subject to quantification. The dialogue process survived this early phase where it easily could have become a casualty of exaggerated expectations. But palpable disappointments linger on. Benefits have now been found in intangibles: image-building, access to information, periodic consultations, and personal contacts.

In the wake of disillusionment over substance, ASEAN turned to the establishment of a plethora of organizational mechanisms which were to intensify the process. Ambassadorial committees, economic coordinating discussions, trade groups and promotion centers, forums and commissions kept interests and discussions alive. But organizational diffusion in the end led to confusion, and the multiplicity of meetings to the inertia of routine. The stark structural facts of the dialogue forum remain: one country negotiates with six countries simultaneously; personnel involved in most contacts is below

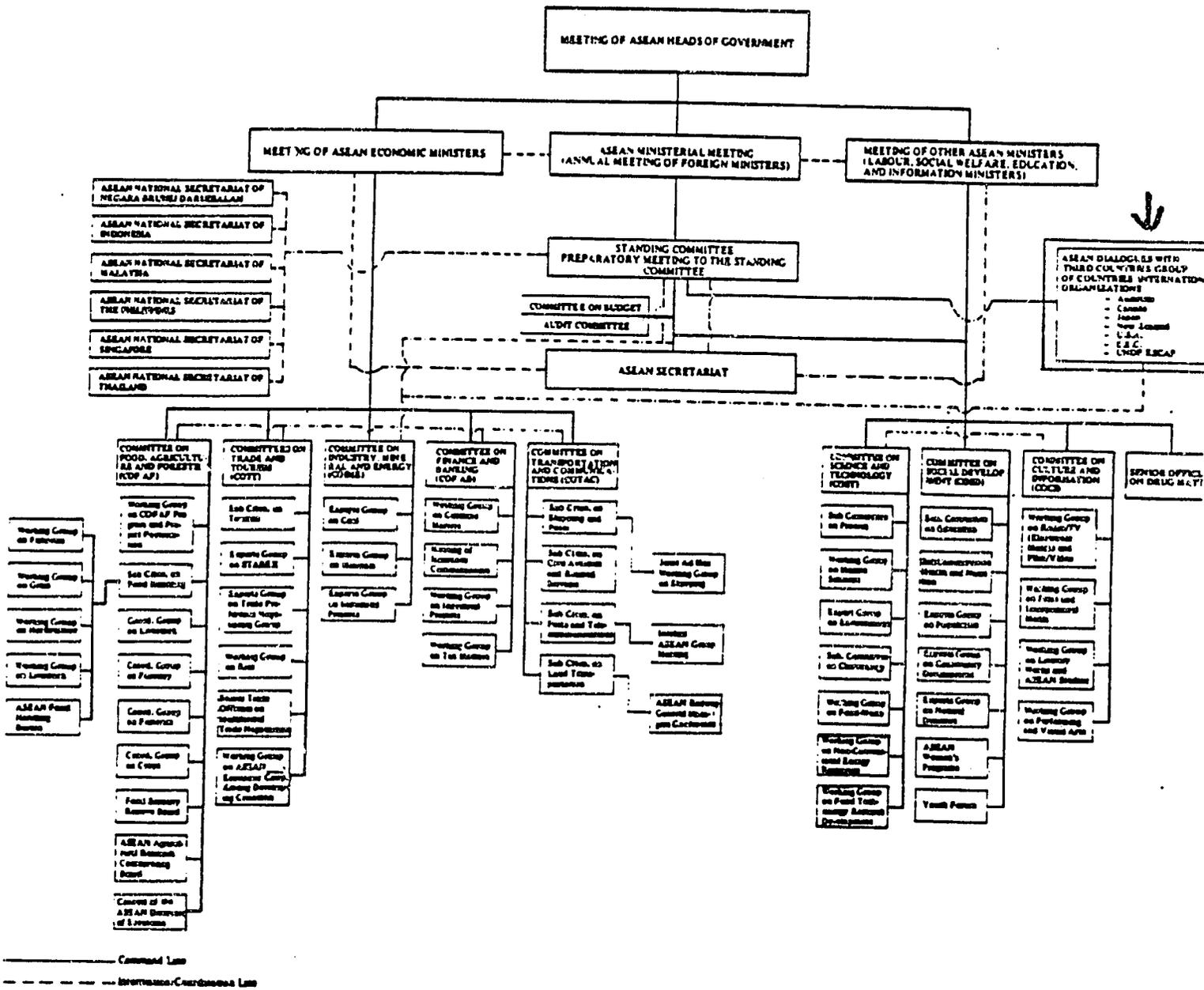
the decision-making level; productivity is circumscribed by timing.

The ASEAN dialogue is precariously located at the fringe of the organization (see diagram) although, in terms of influence, it could easily demand a more central focus. Linkage to industrialized nations has facilitated the process of ASEAN recognition and has provided it with an extra-regional platform from which to project itself and its economic objectives. Because of its significance, the dialogue process should be analyzed from time to time to save the endeavor from stagnation. This is exactly the criticism levelled against it by many senior participants, whether from ASEAN or from the United States. The communique of the recent ASEAN summit refers only to a more open and varied membership in the dialogue process. It is conceivable that other suggestions for reform may surface later during forum sessions.

Any future improvements in the dialogue should consider the following priorities:

- * simplify the procedures and structure of the process
- * reduce the number of formal meetings in preference for ongoing consultations
- * separate discussions of policy from the technical consideration of developmental assistance
- * formulate the talks not around long and repetitive agendas but by clear and attainable objectives

Diagram : The Organizational Structure of ASEAN



————— Command Line

----- Informative/Consultative Line

- * since the continued and successful existence of ASEAN is in the interest of both parties, the United States should not necessarily wait for ASEAN to propose reforms but should advance its own recommendations
- * finally, the present compartmentalization of the dialogue process (e.g. separate meetings with each dialogue partner) should be modified to allow for occasional joint program discussions which could maximize the benefits for ASEAN.

Present goals and structures should only be maintained as long as they fulfill expectations. Once there is doubt, traditional premises should be carefully reexamined.

5. Strategic but not Economic Considerations make the Difference in Dialogue Country Contributions.

The second ASEAN summit, held in Kuala Lumpur in 1977, formalized the association's itinerant contacts with developed countries and international organizations. Its Joint Press Communique prescribed that the dialogue should be "formalized ...with joint consultative groups to be established on matters of mutual interest" (para 37). Subsequently, joint economic cooperation agreements were concluded with Australia, Canada,

DEVELOPMENTAL ASSISTANCE TO ASEAN FROM DIALOGUE PARTNERS
(excluding bilateral aid)

Dial. Partner	1981		1982		1983		1984		1985	
	a	partially b	*a	partially b*	*a	partially b*	*a	partially b*	*a	partially b*
Australia	\$1.5m food hdlg; \$1.1m food techn	11	\$1m trade & inv.; \$6.98m food hdlg 4 yrs	15	\$1.2m protein 1.72m jt res. 2.3m energy 1.1m food tech 3.6m food wast.	45	\$21.85m econ. coop. progr. 0.7m energy 4.3m popul.	22	\$4.5m econ. coop. 1.4m fd habits 4.6m fd hdlg 2.5m media info 2.2m trg. 3yrs 3.6m marine sc. 1.6m sc. & tech.	27
Canada		11		6		19	\$0.8m crops post harv.	9		26
Europ. C.	\$3.6m sc. & techn. 3 yrs	20		27	\$3.6m sc. & techn.	39		21	\$1.3m prof. ski development	15
Japan	\$1m ASEAN youth sch.	9	\$1m ASEAN youth sch	12	\$1m ASEAN youth sch 0.8m reg. st	36	\$1m ASEAN youth sch 0.3m coop promotion	15	\$0.3m ind. restr. 1m ASEAN youth	27
New Zld		7		7		15		4	\$0.34m afforest.	12
U.S.A.	\$3m agr. plng 5.4m plt. qua. 5m watershed 3.1m AIT sch. 0.04m energy	13	\$6m asst	12	\$3.9m asst	13	\$5.1m asst	10	\$4.8m asst	20
UNDP	\$7.55m 4 yrs 3rd cycle	41	\$1.4m asst	38	\$1.6m asst	41		50		37
ASEAN total	\$32.25m [†]	112	\$16.46m [†]	117	\$16.57m [†]	167	\$35.24m [†]	131	\$29.07m [†]	164

*Notes: a/ refers to partial and longterm commitments but complete annual figures were not available
 b/ refers to active projects, new and ongoing. continued p.20
 † indicates only incomplete information

