

Conference Report

Singapore's ASEAN Chairmanship 2018: Towards Resilience

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Organisers



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The Lee Kuan Yew School of Public Policy received a gift of \$1.0 million from Mr. Tay Liam Wee, former CEO & Group Managing Director, Sincere Watch, in July 2009. The purpose of the gift is for the Centre on Asia and Globalisation to fund the Hong Siew Ching Speaker & Seminar Series, which is named in honour of Mr. Tay’s late mother.

List of Abbreviations

IMDB	1 Malaysia Development Berhad
ADB	Asian Development Bank
ADMM	ASEAN Defence Ministers Meeting
AIB	Asian Infrastructure Investment Bank
ARF	ASEAN Regional Forum
ARIA	Asia Reassurance Initiative Act
ASEAN	Association of Southeast Asian Nations
ACCC	ASEAN Connectivity Coordination Committee
BRI	Belt and Road Initiative
COC	The Code of Conduct for the South China Sea
EAS	East Asia Summit
ECRL	East Coast Rail Link
EU	European Union
FOIP	Free and Open Indo-Pacific
FTA	Free Trade Agreement
HSR	High Speed Rail
INTERPOL	International Criminal Police Organisation
MDB	Multilateral Development Banks
NTB/NTM	Non-Tariff Barrier / Non-Tariff Measure
Quad	Quadrilateral Security Dialogue
RCEP	Regional Comprehensive Economic Partnership
TPP / CPTPP	Trans-Pacific Partnership / Comprehensive and Progressive Agreement for Trans-Pacific Partnership
UK	United Kingdom
US	United States of America

Keynote Address

The keynote address for the conference was delivered by **Senior Minister of State, Mohamad Maliki bin Osman**. He described the ways in which the formation of the Association for Southeast Asian Nations (ASEAN) in 1967 has helped to foster cooperation among its members, creating a peaceful, prosperous and geopolitically stable environment. Despite its success, ASEAN faces increasing geopolitical challenges. The first challenge is maintaining unity and cohesion in the face of rising great power rivalries. With major powers like China and India competing for influence in the region, ASEAN members must resist taking sides that could create divisions within the group. The second challenge is how ASEAN can capitalise on the digital revolution. Member states must equip their people with the necessary skills and innovative spirit in order to thrive in this rapidly changing world. The third challenge relates to unconventional security threats such as terrorism and cyber-attacks. The recent terrorist attacks in Surabaya and Pekanbaru and WannaCry cyber-attack in May 2017 demonstrate the importance of enhancing regional counter-terrorism and cyber-security efforts. The fourth challenge is regarding the surge in trade protectionism and economic nationalism, particularly in the US and Europe. Such protectionism sentiments will have serious ramifications for the open and rules-based multilateral trading system that has underpinned ASEAN's prosperity for decades. To meet these challenges, Singapore's ASEAN chairmanship has focused on initiatives under the themes of "resilience" and "innovation" to strengthen the groupings' unity and centrality. This includes initiatives like the ASEAN Smart Cities Network and the adoption of the ASEAN Leaders' Statement on Cybersecurity Cooperation. Other efforts such as the negotiations to finalise the Regional Comprehensive Economic Partnership (RCEP), the Model ASEAN Extradition Treaty (MAET), and the adoption of the ASEAN Single Window are also part of ongoing efforts to boost integration and community-building within ASEAN. Despite these initiatives, the efforts of the Chair alone are insufficient. ASEAN's strength lies in our collective interest and willingness to work together to build a resilient and innovative ASEAN.

During Q&A, much focus was on the state of international relationships between ASEAN members and extra-regional powers. On China-Singapore relations, the minister described how Singapore's continued economic prosperity was heavily dependent on the rising Asian giant. As such, Singapore places great importance on its relations with China, organising frequent high-level visits, and also expressing support for Chinese initiatives like the Belt and

Road Initiative (BRI). The challenge would be finding more avenues for collaboration and encouraging China to play a more proactive role in the region to help ASEAN grow. As Singapore enters its leadership transition phase, its next-generation leaders will also have to begin participating in high-level visits to China. Through frequent cooperation and personal interactions, Singapore's young, emerging leaders will need to form bonds of trust and friendship with the Chinese leadership. This would ensure better prospects for future China-Singapore relations.

The increasingly close relations between ASEAN members and extra-regional powers was viewed by the minister as a positive and necessary development. ASEAN members were all at different stages of development and it was important to provide individual states the space to pursue relationships with other partners rather than limiting all interactions within the multilateral framework. Stronger bilateral relations could in-turn create positive benefits for the region as a whole.

