

# ASEAN and the rise of a new interstate order in the Pacific Rim

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## Abstract

This paper analyzes incentives that aim at deepening the existing economic relations between the different ASEAN nations. The environment supporting these incentives has progressed so far that national leaders in the region are relinquishing long-held views regarding national sovereignty. The development, understandably, does not always occur by voluntary choice. Case studies will provide the necessary source material for both this research and for a methodological analysis. ASEAN's economic integration turns increasingly into a new reality. This process does not happen without setbacks. The American withdrawal from the Trans-Pacific Partnership, initiated by the Trump Administration, can be perceived as the most recent major obstacle that the further ASEAN integration encountered. Despite this change of direction in Washington's foreign policy, plenty of other initiatives for further regional integration still exist. The disappearance of boundaries and a closer political-economic integration seem to be foreseeable results on the still distant horizon. The existing Westphalian order in this part of the world is waning and a new system of intergovernmental relations is on the rise.

**Keywords:** AEC, AFTA, APEC, ASEAN, free trade agreements, FTAAP, RCEP, TPP, Westphalian Order

## 1. New Global Framework?

The purpose of this section is to give context concerning what the Westphalian system is about and how there is now emerging an alternative structure that potentially can replace the traditional Western-centric interstate order. In fact, the significance of this transformation is that non-state actors are becoming more relevant and empowered. When looking at Southeast Asia specifically, the rise and increasing importance of ASEAN since 1967 is notable regarding how this particular regional intergovernmental organization has become the key engine and venue for economic integration and political coordination. Furthermore, the elevation of China as a global superpower since the dawn of the 21<sup>st</sup> century has led to speculation concerning the manner international relations will be conducted perhaps along a more Sino-oriented structure. States remain essential units of analysis but the concept of "communities" and "markets" are forcing a rethink.

## 2. Methodology

The research approach utilized for this paper is qualitative and primarily exploratory concerning focus of the subject matter. By employing this method one can gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem or helps to develop ideas or hypotheses. Being qualitative in nature, the paper will be both descriptive and analytical yet close on a predictive note. The topic revolves the transformation of the Asia-Pacific, both politically and economically, from a bastion of independent, sovereign states to a realm of interdependent, integrated markets. Additionally, a

qualitative research approach is more suitable to uncover trends in thought and opinions, and dive deeper into the problem. Theoretically speaking, it can be argued that the Westphalian interstate order is a social construct, which has been tied to the concepts of sovereignty and borders as well as to states being the preeminent units of analysis in the study of international relations. Also, it is Western-centric. From this premise, the research framework of the paper looks at the emergence of a post-Westphalian structure where the concepts of sovereignty and borders are being redefined (as well as challenged) and where non-state actors are the leading drivers for change and integration (e.g. Association of Southeast Asian Nations and Asia Pacific Economic Cooperation). Equally significant, due to the advent of China as a global superpower, it must be entertained that a post-Westphalian interstate order may be dominated by Chinese characteristics.

A case study focus will be implemented, revolving around the ASEAN community and its centrality to the economic integration that is occurring across the Asia-Pacific region today. Greater commercial and investment activity between states have resulted in the proliferation of trade agreements (e.g. Trans-Pacific Partnership, Regional Comprehensive Economic Partnership, and Free Trade Area of the Asia Pacific) that heighten interdependency and more “open borders”, thereby oxidizing the underpinnings of the traditional Westphalian structure. It must be mentioned that case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Moreover, partial historical comparison will be undertaken between the processes of economic integration experienced by Europe and Southeast Asia since the end of World War II. Such an approach permits the paper to move into the arena of constrained prognostication.

Finally, the paper’s methodology is anchored by a primary research question and two supporting secondary questions.

First of all, how will new generation free trade proposals like the TPP and the RCEP advance the integration of ASEAN as a single political and economic unit?

Secondly, what is ASEAN centrality and how will it enable the ASEAN community to migrate into a more manifest post-Westphalian order and benefit from the resultant transformation of the Asia-Pacific? Likewise, with the near simultaneous appearance of the TPP and the RCEP and their subsequent association with superpower sponsorship (TPP and the United States, RCEP and China), will there be a pivot to APEC’s long recommended Free Trade Area of the Asia-Pacific as the most inclusive and rational choice?

### **3. Westphalian Order**

#### **1. Definition**

The Westphalian Order was initiated by the Treaties of Westphalia, signed in both Münster and Osnabrück. They marked the end of the devastating Thirty Years’ War. Within this framework, the state was understood as possessing unlimited sovereignty over its territory, at the same time being an independent subject in the conduct of international affairs. The model of the state was rising as a form of power, elevated to a monstrous shape in Thomas Hobbes’ *Leviathan* from 1651.

The Westphalian model prevailed for a long period of time and became the pattern for the modern nation state. The outcome of the Treaties of Westphalia even strongly influenced the framework of the United Nations, founded in 1945, almost 3 centuries later (Bordoni, 2013).