DEVELOPMENTAL ASSISTANCE (continued)

Dialogue Partner	<u>1986</u>		<u>1987</u>		total amount asst./period
	a	b	a	b	
Australia	\$1.8m for tree improvement 3m food techn research 1.8m microelectr 3 yrs	26	\$5m econ.coop.	32	\$54.1 mill. 1981-87
Canada		26	\$0.08m bus.counc. 0.5m tree seed center 0.6m human R.D. 0.5m scholarsh.	26	\$4.249 Million 1986-87
Europ.Comm.		13	\$8.6m aquacult. 3.6m energy trg. & research	40	
Japan	\$1m ASEAN youth scholarsh.	23	\$1m ASEAN youth scholarsh.	50	\$4,759.4 billion 1981-1986
New Zealand		11		14	\$18,54 million** 1981-85
United States	\$14m H.R.D. 5 yrs 5m livg coastal resources 4m asst	25	\$3.7m asst	29	\$35 million 1981-87
U.N.D.P.	\$9.5m 4 years 4th cycle	46	\$0.3m suppl.asst.	46	\$13.8 1982-91
ASEAN total	\$40.1m ⁺	170	\$23.88m ⁺	226	

Sources: Based entirely on ASEAN data. An Overview of ASEAN (Jakarta:Oct.1987) and Annual Reports of the ASEAN Standing Committee (1981-1987). Corroborating information from Dialogue countries was not available, except for U.S. Local currency commitments were converted at present rate of exchange to U.S.\$.

⁺ This total provides aid only on a bilateral basis which includes assistance to ASEAN.

the European Community, Japan, New Zealand, the United States and the United Nations Development Program (UNDP). They were approached by ASEAN for being developed countries with free-market economies.

Organization and procedures for the dialogue are essentially identical to those used with the United States. All dialogue partners (except the UNDP) now have joint business councils for private sector collaboration and "catch-all" human resource development projects. By far the largest amount of developmental assistance is given by Japan and Australia, both of which have strong political stakes in the region. The attached overview of aid to ASEAN provides some idea of comparability although the number of projects vary greatly in size, duration and material requirements. A more detailed description of the developmental activities of each dialogue partner should give some indication as to motives, goals, and functional interests.

Australia began its ASEAN economic contacts in 1974, and since then has participated in ten forums. Australia's contributions until the end of 1987 came to \$54.1 million (compared to \$35 million for the U.S. over the same period). Most of Australia's ASEAN development projects are concerned with aspects of food research, technology, handling and habits, protein and animal quarantine. Recently, feasibility studies

were added for joint ventures, minerals and energy development, education, consumer protection, diabetes control and population growth. More innovative are a media and information program, a forest tree improvement center, and a special visitors scheme bringing Southeast Asians to Australia for training purposes. \$5 million have tentatively been allocated for project funding during 1987/88.

By comparison, Canada's program is rather small. It began in 1981 and concentrated on trade missions and trade fairs. Later, a forest tree seed center was added as well as a scholarship fund. Industrial cooperation concentrated on joint ventures, technical management and contract arrangements. As the U.S.-Canadian free trade negotiations progressed, ASEAN showed keen interest in the proceedings and obtained a Canadian assurance that ASEAN interests would not be affected detrimentally.

The European Community also started its dialogue in 1979 but a formal cooperation agreement was not signed until 1980. Assistance changed from initial support for industrial conferences, investment seminars and missions, to drugs, grain post-harvest technology, a trade promotion center in Rotterdam, an energy management and research center in Jakarta, and an aquacultural development program. A computerized data bank has been funded as well as training in civil aviation, tourism and technical management. Two aspects of the ASEAN-E.C. dialogue

are different from others: regular joint ministerial meetings are being held and joint investment committees are being created in each ASEAN capital. If these measures prove productive, they may be considered for adoption by other partners.

Japan is the most active and accommodating partner, always willing to consult but infrequently with mutually satisfactory results. Japans demeanor has, of course, strong historical and strategic justification. On the other hand, ASEAN has shown itself to be much more critical and demanding of Tokyo than with any other dialogue partner. The result has been a more dynamic relationship with Japan, leading to a greater generosity in giving and in accepting. The highlights of such generosity are as follows:

- *the Fukuda fund of \$1 billion to assist ASEAN industrial projects
- *an ASEAN promotion center in Tokyo whose operations have just been extended until 1992.
- *a scholarship fund for ASEAN youth; it provides \$1 million annually for ten years (ending 1990).
- *\$100 million for human resource development projects, training centers and technical cooperation.
- *a 5-year regional studies promotion program and a poultry disease center for research.

\$2 billion low-interest loan package for private sector projects.

In addition, there is a Friendship Program for the 21st Century, and many individual exchanges, conferences and symposia.

New Zealand has confined its development assistance largely to agro-based projects, including an afforestation plantation, an end-use survey for wood products, and workshops on livestock and various training programs. Community aid and legal services have also received attention. In 1987, ASEAN proposed that New Zealand concentrate its initiatives on investment cooperation, tourism and institutional linkages.

Although comparatively minor in financial support, the UNDP program has produced the most diverse and numerous projects, ranging from trade to satellite communications, marine transport resources and weather modification. These efforts grew out of U.N.-financed country programs until ASEAN suggested a regional channeling of assistance. Unlike other dialogue partners, which have a Coordinator Country as a counterpart, the UNDP program is managed by the ASEAN Secretariat. The United Nations' activities are financed on a "cyclical" basis, the present fourth cycle covering the period 1987-1991, with an allocation of \$9.8 million.

This multilateral aid provided for ASEAN is only a fraction of the assistance extended to ASEAN member states on a bilateral

basis. As such, ASEAN does not view developmental assistance as a monetarily significant gesture but, rather, as a symbolic one, delivering access to technical know-how, equipment and training facilities.

6. ASEAN Sees its Relationship to the U.S. as Fulfilling a Primarily Symbolic Function

American bilateral relations with member states have been exceedingly active for many decades, contributing to economic resilience and political stability. Thus, the United States is making a valuable indirect contribution to the association itself.

Advancing regionalism as a collective goal must remain the major responsibility of the members. Dialogue partners can only peripherally support the multilateral aspirations of ASEAN through recognition and the gesture of cooperation. Ultimately, any assistance given to ASEAN is consummated on the territory of a member state. Absence of an ASEAN legal identity remains an obstacle.

Any assessment of the impact of American relations with ASEAN after ten years of cooperation cannot be overly optimistic. Recurrent cycles of collaboration have been transformed into rigid custom. Over the years, and without major crises, official relations have stagnated. They continue to

survive, usually on the strength of inter-personal rapport. The plausibility of American efforts are questioned by ASEAN. Can contributions to ASEAN itself be meaningful to all of its members?

Extra-regional assistance is depreciated by an intra-ASEAN division over the preference accorded to national and associational interests. Can American public and private assistance to ASEAN (but not bilateral) really make a difference to the prejudice of some ASEAN members against stronger integration? Future relations with ASEAN will have to be based, to a much greater extent than at present, on realism. In Washington's view, this means greater reciprocity, a better appreciation of each other's difficulties, and a concentration on goals that are better defined and more easily attainable. The dialogue process provides the machinery for turning objectives into achievements.