On the future of ASEAN-European Union (EU) relations, the minister believed that the European bloc will remain a key stakeholder and trade partner of ASEAN. As the ASEAN coordinator for EU relations, Singapore will play an important role in strengthening the relationship. Recent developments, however, have created additional challenges for Singapore. ASEAN has always been committed to globalisation, free and fair trade, and open, rules-based multilateral trading systems. This has been undermined by emerging economic nationalism and protectionist sentiments in the US and parts of Europe. In this context, the speedy conclusion of the ASEAN-EU Free Trade Agreement (FTA) negotiations take on additional importance. An FTA would be beneficial to both groups and encourage the EU to commit towards a rules-based multilateral trading system and away from protectionism. Whilst other challenges remain, it was important to make progress by focusing on areas of cooperation and not get bogged down in differences.

On the forthcoming Trump-Kim Summit, the minister welcomed the development and hoped for lasting peace on the Korean peninsula. While he was happy that Singapore was playing a role in this historic event, he admitted that neither the city-state, nor even ASEAN, had any influence on the summit outcome. But ASEAN should play its part as a responsible member of the international community and join the call for complete, verifiable, and irreversible denuclearization of the Korean peninsula in a peaceful manner.

When asked a question on RCEP and the Trans-Pacific Partnership (TPP), the minister remarked that despite facing challenges, the trade deals were moving ahead. The first RCEP Summit was held in November 2017 and the FTA has been scheduled to be signed in November 2018. Although the US withdrew from the TPP, the remaining partners signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Together, these two agreements represent an intermediate step towards a free trade region in the Asia-Pacific which will bring even greater prosperity for ASEAN. While Singapore is uncertain if the US will ever choose to return to the TPP, it will remain open to discussions if that day comes. Regardless, the countries already involved in the framework will continue to forge ahead.

The final question was on the future prospects of the Kuala Lumpur-Singapore High Speed Rail (HSR) project. The minister described how improving connectivity with our neighbours was beneficial as it led to the further integration of our economies. For this reason, Singapore was supportive of China's vision of establishing an HSR that connected the Asian giant to the states in Southeast Asia. Despite Malaysia's decision to withdraw, the minister remained hopeful that the project would eventually be revived. In the meantime, we should focus on other forms of connectivity where we have already had some success. For instance, Singapore already has excellent air and sea connectivity, with some of the busiest air and sea ports in the world.

Panel One: Geopolitics and Diplomacy

The first panel focused on geopolitics and diplomacy in the region, particularly on ASEAN's challenge in maintaining its centrality in the face of rising competition between the United States (US) and China. **Ambassador Chan Heng Chee** kicked off the discussion by listing three recent developments which have had a profound effect on Southeast Asia. The first is the election of US President Donald J. Trump, whose willingness to review and reject existing agreements and whose rhetoric and pressure on long-standing allies has had a destabilizing effect on regional and global order. The second is China's pursuit of multiple policy initiatives such as the Asia Infrastructure Investment Bank (AIIB) and the BRI, which will have long term strategic implications for the region. The third is the sudden willingness of Kim Jong-un to denuclearise which could be a regional game-changer. These

developments have already begun to affect regional dynamics. Japan has become more active, leading the TPP negotiations and strengthening maritime and defence cooperation with ASEAN members. It was the driving force behind the 'Free and Open Indo-Pacific' (FOIP) concept which has been adopted by the US. South Korea and India have also pursued more active policies of engagement with Southeast Asia, through the 'New Southern Policy' and 'Act East Policy', respectively. Amidst these changes, ASEAN is ever more important as a regional stabiliser and provides members with greater bargaining strength and diplomatic flexibility. While ASEAN has occasionally failed to find consensus on certain issues, this is not a problem unique to the Association and has plagued other regional groupings such as the EU. More often than not, ASEAN members have been able to balance their self-interest with the regional interest and agree on a common stance. An example is the recent agreement on the 'Zero Draft' of the Code of Conduct (COC) for the South China Sea between ASEAN and China. ASEAN is also important for building an inclusive regional architecture. In a region which has diverse geopolitical interests and strategic outlooks, ASEAN has been seen as an open and inclusive grouping. Emerging concepts like the FOIP, BRI, 'New Southern Policy', and 'Act East Policy' are not able to compete against ASEAN initiatives like the East Asia Summit (EAS), ASEAN Regional Forum (ARF) and ASEAN Defence Ministers Meeting (ADMM) in terms of inclusiveness and acceptability.

Patrick M. Cronin continued the discussion on the relationship between Southeast Asia, China, and the US. He argued that the announcement of the FOIP in late 2017 and the decision to hold the Trump-Kim summit in Singapore demonstrated the importance placed on the region by Washington. Southeast Asia is a strategic hinge-point of the Indian and Pacific oceans, and the FOIP concept would not be possible without a strong, vibrant and independent ASEAN. This grouping will be crucial for upholding the rule of law, national sovereignty, and freedom of navigation in the region. To bolster its presence in Southeast Asia, the US passed the Asia Reassurance Initiative Act (ARIA) setting aside \$1.5 billion annually over a five year period to strengthen military and economic engagement. The US has also prioritised cooperation with regional members in the areas of counter-terrorism, maritime and cyber security, non-proliferation, and freedom of navigation. In this context, China's militarisation of islands in the South China Sea is viewed with great concern and seen as a fundamental rejection of the FOIP concept. The US's decision to rescind the Chinese Navy's invitation to participate in the upcoming Rim of the Pacific Exercise was seen as a largely symbolic response. A more effective way to curb China's aggressive