#### **4. Post-Westphalian Order**

This Westphalian model seems to be highly endangered as a result of developments in the late 20<sup>th</sup> and early 21<sup>st</sup> century, related to an increasing level of globalization. It ultimately undermines the sovereignty of established nation states (Bordoni, 2013). The loss of power,

that modern states experience, namely in form of global economic crises and refugee streams, seems to mark the end of the Westphalian model and the rise of a post-Westphalian one. Here it is important to clearly differ both terms from one another. While Bordoni calls the current, disappearing order “post-Westphalian” (Bordoni, 2013), other scholars call the current order “Westphalian” and the rising one “post-Westphalian”. This paper will apply the latter definition and not follow Bordoni’s. We currently are witnessing how elements of control, formerly belonging to the state, are shifting to trade blocs and supranational organizations.

### ***Trade Blocs***

Trade blocs require a minimum set of common legal standards and regulations, agreed between their members and effecting the sovereignty of nation states. The degree to which nation states are effected, can vary strongly: it depends on how integrated the trade blocs are. While the NAFTA (North American Free Trade Agreement) is relatively limited, the EU (European Union) is the most advanced one in terms of integration. It is also the largest trade bloc on the planet, followed by NAFTA, MERCOSUR and AFTA (ASEAN Free Trade Area).

The EU clearly is a success model, even if not without odds. Founded in 1992 by 12 member nations, with Germany and France as the driving core, it succeeded various predecessor organizations (European Economic Community, European Community). By 2013, following several previous enlargement phases in 1995, 2004 and 2007, 28 member states had joined. The EU is not only a trade bloc, but 19 of its membership nations also use a common currency, the Euro, issued by the European Central Bank (ECB), located in Frankfurt am Main. The Euro has been used since 2002, but has for most times of its existence been the subject of major concern that directly connects to initial failures in the construction of the EU. While the EU is economically a giant, it is politically impotent at the same time. Its member states act often divided on important burning issues (currency crisis, refugee crisis) and the cohesion effect is disappearing: in 2016, the United Kingdom, one of the most powerful member states, decided to leave the trade bloc. With this, we witness an important indicator for the limitations of trade blocs: they cannot supersede all of the functions of a nation state.

### ***International Organizations***

The establishment of functioning, permanent international organizations (IOs) dates back to the 19<sup>th</sup> century. The probably best known one is the United Nations (UNO or UN), founded in 1945, to establish a post-World War II order, following on its less successful predecessor organization, the League of Nations. 193 of 195 US recognized nations on the planet are member states (as of August 2017). The degree of cohesion within the UN is understandably low. One example for the lack of executive power was the report of the MacBride Commission, presented to UNESCO conferences from 1978 until 1980, about global inequalities with regards to communication and media access. The governments of the USA and the UK opposed it and it did not result in the intended change (Pickard, 2007).

Similarly, the invasion of the country of Iraq in 2003, conducted by the USA and its Allies, happened in opposition to important UN member states and without being permitted by an UN resolution. On the other hand, UN permitted military actions needed strong nation states to lead the military forces into combat, such as in the Korean War (1950 – 1953) and in the Gulf War (1991), where troops, operating under UN mandate, were in both cases led by the United States. It is interesting to know, that the country of Iraq was during the Desert Storm campaign in 1991 not only subject of a military action against it, permitted by the UN, but also a member state of the UN itself. This indicates, how limited the degree of cohesion among UN member states themselves really is, but also how fragile is the concept of national sovereignty.

Other key international organizations in existence today are multinational corporations (MNCs), whose origins are reaching back to the early 17<sup>th</sup> century and to the British and the Dutch East India Companies. They owned authority not only to engage in trade relations, but also to govern in the colonies of their nations. The MNCs of the 20<sup>th</sup> and the 21<sup>st</sup> century are large entities, stretching across nation states. Through means of lobbying, they are extremely influential in political terms and can exercise their will, making governments partly and in a limited way act on their behalf. Their economic power can be stronger than the annual gross domestic product (GDP) of an entire nation state: the company Walmart generated in 2016 a revenue of over \$482 billion, larger than the taxes of the Netherlands, Spain, Australia (Rodionova, 2016).

Another special form of international organization that challenges directly the power of states is modern, organized crime. A notable example was the cocaine trafficking Cali Cartel, based in the city of the same name in Colombia. It acted like a corporation. In the city of Cali, the cartel leaders were the real authority, far more powerful than the government in distant Bogotá. In the 1990s, its money and political influence undermined the functioning of Colombian government, jurisdiction, police and military to a large extent and to cartel benefits. Its operations extended over continents and included for example drug trafficking routes from Colombia via Central America into the United States, where its headquarter was located in New York. Related modern crime syndicates are and remain a threat to the power of the nation state. But whatever its shape and modus operandi, the traditional notion of sovereignty is becoming diluted and a post-Westphalian system is beginning to take root.