A large number of public agencies are involved on the American side when dealing collectively with ASEAN:

- *State Department: overall responsibility for forum discussions, acceptance of agenda and policy explanations on international economics
- *AID: negotiation, financing and partial administration of developmental projects

*Drug Enforcement Administration, Department of Justice:

cooperation with ASEAN on drug control efforts. ASEAN has a separate office for this purpose and Malaysia has taken the lead responsibility

*U.S. Information Agency: supports regional media and some educational projects with technical assistance but is operating primarily on a bilateral level

*U.S. Trade Representative: explanation of U.S. trade legislation and its effects on ASEAN; negotiation of an "ASEAN-U.S. Initiative" (AUI) which could lead to a free trade area. Officials meet occasionally with ASEAN economic Ministers and the Washington ASEAN Ambassadors

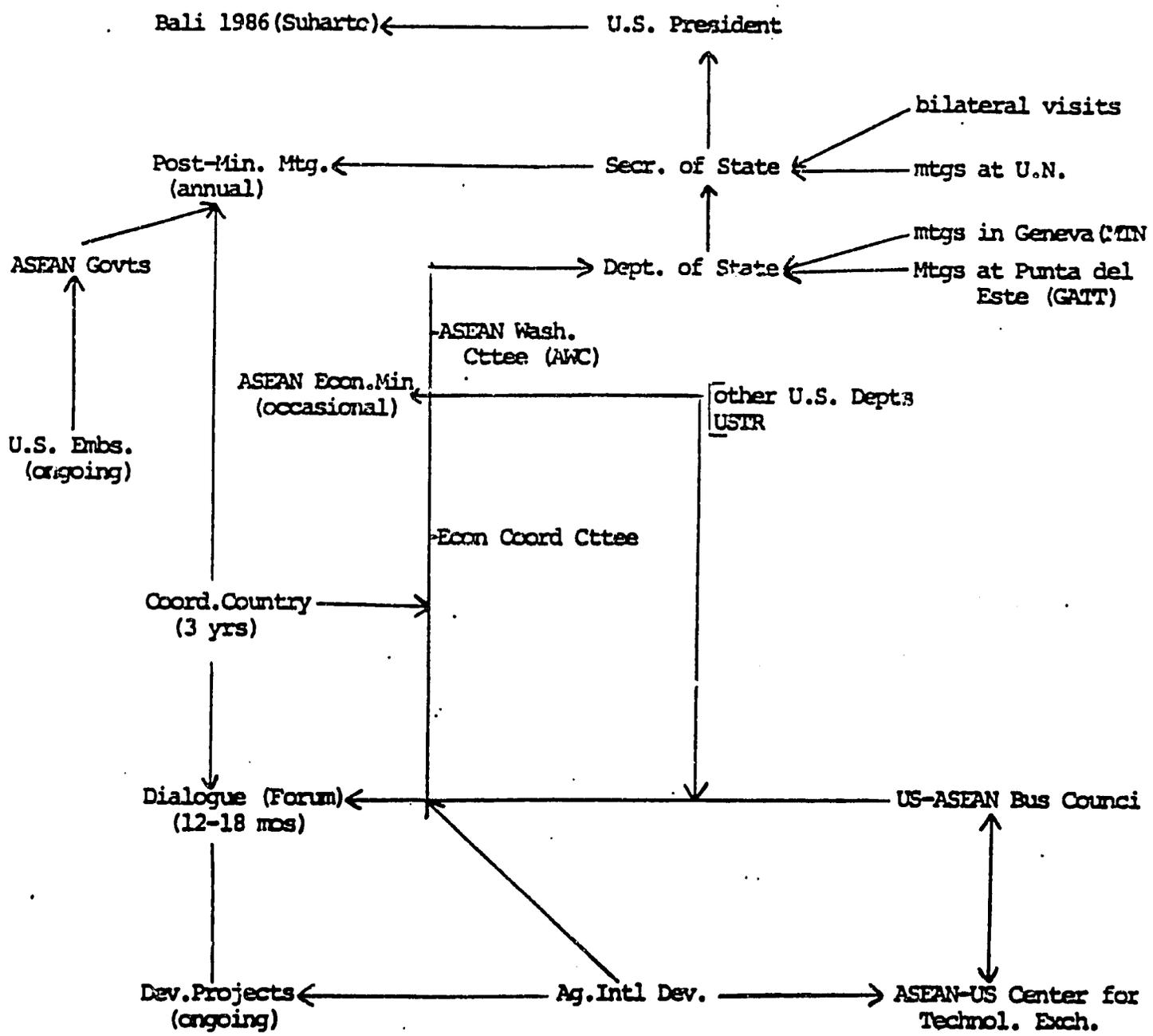
*Department of Commerce: has regional office in Singapore and looks after investment information, transfer of technology, and commercial opportunities for American companies

American private sector participation in the dialogue process is indicated in the chart at the end of this report. The U.S. Chamber of Commerce and the ASEAN Chamber of Commerce and Industry (ACCI) held their first joint conference in Manila in July 1979. This led to the establishment of an ASEAN section within the U.S. Chamber which, together with the ACCI counterpart, now comprises the U.S.-ASEAN Business Council. The

DIAGRAM : U.S. RELATIONS WITH ASEAN

in Southeast Asia

in the United States



Council holds periodic meetings, alternating between Southeast Asia and Washington, and makes recommendations to the ASEAN-U.S. Dialogue forum.

An accelerated demand for ASEAN-related services exceeding the capability of the U.S. Chamber led to the creation of a separate organization, the U.S.-ASEAN Center for Technology Exchange (USACTE). It was formally endorsed by ASEAN in 1983 and is now listed as a U.S.-sponsored project. The Center renders a regional service by expanding the access of ASEAN business to American sources of technology, capital and advice. It organizes technical missions and holds numerous specialized seminars (e.g. "Doing Business with the U.S. Military") in the region. ASEAN officials regard the Center as the most successful venture ever to be spawned by the dialogue. USACTE has become a multinational enterprise and its program dimensions are growing. As an implementing agency, it might well point to an ideal format for a productive U.S.-ASEAN linkage in the future.

Of course, other private American organizations are making seminal contributions to regional development. They include The Asia Foundation, the Rockefeller Brothers Fund, university consortia, some trade unions and church groups, among many others. Although operating throughout the region with considerable financial resources and impressive results, their

direct linkage to ASEAN (as opposed to member state governments) is minimal, if it exists at all.

Parallel to American public and private agencies engaged in the dialogue with ASEAN are the many structural units created by ASEAN to facilitate the process. They can be briefly identified (but not justified) as follows:

- *Post-Ministerial Meeting: takes place after the ASEAN foreign Ministers annual meeting; for the last five years it has been attended by Secretary Shultz and a delegation to discuss political and economic problems (topics are also discussed at other levels)
- *U.S.-ASEAN Forum: representatives of seven countries meet every one or two years for exchanging views among second-echelon officials. Developmental assistance is the concern of a subsidiary body.
- *ASEAN Washington Committee: consists of the six ASEAN Ambassadors accredited to the U.S. who make joint appeals to the U.S. Government and Congress on matters of ASEAN interest. Chairman of the AWC is temporary spokesman for ASEAN; office rotates quarterly
- *Coordinator Country: This is an ASEAN member-state chosen every three years to maintain direct and continuous contact with the dialogue partner. The Coordinator

Country also acts as biannual host for the dialogue forum when it is held in Southeast Asia. Singapore is the contact point for the U.S. until 1988 when Thailand will assume this task

*Economic Coordinating Committee: established in Washington to bring local U.S. and ASEAN embassy officials together primarily for informing ASEAN on U.S. legislation and policies which may affect the region. Meets quarterly

*AWC-USTR Contact Group: meets irregularly in Washington to discuss pending trade matters of ASEAN concern, e.g. GATT, GSP, AUI

ASEAN seeks to maintain a high profile through regular contacts and program initiatives. Washington reacts. Inevitably, there are now many duplications and redundancies in the process. Some structural blanks exist, such as the fact that American embassies in Southeast Asia are without an official who is responsible for ASEAN matters. While this may not be important in all locations, it would be advantageous in Jakarta and in the capital of the Coordinator Country.

Another blank is the case of the ASEAN economic ministers who have been virtually excluded from the economic discussions of the dialogue. A grey area still envelopes the private sector. The U.S. government sees it as a natural and full-

fledged partner when dealing with ASEAN; ASEAN, however, remains hesitant and uncomfortable in dealing with its own business community despite profuse public announcements to the contrary.

7. The ASEAN Goal: A Co-Equal Partnership with Major Policy Concessions

It cannot be sufficiently emphasized that the entire dialogue process, in concept, can be of inestimable value to the progress of ASEAN. The mere linkage to industrialized countries and the information exchanged are resources for regional development second to none. Current weaknesses in the system should not suggest that it be abolished or curtailed but that it be improved from within. What needs to be done is to be certain about specific objectives, to determine priorities, and to adhere to a definite schedule for implementation.

ASEAN is anxious for its trading partners to appreciate that regionalism is still a new experience for Southeast Asia. Such a new endeavor could be strained if extra-regional interests push for ambition supra-national projects at this time. National and communal sensitivities should be respected even if this appears as irrational to the outsider. ASEAN officials stress frequently that they do not wish to give the appearance

of having entered into a superpower-client relationship, militarily or economically. They are also concerned about being negatively affected by American economic moves in other parts of the world, whether it be a Caribbean initiative, a tin-stockpile disposal, reduced-price rice sales to China, or a possible Marshall Plan for the Philippines. Congeniality will be enhanced if it can be shown that a positive spillover effect from these ventures will occur.