behaviour could be a common stand taken by regional maritime nations including, but not limited to, the Quadrilateral Security Dialogue or ‘Quad’ nations (US, Japan, Australia, India). That being said, it is a common misconception that the Quad is an anti-China group. The Quad’s main goal is to enhance cooperation among its members and is but one of many tools used for that purpose. The inclusion of an economic dimension has made the Quad a possible complement and alternative to China’s BRI. America’s intention is not to force ASEAN members to choose between US and China development opportunities. Rather, the focus is on strengthening American qualitative advantages and leveraging on these factors to enhance cooperation with regional members.

Shen Dingli noted the increasingly complex relationship between the US and China. He acknowledged that the construction of certain artificial land features in the South China Sea had caused deep suspicion in the US regarding China’s intentions. Yet, Washington’s increasingly close relationship with Taipei reflected in the passing of the Taiwan Travel Act), the stationing of US Marines on the island, and the signing of a \$1.4 billion arms deal has also caused deep distrust in Beijing. North Korea adds another complicated dimension to their relationship. Denuclearisation removes an important deterrent that North Korea has against the US. It increases the likelihood of eventual unification with South Korea and opens the possibility for the US to station military forces on the Chinese border along the Yalu River. In spite of this, China has actively cooperated with the US to pressure North Korea to abandon its nuclear weapons. Beijing was instrumental in getting the North Korean leader Kim Jong-un to agree to the Trump-Kim Summit. The current US-China relationship thus shows a willingness to cooperate despite great strategic distrust. Both countries are moreover, important trade partners. The US imports \$50 billion Chinese goods annually, while China is expected to increase its import of agricultural products by 35 to 40 percent this year and double energy purchases over the next three to five years from the US.

Nguyen Vu Tung brought the focus of the discussion back to the future of ASEAN and the importance of Singapore’s chairmanship. He saw the selected theme of this year’s ASEAN Summit – “Resilient and Innovative” – as an appropriate reflection of ASEAN’s need to pursue policies that will allow it to remain relevant amidst the rapidly changing geopolitical environment. This includes an emphasis on infrastructure development, connectivity, and the role as an honest broker amongst major global powers like the US and China. These themes cut across nationalities and effectively unites members under a common regional interest. As Chairman, Singapore plays an important role, representing not just its own interests, but also

that of all regional members. During the ASEAN Summit in April 2018, the Singapore delegation ensured that the issue of the South China Sea was actively and repeatedly discussed during the closed door meetings. Under Singapore's moderation and direction, the members were able to reach a consensus and issue a consolidated statement. With competition heating up between China and the US, ASEAN members must continue adhere to the principles of openness, inclusiveness, and the rule of law. As the recently concluded ASEAN Summit has shown, under strong leadership it is possible for members to pursue national interests in accordance with regional interests to achieve a win-win scenario. This will be an important lesson for the next two ASEAN Chairmen – Thailand and Vietnam.

During Q&A, queries over North Korea, Taiwan, and the FOIP were raised. With regards to North Korea, the panel was sceptical over the long-term consequences of the upcoming Trump-Kim. One panellist expressed his belief that Pyongyang was actually playing both Beijing and Washington against each other. While seemingly willing to denuclearise, Kim Jong-un was in fact pursuing a clear, calculated strategy designed to preserve his nuclear arsenal while allowing him to negotiate for economic benefits. To ensure North Korea does follow through on its promises, the denuclearization process has to be 'front loaded' – full disclosure of its nuclear programme by Pyongyang, followed by a mutually agreed timetable for its dismantlement over the next few years. Although the US has withdrawn from the Iran nuclear deal, it was argued that this would have little impact on the Trump-Kim Summit. Giving their historically tense relationship, North Korea would continue to be suspicious of the US whether or not Washington adhered to the agreement with Iran. Instead, North Korea would likely place greater value on security guarantees from China, South Korea, and Japan and hope this could pressure Washington to uphold its end of the deal.

The panel was questioned on the motivation behind the US's recent behaviour in relation to Taiwan. It was argued that the passing of the Taiwan Travel Act was meant to provide psychological support for a democratic regime facing increasing economic, political, and military pressure from China. Washington hopes to provide Taipei with greater manoeuvrability and political space to resolve its issues with the mainland peacefully. Although this action has been seen as offensive to China, the US remains committed to the one-China policy.

On the US's 'Indo-Pacific' concept, the panel felt it was too early to predict how it would affect ASEAN. A major problem was the lack of a clear definition of the term. To encourage

ASEAN involvement, the concept would have to include a generous economic and trade component, which may be unlikely under the current Trump administration. The FOIP concept at this point remains a work in progress and many ASEAN members have adopted a ‘wait-and-see’ attitude.