## **I. From Fragmentation to Community**

The purpose of this section is to provide the reader with a sense of the tremendous historical changes that have taken place in Southeast Asia since the end of World War II. In fact, it is crucial to understand the evolution of the region from a colonial possession to ideologically-divided independent states to a more closely linked community of nations. Furthermore, there are certain parallels to the building of integrated regional communities in other parts of the world, such as in Europe, which the reader will identify.

### **A. Colonial Domains**

The majority of the lands that nowadays form the organization ASEAN, belonged until the mid of the 20<sup>th</sup> century to different colonial empires. The most important one in this part of the world was the Dutch empire, ruling what would later become Indonesia. Important was also history's largest colonial empire, the British Empire, owning territories, from which later independent Burma (nowadays Myanmar), Malaysia, Brunei and Singapore would emerge. Indochina was under French control: the territory where Laos, Vietnam and Cambodia were located. Neighboring Thailand was the only nation, that was nominally independent and the Philippines were in the unique situation of being a colony of the United States: of a country that once had emerged from 13 colonies itself. The major event that changed the situation of the mainly European empires, was World War II and the Japanese invasion that took place in the years of 1941 and 1942.

### **B. Independence**

The course of World War II had demonstrated to the peoples in South East Asia, how weakened the position of their European colonial masters was. That another Asian power, the Japanese Empire, was capable of conquering Britain's stronghold Singapore in 1942 so quickly, send a signal to all the nationalist movements in the underground that the time had come to overthrow the old order. After the surrender of the Japanese forces to the Allies in 1945, they were fighting for independence. While in some countries, the transitions into sovereignty were

peaceful, they were brutal in others. Burma, Malaya (later the core region of Malaysia) and Brunei reached their freedom from the British on a rather peaceful way. In a similar way did the Philippines become independent from the United States, even receiving their independence on a 4<sup>th</sup> of July, the same day and month, when America had declared its own in 1776. Indonesian nationalists had to fight against their Dutch colonial masters: the heaviest single battle took place in Surabaya, Java, in 1946. But the worst conflict was the Indochina War. The French tried to prevent the independence of Vietnam, Laos and Cambodia. They lost against the charismatic Vietnamese leader Hồ Chí Minh, while the decisive battle took place in Điện Biên Phủ, in 1954. At this time, probably no one knew that this was just the prologue leading into the Vietnamese Civil War, one of the bloodiest conflicts in the 2<sup>nd</sup> half of the 20<sup>th</sup> century, resulting into a major US involvement in the region that ended like the French endeavor: with a defeat.

### C. ASEAN

In 1967, this intergovernmental organization was established with the Bangkok Declaration. Its aim was and is to promote collaboration on various levels of society. A strong focus is on economic growth. The initial member states were Malaysia, Singapore, the Philippines, Thailand and Indonesia. The latter is now in terms of size and population the most important one. It is no coincidence that the Secretariat of ASEAN is located in its capital city Jakarta. While the 5 countries are located in the same part of the world, they are quite diverse. Malaysia and Indonesia are to the largest extent Muslims countries and similar to one another in terms of language and culture. Thailand and Singapore were strongly influenced by Buddhism, whereby Singapore was a young, mainly Chinese settlement, dating back to the 19<sup>th</sup> century and established by the British. It had split off from Malaysia only 2 years before the ASEAN foundation. Next to this, the Philippines present a special case. As a Catholic country, it was of all newly independent nations in the strongest way influenced by the process of colonization: especially in the centuries under Spanish rule. Not only is it the most Christianized country in Asia, but also in terms of culture probably closer to Latin America than to its Asian neighbors.

#### 1. From Five to Ten

ASEAN was later joined by five other nations: Brunei, Cambodia, Laos, Vietnam and Myanmar. It has not changed the status of Indonesia as the most important of the ASEAN nations in terms of landmass, economic product and population. But it surely has increased the already existing diversity: with Laos and Vietnam, two socialist countries joined, both nominally still communist. This is remarkable, remembering that in the initial years of ASEAN's existence, the fear of communism was a driving force behind the newly established collaboration. Also the economic income situation of the member states is very diverse: while Laos is a very poor country with immense hunger problems, Singapore and Brunei are rich and highly developed. The human development standard in Thailand and Malaysia is still regarded as high (even if below the one in Singapore and Brunei), and above the one in countries like Vietnam and the Philippines. Also, the six major economies in the region are many times larger than the four remaining ones. Despite the inequality between the member nations is there confidence with regard to the current situation: "ASEAN nations' strategy of export-orientated growth and trade openness has resulted in rapid rates of economic progress in the last few decades, lifting millions out of poverty," writes Aédán Mordecai in "The Diplomat" (Mordecai 2017).