A mutual feeling of uneasiness prevails about adequacies imposed by the incompatibilities of objectives, size and policy dimensions which could endanger tangible achievements. A fundamental divergence in perspectives is recognized. In its relations with ASEAN, Washington seeks a favorable political climate, solidified by economic cooperation. This essentially means providing information and presenting an affirmative attitude. ASEAN, on the other hand, comes to joint meetings in order to negotiate grievances, and it insists on avoiding subjects considered peripheral to ASEAN interests. The U.S.-ASEAN forum may not be the best catalyst for solving such basic incompatibilities in approach.

Lack of results from the dialogue has been a constant lament of ASEAN leaders. In 1983, a Memorandum of Assessment of the U.S.-ASEAN Dialogue was submitted to the fifth forum meeting in Manila. One of its major recommendations was to

hold a forum session only when necessary and then just at the ministerial level. When no modifications were adopted, another memorandum was submitted by Singapore to the 7th dialogue forum in 1986, but there was no inclination for change.

Failure to make structural corrections and an apparent inability of ASEAN to secure meaningful policy concessions from the United States (e.g. whether in textiles, agricultural exports, protectionist measures or non-tariff barriers) has led to an emphasis on developmental assistance. Project proposals suggested by ASEAN have been in abundance; they are usually specific, limited in scope, and materialistic. In this aid category, decisions could be made more easily, based on content, funding and feasibility. Acceptance of a project and the allocation of a particular amount gave substance to any communique that otherwise might have shown only an exchange of views. The project approach also proliferated because it is the standard mode of operation for ASEAN committees. Their diligence is measured by the number of projects accepted for funding by a dialogue partner.

Selection of a project by ASEAN always carries an undercurrent of irritation because six governments argue from different economic and cultural perspectives. There is no dominant strategy which determines final project choice nor

is there a proposition of what is best for the region or what should be the ultimate purpose to be achieved. Lack of such overriding ASEAN convictions gives American project suggestions a greater credence. In its assistance, the U.S. has shown a preference for training and human resource development at existing, legitimate institutions which are technically oriented and non-exclusive, and which promote growth. This is seen in the region as American assistance for improving conditions of the past and the present; ASEAN, however, wants to prepare itself for the future. Instead of creating graduates in agricultural development, crop diseases or tropical medicine, local officials prefer engineering specialists, financial experts, managers, and all the paraphernalia of the technocratic age, from investments to insurance and packaging. Greater program flexibility could accommodate both points of view.

It is difficult to find accurate records on current project status since the ASEAN secretariat has no coordinating responsibility for the specifics of project supervision. The developmental assistance program requires a more effective, centralized authority and lump-sum funding. For Japan, it has become customary to make a public announcement of the total amount set aside for ASEAN development and, subsequently, it undertakes feasibility studies on individual projects and the

modalities of disbursement. Australia prefers a comprehensive memorandum of understanding which eliminates most of the tedious repetition involved in single-project negotiations. The United States chose an omnibus project (e.g. Human Resource Development) to integrate existing and new projects, a step which has been welcomed by ASEAN. However, the ASEAN commitment of sharing 30% of the HRD project cost, while laudatory for dialogue partners, is disliked in Southeast Asia for setting a precedent.

A final point has to be made on the impact of development projects. Although there are seven dialogue partners, all providing some form of aid, there is hardly any lateral linkage between them. No doubt, experiences could be shared and mutual assistance rendered to make projects more profitable for ASEAN by approaching them on a multilateral basis. Such linkages between ASEAN and project-related agencies for the exchange of project information and possible cooperation should be considered as soon as possible. It could take the form of an annual meeting, under the chairmanship of ASEAN, attended by AID and similar agencies from the other dialogue partners.

8. The ASEAN Summit Provided Generalities for the Future but Avoided Specific Directions for Today.

When the heads of government of the six ASEAN member states met in Manila in mid-December 1987, public expectations for substantive progress were high. The optimism was based on the visual evidence of more than fifteen joint committees actively discussing new ventures for eighteen months prior to the summit event. What the people got was a public relations exercise behind the perimeters of heavy security and conference documents which showed the editorial strain of being all-inclusive. The meeting gave a demonstration of solidarity but failed on clarity of intent.

Within the framework of this paper, reference need only be made to summit discussions on the dialogue process. These were astonishingly brief, which may indicate a lack of consensus. Three decisions on preferences were made.

*additional states, groups of countries, and international institutions should be considered for inclusion in the ASEAN dialogue but such relations may not reach "full" dialogue status.

*development projects should be of medium or long-term duration and have a regional character.

*project content should focus on "trade and investment promotion, science and technology, transportation,

institutional linkages, human resource development, trade fairs, and business council activities.

Another initiative was indicated by the announcement that ASEAN's economic ministers could now meet jointly with their foreign office colleagues, "as and when necessary." While it is not obvious why the summit had to make a declaration on such a minor point, it raises the possibility of participation by the economic ministers in the dialogue process.

Although only a few topical areas for project involvement were mentioned in the context of the dialogue, the conference documents are replete with other suggestions. The "Manila Declaration" talks about "market access...tourism...flow of resources...and support for ASEAN positions in international fora." Elsewhere, reference is made to the need for a great recognition of the role of women and youth as well as "more intensified cooperation in health, labor, law, population, child survival and welfare..." Additional technical assistance is required, the conference communique elaborates, in the field of "transportation, communication and Centers of Excellence in ASEAN countries." More emphasis is to be placed "on farmers, fishermen and forestry workers on the basis of the human resource development concept," and "cooperation should cover income-generating activities."

These illustrations may suffice to indicate that ASEAN would like help for more than 50% of its population, and for almost every aspect of life. The conference documents do not admit that ASEAN member states are in better economic health than most of the rest of the Third World. No convincing case is made as to why ASEAN should receive preferential treatment when compared to countries in Latin America, Africa or elsewhere in Asia and the South Pacific. In other words, dialogue partners will have to determine on their own the form, extent and justification for developmental assistance to ASEAN.

In his opening address to the conference, Singapore's prime minister Lee Kuan Yew seemed to point to an ASEAN dilemma. Referring to Japan's initiative to increase financial cooperation with ASEAN, Prime Minister Lee concluded by saying, "The challenge now is for ASEAN countries to identify viable, worthwhile regional projects into which to channel funds and loans." This will remain the ultimate challenge to ASEAN.

II. New Initiatives in U.S.-ASEAN Relations

As 1988 gets underway, a fundamental but still subdued reappraisal is in progress in Washington as well as in ASEAN capitals concerning each other's worth in the design of future policies. The earlier effusiveness of bilateral contacts and

multilateral negotiations has been replaced by a more sobering pragmatism which begins to question basic credibility.

The United States, a national election and the final year of a presidency are dictating different priorities. Attention has returned to the interplay of global forces. A more conciliatory relationship with the Soviet Union has underscored the current mood for joint resolution of potential conflicts. Unilateral actions which could escalate enmity are frowned upon. As the nuclear deterrent is eagerly dismantled, scant regard is given to the regional consequences that now, more than ever, focus on conventional armaments. The solution to increasing economic problems lies with the industrialized states which, in turn, centers new policy formulation on western Europe and Japan. The epitaph for the Reagan presidency seeks global peace and domestic tranquility, issues for which Southeast Asia can contribute only insignificantly. Thus, Washington's relations with ASEAN member states will be correct and perfunctory but not characterized by either generosity or innovation.

These trends of enforced aloofness have not escaped the notice of Southeast Asian leaders. Largely independent of changing American attitudes, ASEAN has begun its own re-assessment of the United States. To a considerable extent, Washington is ceasing to be a formidable player in regional

affairs. In view of American economic difficulties, ASEAN is realizing that its expanding exports can no longer be accommodated by access to the American market. A diversification of markets requires reorientation in politics. In comparison to Japan, U.S. aid and local investments have declined and are expected to become even less in the future; U.S. protectionist lobbies and the Washington administration's rather strong-handed tactics in forcing regional adaptation to national laws (e.g. intellectual property rights and copyright legislation) in exchange for G.S.P. privileges, has raised a storm of public indignation in ASEAN countries.

Severe ASEAN criticism is also levelled against U.S. security policies in the area. American base negotiations in the Philippines have placed ASEAN in an unexpected collective quandry of whether to support or not to support the installations. U.S. rejection of the South Pacific non-nuclear treaty, despite the fact that it was written with Washington's objections in mind, has further raised Southeast Asian irritation. This mood was aggravated when the U.S. discarded consideration of ASEAN's own proposal for a nuclear weapon free zone even before it was publicized. American encouragement for an extension of Japan's security perimeter as well as the delivery of military equipment to China were just two more elements in a seemingly unending list of

ASEAN disenchantment. In political terms, too, there were some negative trends. The western press in the region has been severely curtailed, American human rights movements are being disregarded, and disagreement in general is growing.