Recommendations

1. As ASEAN Chairman, Singapore should aim to achieve simple, practical goals given the short duration of its term (one year) and it has to manage the interests of all ASEAN members. The focus should be on getting the Association to issue common statements and agreements and set up practical projects that can showcase ASEAN unity. Some examples that Singapore is already pushing for include the development of an ASEAN Smart Cities Network, cyber-security cooperation, and a model ASEAN Treaty of Extradition. It would also have to continue working hard on existing projects like the COC, and delivering productive EAS, ARF, ADMM meetings. These projects would demonstrate ASEAN solidarity and provide greater resilience moving forward.
2. Managing the rising competition between China and the US is an issue that goes far beyond Singapore’s role as Chairman. For ASEAN members, it is not necessary to have to choose one or the other. Not to choose is a perfectly valid foreign policy position. US-China relations are not binary and reflect elements of both competition and cooperation. ASEAN countries could each choose to work with the US on some issues and China on others, and with both powers together if they can agree.
3. America must continue to participate in high profile ASEAN events to send a positive signal of continued US engagement in the region. It should also encourage innovative thinking and action and assist in the economic development and capacity advancement of the people of Southeast Asia and the wider region. Announcing a credible and detailed agenda for pursuing meaningful and robust trade relations with regional nations would be a welcome development.

Panel Two: Cyber Security

The second panel focused on emerging cyber security threats and how they might affect the region. **Teo Chin Hock** noted that Singapore's prioritisation of cyber security and smart governance initiatives are "two sides of the same coin". The omnipresence and dangers of cyber threats across various fields of economy and the asymmetrical and disproportionate risks are serious worries for the region. Moreover, cyber technology is the basis and key enabler of many developmental initiatives and economic progress. With this in mind, Singapore, Malaysia and Indonesia have all begun operation of their respective national cyber security agencies. The issue of the ASEAN Leaders' Statement on Cyber Security Cooperation at the 32nd ASEAN Summit meeting was a sign of continued commitment to the field. Improving security and resilience of a rules-based cyberspace was also noted as one of the top priorities for the Association. Closer policy coordination on cyber security regulation and capacity building has also taken place within ASEAN, with strengthening national legislation, the establishment of the ASEAN-Japan Cyber Security Capacity Building Centre, the inauguration of the ASEAN Ministerial Conference on Cyber Security, and the convening of a range of other inter-ministerial meetings. Singapore has been an important contributor to the regional cyberspace order through its strategic initiatives such as hosting the International Criminal Police Organisation's (INTERPOL) Global Innovation Centre and sponsoring the Cyber Green Initiative, together with Japan and the United Kingdom (UK). Other initiatives include the annual Singapore International Cyber Week and hosting of the 3rd ASEAN Ministerial Conference on Cyber Security in September 2018, with over 7,000 key stakeholders participating as the continuation of these efforts.

Jim Fitzsimmons highlighted how the high rates of connectivity and explosive digitisation have been accompanied by an increase in vulnerability and risk to cybersecurity. This was especially problematic within a diverse grouping such as ASEAN. With new emerging technologies, cyber challenges are becoming ever more pervasive, occurring with higher frequencies not just in technologically-advanced Singapore, but also in developing countries such as the Philippines and Cambodia. The ability of different countries to coherently respond to transnational cyber-crimes was the critical first step towards showing robust readiness. Moreover, technology was not the only enabler of resilience. Legislative work and knowledge of the risks and how they are formed were important. This should be matched by

the understanding of possible counter-measures and identification of perpetrators and threat actors (for example states, private entities, or cyber activists), both potential and active.

Astrid Tuminez noted how trust was the fundamental and foundational principle for cyber security. Cyber-related crime is an issue that cuts across borders and nationalities and has resulted in an estimated \$450-500 billion in financial damages, over 556 million victims annually, and hundreds of millions of compromised data. A study by McKinsey estimated that cyber-crime would cost the global economy almost \$3 trillion by 2020. The hacking of the Bank of Bangladesh and the Commission on Elections in the Philippines were just some of the many examples. Currently, Southeast Asia's crime response time from the moment of detection to response is approximately 500 days – twice that of Western Europe. The roles of sovereign governments and private companies running cyber platforms for commercial gain have to be better defined and coordinated. Microsoft has taken the lead in this respect, pushing for a “Digital Geneva Convention” on citizen and user rights protection during times of crises. In April 2018, 24 tech companies signed the accords of general guidance, with four underlying principles: (1) to protect all users and customers everywhere; (2) to oppose cyber-attacks on innocent citizens and enterprises from anywhere; (3) empower users, customers and developers to strengthen cyber security protection; and (4) to partner with each other and like-minded groups to enhance cyber security.