#### **D. AFTA**

The Asian Free Trade Agreement (AFTA) was signed in 1992 in Singapore by the six ASEAN members Indonesia, Malaysia, Thailand, Singapore, Brunei and the Philippines, resulting in the creation of a trade bloc. Vietnam joined 3 years later, followed by Myanmar and Laos in the year of the Asian crisis. The last country to join the trade bloc was Cambodia in 1999. Its aim is basically to increase the economic competitiveness of the region and to promote local manufacture. This is supported by reduced trade tariffs between the membership countries. In addition, an increase of investment from outside ASEAN is desired. Responsible for the handling of AFTA matters are the trade and customs authorities in the membership countries. In case of controversies, regarding AFTA affairs, bilateral solutions between the involved countries have to be found. The ASEAN secretariat possesses no authority in those matters – another hint how strong the position of the nation state still is (AFTA 1998).

#### **E. AEC**

The ASEAN Economic Community (AEC), established in 2015, marks the youngest step with regards to integrating the region in economic terms. Main goal is, similar to the European Union, to establish a single market within the region. At the same time, free movement of goods, services and skilled labor shall be enabled. This future ASEAN market is supposed to be integrated into the global economy. An example for regional economic integration already exists in the border area of Indonesia, the Philippines, Brunei and Malaysia, living space for 70 million people. This initiative was launched in 1994. As one of the next steps in terms of integration, the focus is on the banking systems of the membership nations. Until 2020, it is planned to adapt them to each other, while expanding them within the region at the same time. This still creates hurdles, as administrative barriers need to be diminished. An example of a sector that requires more liberalization and improvement would be the banking and finance industry.

For other nations such as the Philippines, the transition process might even be harder, as it must fear not to be competitive enough (ASEAN 2017). The final step could be, as it already happened in the EU, to adopt a common currency. In order to make this happen, economic disparity between membership countries does urgently need to be reduced. Otherwise, ASEAN is doomed to suffer of similar currency problems as the Euro zone is experiencing them right now. As the income gaps in Europe are not as diverse as in AEC membership countries, potential future currency troubles could even be worse, if not handled carefully. A last concern is at the same time fundamental to Consumerism: the assurance of providing enough quality food to ASEAN citizens. The US Food and Drug Act from 1906 serves as one of the earliest and most important examples for addressing consumerist concerns. It might have served as an inspiration for ASEAN needs (Frith/Mueller 2003).

## **II. Economic Integration 4.0**

The purpose of this section is to define and to illustrate how the process of economic integration has progressed from the basic reduction of tariffs and non-tariff barriers to deeper and wider linkages between national economies that have legal, technological, social, and cultural ramifications. In fact, discussions about integration today not only touch upon the connection of markets through trade agreements but also cover how contemporary economic arrangements are leading to an erosion of traditional state sovereignty as well as to the diminishment of borders as the principal cornerstones of the interstate order. Actually, the provisions contained within trade agreements nowadays push for the creation of post-Westphalian regional communities and the centrality of non-state actors in international affairs.

Upon close examination of the historical evolution of economic cooperation and integration in the Asia Pacific region, it can be argued that many countries have experienced a flourishing in their respective economic, political, cultural and social spheres. It also has accelerated the process of global interconnectivity between the Asia Pacific and the rest of the world. Economic integration in the Asia Pacific region refers to trade, commercial, and investment arrangements entered into by governments, but it also involves the interaction of peoples and societies.

Accordingly, these linkages enable the national economy to achieve some degree of integration that can improve the country's position in the global marketplace. Since the late 1980s, trade barriers have been reduced or eliminated and now goods, capital and labor can flow more freely across the Asia Pacific as governments have implemented policies and measures to draw their national economies closer together. Fast forward to today and the economic system in the Asia Pacific region is much more open, interrelated and interdependent. Economic integration across the Asia Pacific has changed the pattern of national development and changed the way of life of people. It has transformed the marketplace, making it more open and free, offering both more opportunities and challenges. For instance, it has promoted rapid economic development by eliminating trade barriers between countries and increasing the efficient utilization of resources in the region. As a result, the quality of production has improved in many countries, markets have expanded, competitiveness has been boosted, and productivity levels have been raised.

In addition, the process has permitted countries to form good relationships of cooperation to ease tensions and to promote interdependence, particularly with regards to supply chains. But the economic integration of the 21<sup>st</sup> century is much more comprehensive than a simple preferential trade agreement of the 1990s. Presently, the Asia-Pacific region is moving towards a horizon that is defined by deeper and wider interconnectivity, not only on an economic level, but also on a political, legal, technological, and socio-cultural level. The recent US withdrawal from the Transpacific Partnership (TPP) has shaken the Asia-Pacific region, causing governments and stakeholders in this part of the world to ask why the United States has escaped the agreement that was perceived to enhance its economic and strategic interests in the region. Doubts about the long-lasting advantages of bilateral free trade agreements and the broad rebound in global trade have pushed further the necessity of economic arrangements that create a web of multilevel linkages that bind national markets closer. The TPP is such an endeavor, but not the only one. At the same time, important economic, technological and institutional developments are rapidly changing the nature of trade and investment, creating new opportunities and challenges for companies of all sizes as well as individual entrepreneurs. Such a trend is obligating governments to surrender more power and authority thereby redefining national sovereignty.