It is against this background of an incremental myopia that prospective relations between the United States and ASEAN should be viewed. Bureaucratic routing will keep contacts and collaboration alive, but the dynamism of years past is not expected to return.

1. A Framework for Future Relations*

As ASEAN prepares for change, the world keeps moving. The competitive forces of international commerce are challenging the traditional notions of export-oriented economies. More than ever, regions will be affected by the distress of single states. Such interdependence dictates cooperation. The resultant regional consensus produces a minimal common

*During the course of 1987, the writer visited Southeast Asia twice to discuss with the Secretary General of the ASEAN Secretariat, Directors-General of ASEAN national secretariats, and senior ministry of foreign affairs officials in the region possible new directions in U.S.-ASEAN relations. Many of the ideas and conclusions emanating from these discussions are reflected in the following pages.

denominator which can lead to lost opportunities in the dialogue as well as in ASEAN initiatives. Some member states hope to recoup bilaterally what they could not achieve collectively.

Increasingly, however, Washington seems to eschew special bilateral linkages which tend to draw the United States into undesirable but endemic local conflicts. Multilateralism, which combines developed and developing states, seems to erode in favor of industrialized nations acting in concert. This encumbers the ASEAN dialogue with an inherent dilemma.

The premise of American diplomacy in Southeast Asia is that ASEAN will survive and grow. Yet, American willingness to assist in advancing ASEAN intentions is by no means boundless. Washington does not anticipate receiving an evenly-shared return in material coinage. It does expect, however, that ASEAN will make constructive progress as a result of its indigenous efforts, and that it will remain sympathetic to western values in its internal development as well as in its international relations.

Nonetheless, searching for a new momentum in ASEAN policies is the responsibility of its members. They will have to determine pace and modalities of future collaboration with the United States. Washington can accelerate this difficult process by accepting proposed innovations and by considering some policy adjustments itself.

- a. Elevate Regionalism. Beset by internal uncertainties, ASEAN is in urgent need of external reassurance. The United States can assist ASEAN by further improving its global image, stressing the collective gains made over the twenty years of its existence. Its formula for cooperation has been a success and should be projected to other areas which give evidence of incipient regionalism. Even Secretary Shultz emphasized that "What is most impressive about ASEAN is its role as a prototype....its significance extends well beyond Southeast Asia." The U.S. could encourage ASEAN to regard regionalism as an exportable commodity by supporting inter-regional studies and new forms of cooperation with the South Pacific and South Asia.
- b. Make Decisions at the ASEAN Annual Meeting. Another objective could be to transform the annual post-ministerial conference (PMC) into major event of the dialogue process. A mere exchange of information (which is duplicated at various ASEAN contact levels) should be secondary to policy formulation, culminating in decisions. Officials accompanying the Secretary of State should not just be an entourage but they should be involved in serious preliminary and parallel discussions, reaching specific recommendations for

ministerial approval. The inclusion of economic ministers could add to substance. If preparations could concentrate on a more comprehensive and productive meeting at mid-year, it could replace some of the lower-echelon meetings held throughout the year (e.g. the forum).

The objective of the dialogue should not be multitudinous contact opportunities but to address clearly defined policy problems that require analysis and solution. Efficiency dictates that the dialogue be conducted at only two levels: at the annual ministerial meeting in Southeast Asia and in Washington with the various resident committees. The former aims at decisions, the latter at the examination of mutual concerns requiring resolution.

- c. Promote Greater Coordination in Washington. ASEAN's most influential representation in Washington is the ambassadorial committee (AWC) which still has only inferior functions and whose frame of reference should be updated. Daily and continuous contact with American officials can make the AWC a superior negotiating instrument for ASEAN interests. Likewise, any follow-up on outstanding issues not resolved by the PMC can be given

immediate attention by the ASEAN ambassadors. Their duties as country representatives could at times inhibit the performance of ASEAN functions. Since expert information on ASEAN is a rare commodity in Washington, and since economic discussions are growing in complexity, the U.S. may want to encourage ASEAN to dispatch a senior economic official to Washington for handling all ASEAN-related matters while remaining accountable to the Chairman of the AWC. The presence of such a resident official could inspire the local dialogue and focus greater public attention on ASEAN.

The Washington Economic Coordinating Committee for the U.S. and ASEAN (ECC), which brings officials of both parties together on a quarterly basis, is fulfilling an extremely useful function by giving early and primary attention to joint problems. Again, there is duplication with the annual or biannual forum. By expanding the authority of the ECC, problems can be resolved more immediately than at the forum. The ECC could also involve experts and decision-makers who may not be available for a forum meeting. The only issue which would eventually need to be added to the ECC agenda is development assistance, which could expedite the project approval process. Major consideration in the ECC could be given

to political framework discussions for projects and possible Congressional conditions for funding.

- d. Streamline Development Assistance. Two aspects are basic to the process. One is the American concept of its foreign aid responsibility, the other ASEAN's own expectations about volume, format and policy input. For the United States, the grant impact could be greater with concentration on a well defined developmental objective that avoids a dispersal of aid from plant quarantine and energy conservation to drug use prevention and small business training. With a narrower focus for assistance, for example human resource development or accelerated industrialization, the consequences for ASEAN would be more imminent and apparent.

There are three other elements of the process whose implications should be pondered by the United States. One is that ASEAN now considers itself capable and prepared to operate its own development program, from project design to evaluation and financial audit. In this case, the future role of the U.S. could be limited to deciding which proposed projects to support and at what level of funding. The second element is ASEAN's willingness (as expressed in the HRD project) to underwrite part of the total program cost.

Should this principle prevail, a dialogue partner could choose a method of funding which matches, doubles or triples every ASEAN dollar invested in regional developmental projects.

A third consideration should be devoted to U.S.-sponsored projects which were initiated years ago and are being kept operational through periodic renewal of grants. Since the practice substantially reduces available funds for new projects, it would be reasonable to explore whether and when ASEAN might be prepared to continue successful projects with its own resources.

However, ASEAN is not without its own preferences. ASEAN's preferences can best be described as follows:

*Senior sources within ASEAN have repeatedly stressed that while they appreciate the fiscal support for projects, local resources would be sufficient to pay for their cost. ("Money is no object," the writer was told frequently). A higher value is credited to the type of technology transfer, the contribution of projects to development, and the degree of independence attained through project output.

*Assistance to ASEAN should truly be "regional." ASEAN understands this to mean that each member state "gets a share of the action." A donor's claim for a regional center to

satisfy this goal is rejected by ASEAN. The mere establishment of a center in, for instance, Indonesia would, ASEAN argues, give the host country more access to foreign resources and the accompanying infrastructure. Ultimately, this logic would point to direct assistance to ASEAN as an organization, with disbursements made by the ASEAN secretariat to projects entirely chosen by ASEAN committees.

*The ASEAN summit as well as the senior ASEAN private sector G-14 emphatically endorsed the idea that ASEAN-foreign donor projects should be mid-to-long term and concentrate on major "policy-shaping" project proposals. Nevertheless, individual training, conferences, seminars and observation tours, etc., which have been supported in the past, remain educationally valuable for inter-regional exchange. Such minor, short-term events are less likely to be funded by domestic sources in Southeast Asia. Therefore, it is hoped that USIA will continue its past assistance. The Asia Foundation has also been very successful in this format of assistance and should be enabled to expand its vital micro-approach. For USAID, however, it is definitely preferable to emphasize the large "impact-producing" and "policy-shaping" projects which ASEAN itself is now soliciting.

2. A Reduction of Policy Constraints in Trade and Investments.

Imperfections in trade mechanisms limit the ASEAN commodity market. Producer-country participation in processing, transportation, marketing and distribution is still minimal. As soon as raw materials are processed in Southeast Asia, their exportation as milled rice, sawn timber or refined palm oil faces additional tariffs. For example, freight rates for processed rubber from Malaysia to the U.S. market are three times higher than the shipment of latex. This effective protection against processed products needs to be reconsidered although it is evident that the consequences of protectionism make a lesser impact than commodity price instability. ASEAN has agreed to reduce intra-regional tariffs by 50% of its current level over a five-year period, and to implement an immediate standstill of all non-tariff barriers. These internal concessions should gradually be extended to cover extra-regional trading partners.

a. The problem: Protectionism and Non-tariff Barriers.