During Q&A, the problems of trust, collective action, and attribution of cyber-crimes to the actual perpetrators were noted as some of the major challenges. The idea of establishing a regional watchdog to facilitate information sharing and collaboration – similar in concept to the Information Fusion Centre run by Singapore's Ministry of Defence – was raised. In response, it was noted that it was particularly challenging to identify culprits of cyber-crimes. Besides normative issues that could affect the accuracy of attribution, victims (for instance, financial banks) were sometimes hesitant to disclose information regarding the details of the cyber violation and/or identity of actors.

One panellist predicted that the “splinter-net” or the national-level internet structures were emerging modalities to control cyberspace. Cyber information regulations were still under development in many countries; in others such as China, legislative frameworks were advanced and even exemplary. The panellist credited China's success in this area to their perception of the internet – as a communication medium rather than a new technology.

On the future of cyber security in the region, one panellist believed that existing measures taken by ASEAN, if proactively implemented, would significantly benefit the cyberspace order within a short period, even before larger initiatives such as the Digital Geneva Convention could be actualised. Furthermore, uneven hardware infrastructure across ASEAN (3G to 5G) posed a major challenge to the harmonisation of cyber security efforts by countries in the region. Data privacy issues, the importance of closely engaging and enhancing the regulation of segments of industry dominated by large, vertically integrated corporations were mentioned as important components of the future cyber security architecture. Singapore's Personal Data Protection Act 2012 and its strict enforcement was a commendable and early practice of data privacy legislation that benefited citizens widely. The US Clarifying Lawful Overseas Use of Data Act enacted in April 2018 and the EU's General Data Protection Regulation that came in to force on 25 May 2018 showed how regulatory activities were setting new benchmarks and exploring new boundaries.

Recommendations

1. Coordination remains the key challenge in enhancing cyber security. Therefore, deepening understanding of this area and pursuing coordinated capacity building policies are likely to remain key. There has to be better coordination across the platforms of political-defence, economic, and social organisation of ASEAN. Information flow between these platforms should be smooth and efficient.
2. At the same time, practice of voluntary norms of behaviour in cyberspace, implementation of robust cyber confidence-building frameworks, and enhancing legislation should be encouraged to strengthen ASEAN's regional cyber security posture.
3. Robust regional dialogues should be continued and multilateral platforms of exchange strengthened to improve collective action.
4. Cyber security should be increased in the demographically-youthful ASEAN region through practicing cyber hygiene by reducing piracy and avoiding high-risk sources. Cyber threat awareness should be raised through more intensive stakeholder education. Finally, harmonizing policymaking across the region can be achieved by increased quality of and closer cooperation in public-private partnerships.

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Panel Three: Regional Connectivity

The third panel focused on the efforts to strengthen regional connectivity. **Rebecca Fatima Sta Maria** stated that while ASEAN has been able to articulate its vision on connectivity, formidable challenges remain in implementing this vision, especially when it is confounded by the launch of competing developments outside the region such as the BRI. The ASEAN Connectivity Coordination Committee's (ACCC) strategic action plan recommends over 150 measures and 500 action points to be set in motion. Connectivity initiatives cut across the three ASEAN pillars of political and security, economic, and socio-cultural cooperation. For example, people-to-people connectivity is not simply a socio-cultural topic as is often portrayed: as it inevitably involves immigration, there is also a political-security aspect, while the mobility of businesspeople and tourists across ASEAN is also an economic issue. Furthermore, governments cannot hope to bring their connectivity plans into reality unless they rope in other players. Digital connectivity cannot be effective without engaging small and medium enterprises, while academic proposals to facilitate trade must be translated into concrete measures that help businesses.

For **Jia Qingguo**, planning the right infrastructure is the key to developing connectivity. He recommended prioritising projects with the greatest likelihood of commercial success. Early initial successes would, in turn, attract more interest to proceed with other, more risky projects. Funding may be difficult to secure due to the projects' long-term nature and attendant risks; thus, financing should come from a diverse range of sources, including from multilateral development banks (MDBs) as well as bilateral credit lines. Some countries will inevitably have to take the initiative in pushing connectivity, but this would require a massive effort. ASEAN states should not be overly concerned about indebtedness when considering whether to build necessary infrastructure; if anything, creditor countries have more to lose, and therefore should be more diligent about the risk of non-performing loans.

Masahiro Kawai noted that contrary to popular belief, the AIIB has not been playing a significant role in backing BRI-linked projects, despite the bank being a Chinese-led effort. From 2016 to 2017, AIIB approved just over \$4.4 billion of loans, compared to the Japanese-led Asian Development Bank (ADB) which approved \$36.6 billion. India, although refusing to participate in the BRI, was the single largest recipient of AIIB loans, receiving \$1 billion for the period. Two-thirds of AIIB-funded projects are jointly financed with other MDBs and thus follow their environmental and labour standards. Moreover, as part of China's economic

policy, BRI projects have been funded on a bilateral basis. This has led to concerns about safeguards and debt sustainability, while on a geopolitical level this has alarmed especially India which sees BRI as a containment strategy. In contrast, a key draw of Japan's focus on quality infrastructure is its ability to achieve sustainability. While the initial outlay for Japanese projects might be large, maintenance costs will be relatively low. Japan will support a high-quality BRI, contingent on it being compatible with a free and fair trans-Pacific economic zone. BRI should be multilateral, especially for large projects with cross-border implications. It should also have transparent processes and economic viability.