### **III. Many Roads, One Destination**

The purpose of this section is to highlight the advent of a several ambitious trade arrangements that aim to create a single economic market in the Asia-Pacific region. In fact, it is these trade agreement proposals that are heralding the growth of a post-Westphalian structure, with ASEAN playing a pivotal role.

#### **A. TPP**

The Trans-Pacific Partnership (TPP), is a massive trade agreement, accounting for 40% of the world's economic output (BBC, 2017). Inclusive of eleven countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, the TPP was signed in February 2016 and came to be associated closely with the

Obama Administration. The primary intention of the pact is to promote trade by slashing tariffs to create deeper economic ties, and eventually economic prosperity. Members of the TPP also have expressed an expectation for eventual progression into economic and political regulation, similar to that seen in the European Union. Before the agreement could come into force, all prospective members had to ratify their decision. The trade union included the United States, until President Donald Trump announced the country's retraction on the basis that the TPP presented more of a loss than a gain for the US. Other parties to the agreement regarded the participation of the United States in the TPP as essential due to the economic influence the country holds in markets around the world. Therefore, the US withdrawal signified uncertainty for the future as difficulties abound in region-wide acceptance of the TPP as the cornerstone of a 21<sup>st</sup> century Asia Pacific community (Rodionova, 2016).

Previously encompassing 12 Pacific Rim countries, it would have included approximately 800 million people, double that of the EU's internal market. The TPP is a remarkable agreement in that it incorporates labor rights, environmental protections, and regulatory measures. Moreover, the trade agreement is centered on the fastest growing region in the world, which witnessed economic growth of 8% in 2012 (Meltzer, 2012). The Pacific Rim presents great economic opportunities for multinational corporations and local business enterprises, which can enhance the overall economy of the Asia-Pacific as well as boost the health of the global economy. Some critics still believe the TPP serves primarily the economic and financial interests of the US and aims to assert US dominance across the region at the expense of free trade and commercial liberalization (Stiglitz, 2014). Additionally, now that the US has withdrawn, some governments are questioning the true benefits.

Japan has stated that the agreement does not have the same value now that the US has left from the TPP (BBC, 2017). For the 11 remaining members, the future does not look as bright as it did before. Still, the TPP is not just significant to the participating members, but to the world as well. Considering that the Asia Pacific accounts for about 50% of free trade and 60% of global GDP, these figures illustrated its importance to sustained global economic growth. Promoting development, establishing rules of trade and commerce, and strengthening the US relationship with partners and allies, the TPP assists in reinforcing US economic linkages to the region and, by extension, maintaining its primacy of the global marketplace (Office of the United States Trade Representative, 2015, October 04). By removing tariffs and trade barriers, companies are more able to conduct business more freely in those national economies that are part of the TPP. Indeed, the benefits of foreign direct investment are predicted to increase dramatically across the Pacific Rim (O'Flaherty, n.d).

## **B. RCEP**

The Regional Comprehensive Economic Partnership is a proposed free trade agreement. It is an arrangement that includes the 10 ASEAN nations of Thailand, Singapore, Cambodia, Malaysia, Philippines, Brunei Darussalam, Vietnam, Laos, Myanmar, and Indonesia, with an additional six members being China, Australia, India, Japan, New Zealand and South Korea. The reason behind launching the negotiations of the RCEP was to reach the goal of a high quality, comprehensive, and mutually benefiting economic partnership between the members of ASEAN and the organization's Asian partners. The RCEP started in late 2013 and it covers different sectors: intellectual property, e-commerce, trade in goods, investment, small and medium enterprises (SMEs), trade in services, economic and technical cooperation, dispute settlement, competition and other issues. One thing that is very unique with the RCEP is that three of the largest economies in Asia are involved. China, India and Japan's presence in the RCEP constitutes a major strength for the trade arrangement. India and China are regarded as two countries with the fastest growing national economies in the world.



With a population of almost 3.5 billion people, the RCEP community stands to be the biggest trade bloc if ratified, dominating 30% of global trade and 40% of the world's GDP. The RCEP promotes broad economic integration with its proposed open trade and investment marketplace through an FTA arrangement that takes into account the efficacy of gradualism in bringing together diverse economies. Equally important, being inclusive is something the RCEP understands and recognizes as vital to the success and sustainability of any project aiming for economic interconnectivity. In fact, the RCEP enables SMEs to leverage their local advantages to expand their business operations into other markets on a measured basis.