Foreign barriers to U.S. exports should be removed to the same extent as American import restrictions. Ultimately, rules of free trade should govern U.S.-ASEAN relations. However, obstacles to this goal will be considerable. Singapore is already virtually duty-free and, for this reason, is reluctant to agree to a regional common market which would inevitably impose restraints on extra-regional trade. Other ASEAN member states

have different reasons for opposing greater trade liberalization. So far, Indonesia and the Philippines maintain the greatest number of restrictions; Singapore and Malaysia the least. Yet regional interest in a free-trade zone, as expressed in the ASEAN-U.S. Initiative (AUI) has been increasing, and the subject has become a formal negotiating point between the two parties.

b. Program Suggestion: A U.S.-ASEAN Private Commission on the Feasibility of Free Trade. Free trade areas (FTAs) are bi-laterally negotiated agreements to reduce over a minimal period all tariffs and quota restrictions between the two parties. FTAs are permitted under Article XXIV of the General Agreement on Tariffs and Trade. The U.S. has concluded such an agreement with Israel and, in December 1987, with Canada. U.S. Treasury Secretary James Baker voiced receptivity of the concept by favoring a market liberalization approach through "minilateral" arrangements, and by using the Canadian agreement as a model.

The idea of a U.S.-ASEAN FTA was first broached by then U.S. Trade Representative William Brock in 1983 and, since 1986, ASEAN has actively pursued the concept through AUI. In 1987, Secretary Shultz suggested formation of an inter-governmental committee in Washington for exploring the concept. The complexity of the subject, and the difficulty of

negotiating with six different trading partners at the same time, implies many years of negotiation. The primary beneficiary would be the private sector which is, so far, absent from the talks.

USAID could take the initiative for facilitating frequent and, if necessary, extended meetings of ASEAN and U.S. representatives from the respective business communities. Their task would be to examine FTA costs and benefits to the private sector, paralleling governmental discussions. The U.S.-ASEAN Business Council would probably be willing to establish a U.S.-ASEAN commission on FTA and to formulate its terms of reference. No doubt, these would include elimination of tariff and non-tariff barriers over a specific period, a ban on import and export quotas, and easing of investment restrictions and arrangements for arbitration and other forms of dispute settlement. Most likely, numerous feasibility studies would have to be prepared on the potential impact of certain measures on participating countries.

In the process, it would become apparent whether ASEAN could agree on regional standards of negotiations or whether it would be preferable to envisage a more circumscribed effort, one which would involve only two or three ASEAN member states in an experimental FTA, leaving total inclusion of all members to a later date. Whatever the final format, private sector

participation in the preparatory work for a Southeast Asian FTA could be of invaluable benefit to official governmental negotiations and for thorough public orientation on the subject.

3. The Commercialization of Technology Transfer.

Technology is crucial for the capacity to grow, but it rarely crosses borders without some form of Payment. The volume of transfer that has taken place to ASEAN countries cannot be accurately assessed since only Malaysia and the Philippines regulate the import of new technology. Apparently, most of the new technology enters a country with arrival of a multinational company. The appropriateness of technology is critical; it is usually best suited for the environment in which it was produced. Consequently, local Southeast Asian production of new technology will have to be stimulated through transmission of literature, training, and industrial personnel exchanges. Existence of skills, knowledge and procedures are just as important as innovative machinery. Training must accompany acquisition. Industrial research in ASEAN member states is minimal and linked to foreign-affiliated firms.

a. The Problem: Educated Unemployment in Southeast Asia.

An educational revolution is now in progress in most of the ASEAN member states, one that will bring a surge in technological absorption capacity. One consequence will be that

within five years, American companies will be unable to rely on a low-wage labor supply in Southeast Asia. Already at this time, the region's universities are turning out highly qualified professionals, supplemented by thousands who received training in the natural sciences abroad. Many cannot be absorbed by local industries for lack of adequate technology at the work place and insufficient remuneration. The result is educated unemployment, which comes close to 90,000 in the ASEAN region.

b. Program Suggestion: Linkage-building in Higher Education.

More graduates are not immediately required but ASEAN universities and affiliated institutes need a more highly developed research component to develop and adapt technologies for the region's industrial growth.

The institutional linkages suggested here are between educational laboratories (e.g. MIT, Stanford, Pittsburgh etc.) that could be induced to transplant some of their basic concepts, techniques and equipment to qualified ASEAN institutions. The goal would be to bring about a local partnership between industry and government for sponsoring industrial research of importance to national development, and for American universities and institutes to assist their Southeast Asian counterparts in being prepared to respond to such public and private demands.

Most likely, a feasibility study could identify suitable partners, the means of initiating cooperation, the potential demands of the private sector, and the requirements for making these technical laboratories self-sufficient in personnel, equipment and funding. This method of technology transfer could prove to be of broader significance than company-specific imports of machinery. It should be expected, however, that all ASEAN countries would want to secure such a research facility through linkage with an American institution.

4. Towards Improving the Financial Infrastructure

ASEAN member states are competing with each other for soliciting capital and services from overseas. Nonetheless, there are policy similarities for foreign investors which include a quota system for indigenous participation, exclusion of land ownership, a preference for investments that show a high technological content, good export value and extensive use of local manpower. Under the impact of an uncertain economic future, the trend in ASEAN countries is to replace restrictions with a greater liberality. However, improvements take time and are by no means either universal or comprehensive.

a. The Problem: An Absence of a Regional Investment Guarantee. Although the heads of governments in their Manila meeting assured everyone in their joint communique that "measures would be adopted to attract direct foreign investments," it was the only specific

reference to foreign investments one could find in the 22-page document. More was said about intra-ASEAN investments which were to be encouraged to comprise at least 10% of total foreign investments by the end of the century. To this effect, the ASEAN economic ministers signed an agreement which purports to protect ASEAN investments.

Foreign investors remain the responsibility of national governments. ASEAN has no uniform investment code. Conditions differ from country to country, with varying degrees of reassurance. Since domestic markets in the region are small, foreign investors may have to look to neighboring countries for diversifying their investments and their product distribution. Comprehensive regional information is necessary. In any case, potential American investors are faced with major obstacles such as local restraints, lack of pertinent data, and the absence of an organizational vehicle for renegotiating existing conditions.

b. Program Suggestion: Formation of Joint Investment Committees (JICs)

The objectives of the JICs could be fourfold: to keep an accurate and up-to-date roster of local investment conditions, to identify appropriate investment opportunities, to negotiate improvement in terms and conditions, and to

provide comparable investment information on the U.S., primarily for the large institutional investor.

To a certain extent, these tasks are already undertaken, but on a fragmented basis, by embassies, foreign governments, private investors and the chamber of American business abroad. By bringing these four elements together, the thrust of joint recommendations could more easily achieve common objectives. Regular meetings of the JIC would insure continuing attention to various forms of investment, and would provide a contact point for interested parties. Most important, periodic reports of findings and conditions, publicly available regionally and overseas, would promote information dissemination.

It should be remembered that ASEAN and the European Community agreed in principle to establish such JICs, although implementation has been lagging behind original intentions. Composition and goals are also different. The Establishment of U.S.-ASEAN JICs, after joint approval, would be the responsibility of the U.S. Embassy or the U.S. ASEAN business Council. Again, USAID outlay will be minimal, possibly limited to production and distribution of committee findings. Making the JICs rapidly operational would be in the interest of both parties and should have a positive effect on the prevailing climate for foreign business involvement in the region.

5. Overcoming Legal and Administrative Barriers to Cooperation.

Development of the region is circumscribed by the reality of economic conditions and political criteria. They impose definite limitations on productivity unless they can be adapted to the requirements of policy. There are also contemporary controlling factors which diminish the impetus for cooperation. Some of these are rules or practices which only ASEAN can rectify. They include the stipulation that any assistance to the organization itself cannot be at the expense of bilateral ventures. Another is ASEAN's non-existent legal status which has some debilitating features. The association's unwillingness to accept more advanced integrative positions inhibits foreign assistance as does the minimal involvement of ASEAN's economic ministers. These limitations should be reviewed as to their presumed irremovability.

a. The Problem: Lack of Mutual Understanding. Constraints to cooperation are numerous, some inevitable, others self-imposed, and the remainder habits of policy or procedure. However, many of these apparent barriers to collaboration are only misunderstandings or misinformed reactions which can be overcome with good intentions on both sides.