Thitinan Pongsudhirak saw connectivity as an important means for fostering ASEAN integration. However, although its master plan on connectivity appears to be proceeding well on paper, it also reveals ASEAN's bureaucratic nature as the plan portrays a world disconnected from reality. For instance, the proposed East-West corridor stretching from Myanmar to Vietnam will cut through several routes of varying quality, while inefficient checkpoints add to the travel burden. The proposed railway link crisscrossing Laos, at an estimated \$3 trillion, is impractical given the region's mountainous terrain; moreover, doubts remain over financing. China's interest in this project seems to stem more from its strategic value. Other issues plague these projects. Besides facing protests from civil society groups over environmental damage, unfair land acquisitions, etc., many regional governments are forced to use Chinese labour and materials for construction. This has already generated resentment and pushback in recipients. Thus, while enhancing connectivity may bring about greater economic integration, it will also be a divisive issue for ASEAN. Rapidly improving technologies allow us to focus on connectivity in other areas as well. The emergence of low-cost carriers allows people to travel the region at affordable rates. Air Asia has done more to connect the people of Southeast Asia than most high-profile connectivity projects. Ride-sharing applications like Grab and Go-Jek has also brought increased mobility. Social media has transformed election campaigns. Hence, while new technologies could lead to disruptions, challenges to jobs, and inequality, they could also boost connectivity.

During Q&A, a brief interchange amongst the panel members on the fiscal sustainability of the BRI started the discussion. In China's view, infrastructure projects bring development and prosperity to the host nation, just as its own domestic HSR projects raised overall productivity within the country. Loaning money to foreign governments for infrastructure projects was thus seen as a worthwhile investment. That said, China has made some poor fiscal decisions and has to begin exercising greater discipline when doling out cash. It is

writing off bad debts on top of giving aid to less developed countries. This has generated concern in China over the sustainability and profitability of these projects. Moreover, in situations where foreign governments had to give up assets in order to repay Chinese loans – as in the case of Hambantota Port – such deals actually damaged China’s standing internationally and fuelled suspicions over its motives and intentions. To prevent default of loans, comprehensive debt sustainability analysis should be performed between the borrower and lender countries with advice from members of the international community.

When the discussion moved to the BRI and the Indo-Pacific strategy, one panellist expressed his belief that these initiatives had the potential to bring huge benefits to ASEAN. Unfortunately, the grouping had not done enough to fully leverage on these initiatives. For instance, although agreements have been signed to facilitate the ‘seamless’ movement of goods and services across borders, they have not been fully implemented. Governments can also do much more to enhance people-to-people connectivity such as encouraging the expansion of low-cost carriers and e-commerce, which requires both physical and digital connectivity.

When asked about how constructing connectivity infrastructure would affect people in the region, opinions were divided. One panellist was optimistic, believing that lowered transport costs would generate greater profits and improve local economies overall. Another believed that non-physical connectivity still needed improving. These included trade policies facilitating movement of goods, digital access to utilise e-commerce, etc. Another panellist had a much more pessimistic view. He believed that the various rail projects crisscrossing mainland Southeast Asia under the BRI would put the region firmly within China’s orbit. Using the example of China’s militarisation of the South China Sea and launch of Lancang-Mekong Cooperation which subsumed the existing Mekong River Commission, Beijing will set its own rules and expect everyone to fall in line. Once the BRI projects in the region are complete, everyone in this part of the world will have to accept the reality of China dictating the rules and norms.

The speakers were asked about the relatively low share of ASEAN intra-regional trade (~25%) compared to other regional blocs. All speakers were agreed that this is not a cause for concern. One panellist predicted that ASEAN’s trade liberalising policies would lead to increases in intra-regional trade. Another panellist made reference to other indicators of economic integration, such as investment, which have shown significant increases. It was

also argued that ASEAN's strong economic integration with other East Asian countries in value chains would invariably cap the proportion of intra-bloc trade.

A question regarding America's future participation in the BRI was met with scepticism. One panellist believed that the deep suspicion within the US Congress would prevent any possibility of participation in the foreseeable future. Furthermore, the current state of US national debt would create greater reluctance to partake in risky overseas ventures.