More than 90% of SMEs – small and medium-sized businesses make up the economic activity in all countries participating in the RCEP. The endogenous development of national economies is crucial for regional integration and the establishment of an interconnected and functioning community. Furthermore, the RCEP has mechanisms meant to deal with potential turbulent externalities concerning trade liberalization and globalization. For large corporations, the RCEP plays a huge role, and it presents a lot of commercial and investment opportunities throughout the East Asian region, the hub of the global economy today. There are 16 countries that are participating in the RCEP and this stands for nearly half of the entire world's population. Trade barriers will be lowered, thereby permitting services and goods to have improved market access. As noted, the agreement accounts for 40% of the global economy.

For countries like China and India that do not have an existing bilateral free trade agreement in place, it is expected that the RCEP will be very beneficial for both Beijing and New Delhi. Indeed, the RCEP possesses the capacity to convert Asia into the world's new manufacturing hub because of its inclusion of three of the world's largest economies: China, Japan, and India. The creation of both a production and supply chain network throughout the RCEP trade bloc is something that can elevate significantly the development levels of all the participating members as well as increase its attractiveness as an investment destination. Accordingly, the RCEP provides a great opportunity for Asian economic growth in general, and opportunities for the advancement of a well-integrated ASEAN community, more specifically (ASEAN, 2016).

### **C. FTAAP**

After years of discussions, APEC members committed themselves in 2014 to take the final step in approving a long-term free trade agreement for the Asia-Pacific, thereby turning the vision into a reality. However, converting the idea into an actual initiative took time. In fact, the proposal for a Pacific Ocean Free Trade Agreement had been discussed initially in 1966, though APEC did not formally deliberate the concept until its 2006 summit meeting in Hanoi (Bergsten, 2007). The Free Trade Agreement of the Asia Pacific (FTAAP), involves the following 21 Pacific Rim economies: Canada, United States, Mexico, Peru, Chile, Russia, South Korea, Japan, Taiwan, Vietnam, Philippines, Brunei, Indonesia, Papua New Guinea, Australia, New Zealand, Singapore, Malaysia, Thailand, Hong Kong and China (Graphics, 2014). These same economies also are a part of the Asia-Pacific Economic Cooperation (APEC). Indeed, creating a free trade bloc encompassing the entire Asia Pacific has been one of the goals of the forum. Similarly, the development and construction of a wide-ranging trade framework for the region were issue-areas covered by the agreement.

What the FTAAP proposes is to connect all of the Pacific Rim economies from Chile to China, even the United States. By bridging the gap between the TPP and the RCEP, advocates of the initiative argue that there may be more opportunities and benefits with the actualization of the FTAAP. But now that the United States has withdrawn from the TPP the future remains uncertain for the establishment of an integrated Asia Pacific economic community.

Nonetheless, at the moment, the most viable option for the realization of a trans-Pacific free trade bloc is the RCEP, yet the FTAAP continues to be an unexplored alternative (China Daily, 2016). Calling for the elimination of trade barriers for the region, the FTAAP is an ambitious project as it seeks to create an inclusive free trade zone that is founded upon the principles of neoliberalism (Bergsten, 2016). In comparison to other regional trade agreements that have been proposed, the FTAAP has the advantage in that both the United States and China are included in the arrangement. Furthermore, the FTAAP is a lot larger than the TPP regarding membership, with the FTAAP counting 21 economies and the TPP revolving around 11 countries. Likewise, the FTAAP became a more feasible option to exercise after the 2014 APEC summit meeting in Beijing when it was announced that the forum would launch “a collective strategic study” of the initiative (Ministry of Commerce PRC, 2014). Interestingly, now that the Trump Administration has removed the United States from the TPP, talk has turned to the possibility of the FTAAP functioning as a “bridge” between the competing economic agendas of the United States and China concerning the Pacific Rim, as Washington is not a party to the RCEP.

By aiming to create a free trade zone, the FTAAP significantly expands not only regional economic growth, but also interconnectivity. Perhaps, more importantly, this arrangement is the first Asia Pacific free trade pact where both the United States and China are members, which potentially can boost economic development throughout the Pacific Rim and, in particular, stimulate international trade and commerce. But in order for the global economy to evolve, it is said that the United States and China must cooperate and agree first on binding rules for trade, commerce, investment and finance affecting the Asia Pacific, only then can the twin goals of progress and prosperity be achieved and sustained globally. With the participation of both the United States and China, the agreement can open up a future that is more integrated and open rather than a future characterized by division and restrictions. No matter which free trade agreement prevails, whether it be the Trans-Pacific Partnership or the Regional Comprehensive Economic Partnership, the Pacific Rim is dependent on both the US and China, as the world's first and second largest economies, to reach an accommodation that revolves around the construction of an inclusive and thriving Asia-Pacific community (Brilliant, 2016).

#### **IV. Looking Beyond the Present**

The purpose of this section is to provide some concluding remarks about ASEAN and its move into a post-Westphalian environment, where states are markets/supply chains and these markets/supply chains, in turn, function as the nuclei of vibrant cross-border communities. Moreover, these national markets find themselves inextricably linked to the same central hub of economic activity in the Asia-Pacific, whether it be China or the United States. In fact, there will be an examination of the concept of ASEAN centrality and APEC's relevance as a key pillar for an integrated Asia-Pacific community, despite all the media attention given to the TPP and RCEP. Finally, the paper's findings will be put forward and the main research questions revisited.