Perhaps with the partial exception of USACTE, U.S. assistance has been exclusively concentrated on ASEAN individuals or regional

institutions. Totally missing in this approach is the American public, which needs to be better informed about ASEAN, regional opportunities and U.S. activities in the area. Without substantial U.S.-based endeavors, increasing private support for American initiatives in the region cannot be expected. Future USAID projects, as well as those of the U.S.-ASEAN Business Council, must shift their focus to attract American participation in some form aside from the occasional provision of American experts. Otherwise, in the perceptions formed by American public opinion, Southeast Asia will continue to linger on the fringes of U.S. interests.

b. Program Suggestion: Interparliamentary Contacts.

To overcome the void in American understanding of ASEAN and to justify U.S. regional involvement, many strata of American society need to be exposed to an intense educational campaign on the subject of Southeast Asia. A better informed American public can be expected to deepen and to accelerate U.S. relations with the ASEAN region, with a greater emphasis on private sector initiatives. An organization in the United States can be given the task of arranging inter-personal and inter-institutional contacts, perhaps arranging three to four new linkages per year. The parties involved in these contacts can include home exchanges, student groups, professional societies, universities, consumer associations and trade unions,

among others. After the first few initial meetings, it should be anticipated that these inter-agency contacts will be self-prepetuating and self-supporting.

* Perhaps an introductory project could be to increase U.S. Congressional awareness of the particular concerns of ASEAN governments. Periodic meetings or seminars could be encouraged with Southeast ASian counterparts on mutual topical interests, e.g. commodity price stabilization, intellectual property protection, collective security, etc. Increasing mutual recognition of each other's problems through the media and the educational communities could easily be the engine for greater mobilization of U.S.-ASEAN relations.

6. Information Formulation and Dissemination.

Most likely, the greatest progress made in Southeast Asian countries over the past few years has been in the mechanics of receiving information. Radios are in abundance in the smallest of rural households; television centers have been established in the community halls of the remotest villages; Indonesia's BALAPPA satellite provides a multitude of channels on a commercial basis for regional news distribution; middle class homes in urban areas have video equipment and ample software for educational and entertainment purposes; small computers and word processors can be found in most offices. High literacy rates guarantee extensive use of the equipment and its inherent opportunities.

Obviously, then, the problem is not HOW but WHAT. The control and even censorship of information is all-pervasive, from government ownership of the essential media to licensing and editor selection. Local production facilities, journalistic training, and the importation of news material are limited and strictly supervised. Levels of permissibility vary from country to country, with the Philippines considered to be the most liberal, followed by Thailand.

a. The Problem: A Curtailment of Press Freedom.

Malaysia de-registered three popular newspapers in October 1987 for unspecified reasons. Singapore periodically discontinues distribution of TIME, the FAR EASTERN ECONOMIC REVIEW and the ASIAN WALL STREET JOURNAL. Indonesia expelled Australian and American journalists. Local reporters are subject to incarceration for their stories throughout the region. Western wire services are being severely criticized for "slanted" reporting. Some files, newscasts and periodicals are prohibited from entering the countries. Regulation of information is advocated as being in the national interest.

b. Program Suggestion: Creation of a Regional Press Center.

This can be a sensitive and highly volatile issue but needs to be explored. Its initial objective should be a "neutral" provision of services: basic skills training, topical seminars,

modern media machinery, a subject-concentrated library, facilities and opportunities for informal professional meetings of regional and extra-regional practitioners and, perhaps, a temporary home for international news services.

The ultimate goal would be to find a common denominator between western ideals of press freedom and Third World concepts of information management. Once a mutually acceptable basis has been found, future activities can be built on this foundation.

7. The Need for Conceptual Studies.

The region's countries have an excellent reservoir of university-trained professionals who are eager to supplement their meager income by using their skills in an extra-curricular capacity. Most of them, however, are government employees in some form which makes them subject to retribution or indirect coercion for activities outside governmental norms. In other words, indigenous manpower exists for expert studies if the product can be used with non-attribution.

a. The Problem: Avoidance of Basic Issues. Obviously, the handicap is neither the dearth of professionals nor the absence of suitable research topics, but the availability of local government support for a research topic. All regional countries require prior permission for undertaking research that involves interviewing of government officials and consultation of government documents. In most instances, this

procedure can be side-stepped through informal arrangements and the selection of non-sensitive subjects. Working with a quasi-governmental institute can further facilitate the work.

Choice of a pertinent topic must gain ASEAN approval, it must be of regional utility, it must contribute to the solution of an existing problem, it must be of relevance to U.S. interests, and it must be feasible in its execution. Two topics come to mind which would fulfill all of these criteria.

b. Program Suggestion: the problem of intra-regional mitigation and Defining a regional role for the ASEAN private sector. As for the first topic, illegal movement across regional borders has substantially increased in its dimensions. Regional observers suggest that it may involve almost two million people who enter neighboring countries for essentially economic gain. This number is supplemented by about 500,000 workers who are regularly employed as foreign nationals but who did not necessarily obtain legitimate entry. Various restrictions are attached to their employment. A third category are political refugees, mainly transients seeking temporary shelter in a neighboring country until improved conditions allow for their return. This again involves about 300,000 people in the region. In summary,

this problem is acute, volatile, and begs for positive steps of redress.

Governments have made tentative bilateral arrangements without seeking regional solution. Since borders are too long and largely unprotected, determined travellers cannot be physically stopped from illegal entry. Expulsion of large numbers does not facilitate good relations nor prevent a future reentry. Can there be eventual assimilation? How is the local labor market affected by the influx of "cheap" labor? Is a foreign guest worker program feasible? Is a free movement of labor within ASEAN advisable, similar to arrangements in the European Community? Can regional mobility be legalized in some form? Is there a possibility for a regional code of labor? These are some of the elements which should be addressed in a feasibility study whose findings would be of equal concern to all ASEAN member states.

The second proposed topic, a regional role for the private sector, is currently most pertinent. Individual governments, as well as ASEAN as a collective entity, have made strong and perennial appeals for support of the business community. In response, the ASEAN Chamber of Commerce and Industry (ACCI) has organized itself to match ASEAN's structure for achieving better cooperative results. Its expert "Group of 14" has made a considerable impact during 1987 with a week-long conference

and a subsequent report, THE WAY FORWARD. Greater liberalization of intra-ASEAN trade and implementation of the "Joint Venture" scheme were the results of private sector initiatives which were accepted by ASEAN. Such ASEAN acceptance is slow, very selective, and normally applied with many modifications. The consequence has been an increasingly disenchanted private sector in ASEAN.

It could be extremely useful to find an operational mode which could transform the dynamism of the business community into progress for ASEAN itself. How can this be effected? What structural changes are necessary to accommodate the ASEAN private sector? Is mere consultation sufficient? Can the ASEAN people play a greater participatory role in the progress of ASEAN? Can ACCI representatives be ex-officio members of ASEAN committees? In what way can the various ASEAN business councils be more productive instruments for ASEAN policy formulation? These are just some of the issues which should be examined for a more rewarding fusion of private sector energy and the implementing authority of ASEAN.

Studies can be undertaken over a period of three months, and the completed products would be made available to ASEAN for distribution and consideration. Approval of conceptual studies at the U.S.-ASEAN forum level should imply substantive support for research by ASEAN officials and ASEAN committees.

8. Export and Investment Promotion.

Suggestions that exports and investments, with all their subsidiary tasks and ramifications, are the life-blood of U.S.-ASEAN relations would be to state the obvious. How both components can be further enhanced for the benefit of both parties has been a frequent subject of dialogue sessions. Many recommendations for improvement have been made, and some of them have been implemented with varying results. Their potential has not been fully exploited. Reference here is to the trade promotion centers in Rotterdam and Tokyo. Nothing similar exists in the United States.

a. The Problem: The non-existence of ASEAN in the American public's consciousness. The absence of American awareness of ASEAN, and of U.S. relations with the region, has already been previously stressed. It is necessary to realize that the mere continuation of joint projects in the region, while useful, cannot really advance multilateral efforts; an American public dimension needs to be added to give new motivation, new impetus, and a new challenge to U.S.-ASEAN relations. A serious effort has to be made in this country for broader information on this subject in order to create a more evenly-balanced approach to joint endeavors. The rewards can be manifold.

b. Program Suggestion: A U.S.-ASEAN Center for Trade Promotion and Research (CTPR). Such a center would operate exclusively in the United States (as opposed to USACTE whose emphasis is on regional efforts in the member states) and thus fill an absolute void in ASEAN-focussed activities in this country. Among other tasks, the SPTR would offer a central location for exhibition of ASEAN export goods and information, provide facts for American business for getting involved in the region, arrange for travelling exhibits, conferences and symposia, assist with the earlier mentioned establishment of inter-institutional linkages, be available for consultations on commercial aspects of U.S. regional activities, collect data on investment conditions and distribute the earlier suggested review, publish a U.S.-ASEAN newsletter in the U.S., and perform research on economic opportunities as well as joint economic problems.