Recommendations

1. The ACCC should adopt a more holistic approach. Besides removing silos within the three ASEAN pillars, it should pursue deeper engagement with non-governmental stakeholders such as the business community, academia, and civil society. It should also coordinate with other relevant ASEAN initiatives, such as the open-skies policy, which are inextricably linked with greater connectivity. Singapore possesses the resources, capacity, and will to steer ASEAN's transformation, and should therefore take the lead in changing its approach for future chairs of ASEAN to emulate.
2. ASEAN must have a unified approach when dealing with externally-led connectivity initiatives. In this regard, Singapore has a big advantage as it has an intimate understanding of both the US and China and is well placed to get the two superpowers to listen to the region. It should leverage on this strength to act as an honest broker between ASEAN and external great powers.
3. ASEAN should ensure that rural communities stand to gain from enhanced connectivity. For instance, they should have meaningful access to e-commerce by having both digital and physical connectivity to effect transactions. This includes better logistics for the timely shipment of perishable agriculture products.

Panel Four: Regional Economic Cooperation

The fourth and last panel focused on regional economic cooperation in Southeast Asia and the role of ASEAN in fostering and advancing regional integration. Kicking off the panel, **Mari Pangestu** underscored the interrelated top-down and bottom-up forces operating in the region that are shifting the way Southeast Asian states are cooperating, especially

economically. The top-down forces include rising protectionism in the global trading system, the emergence of a multipolar system, and the trade tensions between the US and China. The bottom-up forces effecting the nature of economic cooperation include technological changes impacting supply and value chains and the increasing perception of the lack of benefits from globalisation. As highlighted by recent events, trade policy is increasingly being driven by politics. America's turn towards mercantilism will not only be harmful to itself but will also cause disruptions in global value chains in the process. In moving ahead, ASEAN should not wait for consensus to emerge from the key international economies on maintaining and reinforcing the multilateral trading system. Rather, it should take a clear stand to support openness and resist protectionism along with the East Asian states. Leadership in East and Southeast Asia cannot be left to China or Japan. There needs to be a shared leadership model that incorporates ASEAN and is undergirded by shared values such as the commitment to growth and development. It is of great importance for ASEAN to uphold the rules-based system given that open regionalism, ASEAN centrality, and the regional architecture is founded upon that system. In doing so, ASEAN can implement a three-pronged approach to maintaining the trading system and open regionalism. First, deepen and widen the ASEAN Economic Community (AEC) and ensure implementation of the agreements and mechanisms, such as the ASEAN Single Window. One way to do this is a troika system that will facilitate the transfer of key ideas between three successive ASEAN chairs and encourage a multi-stakeholder approach. Second, finalise the RCEP negotiations, which would require ASEAN taking up a firm leadership role. Third, undertake concerted unilateral reforms within a framework of regional commitments and tackle the differing levels of development and inequality in the region.

In discussing ASEAN integration and economic cooperation, **Chea Serey** provided the Cambodian perspective on developments taking place in the region. Cambodia's accession to the ASEAN community was a tremendous achievement, especially when considering the turmoil the country was in during the 1990s. While Cambodia has shown high growth rates in recent years, its institutional infrastructure is still lacking – a situation compounded by the Asian and Global Financial Crisis in 2008-9. Additionally, a Cambodian civil code was only implemented in 2012. There is little knowledge of ASEAN integration processes and policies among the local populations, and this has resulted in concerns over how the AEC may impact them. This is also a concern among businesses in Cambodia as they are unsure where they fit in within the regional integration processes, which makes bringing the agenda forward more

difficult. ASEAN financial integration, a key aspiration under the AEC, is important to not only the integration process but also when crisis occurs; however, it is very difficult to implement especially given the lack of research on the implications of integration for financial stability. One area that ASEAN has had a key role is in facilitating knowledge sharing. Despite the difficulties associated with integrating Cambodia into ASEAN, the process is advancing, albeit slowly.

Munir Majid provided an overview of the implications of the recent Malaysian elections on May 9 and the election of Tun Dr Mahathir Mohamad. With the new government's focus on domestic issues, ASEAN would not likely rank high on the list of priorities. However, the possibility that this may change in the longer term should not be ruled out. Focusing on the domestic economy, Malaysia is now faced with a fiscal hole as the government is dealing with seeking to end the Goods and Services Tax (GST) and the mounting debts of the 1 Malaysia Development Berhad (1MDB). However, it is expected that a combination of luck, robust oil revenues, and cuts to overall expenditures will help fill the government coffers. Malaysia faces a tough road ahead, especially with the liabilities connected to the 1MDB scandal; however, Prime Minister Mahathir's cabinet appointments demonstrate that the government is committed to reducing debt levels. It is unlikely that there will be spill-overs from the Malaysian election to neighbouring countries as governments in Southeast Asia are generally impervious to others' domestic politics. However, the election may have an impact on cross-border infrastructure, specifically the Kuala Lumpur-Singapore HSR and other projects. The East Coast Rail Link (ECRL), another expensive infrastructure project under China's BRI, is also under review amidst allegations of corruption. The ECRL, along with other examples like Hambantota Port in Sri Lanka, raise questions over the actual benefit of BRI to the recipient countries. Governments involved in these projects need to be protected from self-harm as receiving unsustainable loans can eat into the finances of a country. The economic integration of ASEAN is still a work in progress despite the impression of it being a finished product, resulting in expectations from the business community. Although there has been much rhetoric within ASEAN about growth numbers and the reduction of tariffs, in actual fact non-tariff barriers (NTB) and non-tariff measures (NTM) have been increasing in the region over the past 15 years. One promising area is the use of new emerging technologies to facilitate trade, such as paperless transactions and cloud accounting. For now, ASEAN's most immediate objective should be the swift conclusion of the RCEP and the

AEC and, in the longer term, generating greater consumer demand from within to deal with rising protectionism.