##### **A. ASEAN Centrality**

The concept of ASEAN centrality has drawn the interest of International Relations researchers since regional integration began to take place such as ASEAN+3 Process in 1997 and the first East Asia Summit (EAS) in 2005. So far, regional integration in East Asia and the Asia-Pacific are seen through several regional mechanisms such as the ASEAN+3 Summit, East Asia Summit, ASEAN Regional Forum, and Asia Pacific Economic Cooperation (APEC). At the 4<sup>th</sup> East Asia Summit in October 2009 in Thailand, Australia also proposed the idea of Asia Pacific Community by stating that ASEAN is the core of this newly-proposed regional architecture (Ministry of Foreign Affairs of Japan, 2009). It can be stated that whatever

proposal involving regional integration in East Asia or in Asia Pacific, ASEAN is key. Furthermore, besides political cooperation, Corbett and Umezaki (2009), in their executive summary, conclude that ASEAN Economic Community (AEC) is also at the hub of economic integration in East Asia. Therefore, ASEAN is the hub of both political and economic cooperation in the region. However, there are many challenges. According to Hernandez (2008), ASEAN is needed to be the driving force of the regional community building efforts due to rivalry not only between China and Japan, but also between China and the United States. In other words, ASEAN is just “the driving force by default” while other key regional players are competing with each other for influence and future leadership in the region.

However, there has been no official definition of the term “ASEAN centrality” and a clear-cut approach on how to promote it. According to ASEAN’s Political and Security Community Blueprint (ASEAN Secretariat, 2016), in order to strengthen the centrality of the organization in regional cooperation and community building, ASEAN must fulfill certain criteria. These include the following: “... initiate, host, chair and/or co-chair activities and meetings with Dialogue Partners within the context of ASEAN+3, EAS, and the ASEAN Regional Forum (ARF); initiate and implement concrete cooperation activities; advance ARF towards Preventive Diplomacy; and enhance coordination in ASEAN’s external relations and regional and multilateral fora.” For instance, ASEAN has been chairing and hosting those kinds of regional meetings since 1994. In addition, ASEAN leaders at the 16<sup>th</sup> ASEAN Summit in Hanoi back in April 2010 agreed to adopt a “two-prong approach” for maintaining ASEAN centrality through the acceleration of ASEAN integration and the intensification of ASEAN’s external relations with major powers (ASEAN, 2012).

Yet, what underpins ASEAN centrality itself? We should look into the role of power, as argued by Camilleri (2003), in the internal dynamics of regionalism. According to Yahuda in his foreword for Emmers (2003), the concept of balance of power has been central to the inner development of ASEAN and is also the underlying force for driving security cooperation in ARF. He notices the importance of using balance of power concept by Emmers to explain how ASEAN manages security relations between great powers to prevent the emergence of regional hegemony (US and China) and maintains the independence of the smaller states. Emmers’ thesis is an exceptional finding of ASEAN’s development. He argues that “ASEAN and ARF were established with the denial of hegemony in mind, but not in a conventional sense ... the balance of power factor has influenced the creation and institutional evolution of ASEAN by constraining intra-mural hegemonic dispositions and providing some member states with an additional incentive to cooperate” (p.162). According to his analysis, the balance of power strategy has been used by ASEAN to prevent internal hegemony among member states and also to avoid and constrain external hegemony in the region, coming from the US and China. In so doing, ARF has been used as cooperative security regime in the Asia Pacific to maintain peace and stability through confidence building measures in the present time and also preventive diplomacy in the future.

There are four regional players, US, China, Japan, and India, which are the main concern for ASEAN in terms of balance of power calculation. However, ASEAN’s ability to manage its relations with all major players seems to be limited. In addition, ASEAN’s prosperity also depends on a positive relationship existing amongst the aforementioned four. According to Weatherbee (2005, p.292), ASEAN is facing potential risk in its great power equation through which the region’s economic and political stability depends on better relations in the China-Japan-United States triangle. From this view, the balance of power alone is not enough in managing ASEAN’s external relations.

Consequently, it becomes an imperative for ASEAN to push forward greater economic interconnectivity across the Asia-Pacific through the advocacy of multilateral free trade arrangements. For instance, ASEAN has free trade agreements with six partners namely People's Republic of China (ACFTA), Republic of Korea (AKFTA), Japan (AJCEP), India (AIFTA) as well as Australia and New Zealand (AANZFTA).