Many of the recommended center functions cannot, of course, be initiated simultaneously. Washington would be a good location for access to government and embassy information, but small regional offices can eventually be contemplated. They would maintain close contact with the regional offices of the Department of Commerce (for local enquiries about Southeast Asian trade and investment) and with ASEAN member state commercial offices (for flow of data

and country advice). It would certainly be useful for ASEAN to attach an ASEAN official to the CPTR for individual business consultation and a linkage to ASEAN itself. The ASEAN Washington Committee of ambassadors could be helpful on the Center's board and for possible joint activities in conjunction with ASEAN conferences and economic meetings around the country.

The nucleus for such a venture already exists with the shared interests of a small group of people in the Washington area under the guidance of ambassadors Leonard Unger and Edward Masters. They could presumably be mobilized to undertake preliminary work. This type of project would also fit ASEAN's search for major, long-term programs with great potential impact. Project funding for start-up activities would be required but it is quite conceivable that substantial future financing could be generated through services. With dialogue approval, a subsequent feasibility study could provide the realistic dimensions for such a project.

9. Alternatives to a USAID Approach.

In a simplified fashion, the present working arrangements provide for USAID to assume responsibility for the disbursement of development funds to ASEAN. Although this includes the largest portion of grant aid, other regional activities are conducted by some U.S. government agencies (e.g. USIA,

DEA) without central coordination. Project agreements are signed with ASEAN member states on whose territories the greater part of a project activity takes place. A careful rotation among countries is adhered to. In most instances, USAID will assume the task of project design, funding, management through selection and appointment of experts, general supervision and evaluation. In the process, USAID engages American sub-contractors to provide technical expertise and required equipment. In some cases, a local agent is appointed in the region to coordinate daily logistics.

The consequences of such an arrangement are that responsibilities are dissipated, the transfer of needed funds may be delayed, and overheads are often larger than would seem inherently necessary given the resources and skills available within ASEAN. The ASEAN machinery for project management is not yet in place, but current USAID machinery for project management is not yet in place, but current USAID practices relieve the association of developing such a capacity.

a. Third Party Program Coordinators. The question is whether USAID can limit its own involvement essentially to funding by delegating other necessary functions to a third party. This could be a foundation, an endowment, or any other private entity with regional experience. Before an answer is explored, it may be useful to summarize the ASEAN case on the subject of project administration.

As ASEAN increases its contributions to project costs, its demands for an enlarged management role grows. Although no explicit development strategy exists, ASEAN claims a readiness to determine project priorities and the ability to devise a timetable for accomplishing specific tasks. ASEAN wishes to have the final say in project selection, prefers to name its own experts or sub-contractors, and would like to have appropriated funds up-front and in toto instead of the present method of dispersed and incremental project financing. ASEAN generally feels that its own professional resources are greatly underestimated. The association's willingness to assume a dominant role in project management does not coincide with its presently available structure nor with the frame of reference given to committees and the departments of the ASEAN secretariat.

During the interim period until ASEAN is realistically able to assume full project responsibility, it would be entirely suitable for USAID to delegate the functions of project design, management, supervision and evaluation to a locally resident, non-governmental organization (American or Asian). This NGO would have to maintain a very close working relationship with ASEAN, it should handle a maximum number of projects, and it should not further sub-contract. In this way, funds could be conserved and supervisory functions brought closer to the ASEAN center.

b. An ASEAN Development Assistant Fund. Ultimate planning within USAID may be aimed toward a different scenario. If ASEAN were seriously committed to assuming full project responsibility, ministerial meetings could determine ASEAN's priorities, the functional committees could prepare project designs, and a better staffed ASEAN secretariat could accept supervision and financial management of projects. As part of this arrangement, ASEAN would be expected to create a general ASEAN DEVELOPMENTAL ASSISTANCE FUND (ADAF) into which member states and dialogue partners would be encouraged to deposit their agreed-upon contributions on an annual basis. This assistance would be a U.S. government determined share of an ASEAN submitted budget estimate for all regional development costs. ASEAN refers to this estimate as an integrated project list which would describe all proposed projects, the costs, and possible locations. Any U.S. recommendations and stipulations would be made a condition of payment. However, ASEAN would be expected to assume all responsibility for implementation, evaluation, and regular disbursement of funds to individual projects.

For a dialogue partner in the future, participation in ASEAN development would entail an annual budget negotiation

and perhaps a USAID visit to Jakarta for a required audit and an information exchange. Such an overall arrangement could significantly simplify what is currently a bureaucratic headache. By assuming greater responsibilities than at present, ASEAN would have to reorder some of its priorities, implement the tasks accorded to the secretariat, and thus move ASEAN on to new ground.

10. The Multinational Element in Development Assistance.

The ASEAN method of dealing with each of the seven dialogue partners separately has served no useful purpose except for adding substantially to the volume of travel budgets. Preparations have to be duplicated seven times, prior consultation meetings in the region are multiplied, and the same senior ASEAN officials who attend one dialogue meeting also have to attend the other six forums during the remainder of the year. Their availability for conducting ASEAN business in the region is seriously curtailed.

Dialogue partners also feel completely isolated in their attempts to assist the region. There is no comparative information easily obtainable as to subject, or on the quality and quantity of aid by other dialogue partners. Such information could indicate the focus for future assistance projects and show possible areas which have been neglected in the past. A pooling of dialogue partner efforts and of

assistance projects and show possible areas which have been neglected in the past. A pooling of dialogue partner efforts and of assistance data would definitely be an advantage for a more well-rounded development effort.

There is also an economic benefit for reviewing ASEAN development needs in as comprehensive a mode as possible, instead of through piecemeal propositions. ASEAN could make a concerted presentation, comparing needs with growth objectives and indigenous resources, citing the balance of funds available for this purpose, as well as personnel and equipment required and dialogue partner contributions. No doubt, this method could attract greater donor interest.

a. Development Strategy and an Integrated List. In order for ASEAN to determine development priorities, it is of utmost importance to prepare a long-term strategy with short-term tactical goals. A timetable for achieving specific objectives becomes indispensable. A general outline of a strategy was agreed upon at the recent Manila summit, but it is replete with generalities and seeks accomplishments in extra-regional efforts rather than in member sacrifices. Perhaps the national development plans of member states have to become the primary source for a regional listing of strategic objectives. Little work has been done on the mutuality of national development plans, and little account has been taken in these documents

of the existence of ASEAN and its potential contributions for the satisfaction of national needs.

Of further help to dialogue partners would be an integrated project list. Projects are currently listed only after they have been approved or are operative. The ASEAN secretariat, with the assistance of ASEAN functional committees, should be induced to prepare a comprehensive listing of ASEAN-desired projects, complete with a priority ranking, cost estimates per project, a description of design and anticipated date of completion if implemented, and a preferred location. Such a list could be circulated among dialogue partners for review and possible decision on sponsorship. Such procedure would save a tremendous amount of time in joint meetings and would place the burden of project preparation on ASEAN, where it belongs.

b. A Joint Meeting of Project Sponsors. Coordination of ASEAN developmental assistance has been recognized only by its omission from forum agenda. Decisions are confined to a vacuum, in which one party is never aware of the contributions of another dialogue partner. The impact of developmental assistance can never be measured against the experience accumulated by the other countries.

For this reason, it would be extremely useful if, once a year, the assistance agencies from the dialogue countries

could meet in Jakarta for an exchange of information and experience. It is quite possible that in such sessions, further areas of cooperation could be defined, perhaps even with an occasional joint funding of major projects. Such a session would also enable ASEAN to discuss new aspects of its development strategy, project management, and fiscal operation. It would also afford the opportunity to determine available technical expertise in the country of a dialogue partner. Such an annual meeting would be called by and held under the chairmanship of ASEAN. This approach would have a positive effect on the overall program. It might, finally, obviate the need for developmental assistance to be discussed at length in the U.S.-ASEAN forum.