### **B. Pivot to APEC**

APEC was created in 1989 in response to the need for a regional structure that would bridge the Pacific, avoiding the possibility that regionalism would devolve into geographic cliques — namely, a proposed East Asian Caucus (an Asia-only structure tabled by then Malaysian prime minister Mahathir Mohamad), the North American Free Trade Agreement (NAFTA), and the European Union. APEC's agenda has been overwhelmingly focused on economic coordination and facilitation, not security, and APEC is an important and useful structure that links key countries across the Pacific. However, its own members admit that it does not have any legal mandate to compel economies to adhere to consensus agreements. And while it already includes 21 economies, it does not include all of the ASEAN countries, nor does it include key Latin American countries seeking to join the trans-Pacific dialogue such as Colombia. On trade, APEC has been effective in tabling issues that help prepare members for increasing and expanding trade and investment, but it has ceded effective trade liberalization efforts to initiatives such as the TPP or the RCEP.

Historically speaking, APEC has been visionary but nowadays it appears that it has lost much of its relevance. For instance, its much vaunted concept of Open Regionalism has not been embraced officially by any national government in the Asia Pacific, even though it is tied inextricably to the process of trade liberalization. Moreover, non-tariff barriers remain in place in most countries of the Asia-Pacific and the emerging powerhouse of China is affecting the direction of the overall regional economy. The realities of geo-economics set aside, APEC continues to serve a necessary function in that it is a forum of inclusiveness, bringing together economies of all sizes and levels of development. And perhaps it is this permanent feature that makes the organization so valuable for the future of the Asia Pacific as a whole.

Indeed, the competition between the TPP and the RCEP mirrors conflicts between developing and developed economies in the region. More importantly, it showcases the elevated geopolitical competition between China and the US. From these observations, it can be argued that APEC can serve as a bridge for an emerging trans-Pacific community and that its FTAAP blueprint can narrow the gap between the conflicting visions of China and the US. Such a process holds the potential not only for redefining the Asia Pacific region but also herald the creation of a new post-Westphalian system wherein national sovereignty has been subsumed to the priorities of inter-state community formation.

### **C. Results**

Without a doubt, Southeast Asia has experienced remarkable transformation since 1945. Previously a Cold War theater, this corner of the globe was an epicenter of superpower rivalry amongst the United States, Soviet Union, and China. Devastated and divided by armed conflict and ideological tensions for over a period of 45 years, the region was an economic backwater. Yet, in 1967, the seeds were planted that would result in Southeast Asia moving from a battlefield to a marketplace, a region that would be a leader in economic integration. The establishment of the Association of Southeast Asian Nations initially aimed for political accommodation and collective security but by the 1990s the regional intergovernmental organization increased its membership and embarked upon a path of greater economic openness and cooperation. ASEAN included all Southeast Asian states by 1999 and the



formation of a community of nations commenced. Nonetheless, with the inauguration of the ASEAN Economic Community in December 2015, the region is embracing interdependency and interconnectedness on a number of levels, not just merely economic. Equally significant, ASEAN centrality is apparent in the creation of a more inclusive regime architecture for the Asia-Pacific. From the research conducted, it is clear that the Western-centric Westphalian structure today experiences a multiplicity of challenges with the presence and prevalence of dynamic non-state actors, such as ASEAN.

These organizations many times are redefining the trajectory of global affairs or compelling states to undertake actions that result in diminished sovereignty and a gradual acceptance that national borders often act as impediments to progress and prosperity. Additionally, the rise and prominence of China as a global superpower has altered the ebb and flow of interstate relations across the Asia-Pacific. A large percentage of world trade and commerce is linked to the Chinese economy and ASEAN, both as a collective and its individual member states, is gravitating more towards China's sphere of influence. Simply put, states remain a permanent fixture of the international landscape but their sovereignty and the inviolability of their borders are undergoing a major rethink by governments and political leaders of countries that are highly enmeshed into the global economy. Likewise, the ascent of China has brought to the fore a realization that the current Western-centric Westphalian order may be replaced with a new post-Westphalian structure that is delineated with Chinese characteristics. Debate about a post-Western world system is not novel but it is interesting that economic forces are a key driver in this change.

Finally, new generation free trade agreements like the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership no longer remain as mere conceptual schemes, but rather have gravitated into actual policies that push national governments onto the road of fast-track economic integration. Moreover, this heightened interconnectivity is multidimensional in that it involves not only the economic sphere but also matters pertaining to the political, social, technological, and legal spheres. The ascension of the TPP and of the RCEP is a clear example that there exists an acknowledgement amongst many political and business leaders that the Asia-Pacific requires the establishment of a more open and extensive marketplace. Trade and commerce between the countries of the Asia-Pacific are fueling much of the region's development and wealth. Yet, differing visions have surfaced, particularly between the United States and China. With Washington throwing its weight behind the TPP (under the administration of President Barrack Obama) and with Beijing associating itself more with the "alternative" RCEP, there existed a perception that a closely-knit Asia-Pacific community of economies was in jeopardy. Nonetheless, despite the policy dissimilarities, a framework for greater interconnectivity can be found in APEC's proposed Free Trade Area of the Asia-Pacific and still seems to be the most inclusive and rational choice. And ASEAN lies at the center.

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