In the final presentation, **Ambassador Barbara Plinkert** shared her thoughts on the region, ASEAN, the role of the EU, and the business community. The EU and ASEAN just celebrated 40 years of ties, and both organisations share similar principles including free and fair trade and a commitment to multilateralism. Both organisations should be considered the most ambitious regional integration initiatives. The EU is ASEAN's second largest trade partner and also its largest investor. Their strong trade partnership has encouraged both organisations to seek deeper relations through a FTA. To the EU, ASEAN's integration process has been seen as crucial to future growth in trade. Thus, the EU has been supportive of the AEC, pledging 85 million Euros to the process and the implementation of the AEC Blueprint 2025, specifically the ASEAN Trade Repository and several mechanisms. Under Singapore's ASEAN Chairmanship leadership, the ASEAN Single Window and the ASEAN Smart Cities initiative have the potential to make significant progress. Economic cooperation is crucially about future prospects and developing skills and talent which are crucial to ensuring that the fourth industrial revolution will be an opportunity rather than a challenge. Singapore's experiences can be expanded to other ASEAN countries and help advance regional economic integration. In a recent survey undertaken by the EU Business Council, 86 percent of European businesses felt their business would increase with the AEC. With regard to the challenges facing integration, the increase in NTM and NTBs is a concern, as is the need to bolster the protection of intellectual property and trade facilitation. With Singapore taking over ASEAN-EU dialogue, there is hope that an agreement between Singapore and the EU will be signed soon. In the face of rising protectionism, ASEAN and the EU need to see the benefits of trade and connectivity through growth and employment.

During Q&A, questions were raised on the possibility of ASEAN becoming a customs union and the best way for ASEAN to negotiate with India to finally conclude the RCEP agreement. One panellist held that a customs union would likely not happen as most favoured nations (MFN) tariffs are already low throughout the region. On India and RCEP, it was highlighted that India has already been given generous terms, such as being provided a longer time-frame for implementation and lower coverage in certain aspects. RCEP could in any case apply the 'ASEAN Minus X' approach which would allow the negotiations to be concluded, with India joining the grouping later. In going forward, ASEAN is the key to RCEP's launch and needs to solidify its position on the grouping. China's rise may bring about major changes to

investment dynamics and trade relations that could result in divisions within ASEAN. It is in India's interest to join RCEP quickly and form a counter-balance to these new dynamics.

Another question was raised on the possible timeframe of the EU-ASEAN FTA, and its possible challenges. One panellist attributed the difficulty in predicting a timeline to the various differences between the EU and ASEAN, particularly in both organisations' *modus operandi*. For instance, unlike the EU, ASEAN members were still at a developmental phase where they viewed each other as competitors, and thus, tended to place their own national interests above that of the region. Moreover, the EU and ASEAN were still in the process of ascertaining the boundaries and scope of the agreement, making it even more difficult to gauge how negotiations would unfold. With regards to Brexit and the possibility of a future UK-Singapore FTA, one panellist remarked that the UK will continue to be bound by existing EU trade policies until it formally leaves the organisation in March 2019. Negotiations are ongoing to allow the UK to enter a transition period that will last until the end of 2022. It is during this transition period that London will be free to negotiate agreements with third parties.

Recommendations

1. ASEAN needs to foster consensus among its members and rise to the challenge of defending the multilateral trading system, fight protectionism, and maintain openness. It needs to strengthen the rules-based regional architecture and ASEAN centrality.
2. Concluding the RCEP agreement requires ASEAN taking a firm leadership role in the negotiations.
3. To properly implement the AEC, the business community and general public should be informed of the benefits and process of integration, and an ASEAN troika model could be adopted in order to ensure continuity between ASEAN chairmanships.
4. ASEAN needs to address the increasing NTM and NTBs in the region as these are significant obstacles to realising the AEC.

Conference Programme and Agenda

Singapore's ASEAN Chairmanship 2018: Towards Resilience

Lee Kuan Yew School of Public Policy

May 28, 2018

<u>Time</u>	<u>Description</u>
9:00 – 10:00	<p>Keynote Speech</p> <p>Mohamad Maliki bin Osman, Senior Minister of State, Ministry of Defence and Ministry of Foreign Affairs and Mayor, South East CDC, Singapore</p>
10:00 – 10:30	Break
10:30 – 12:00	<p>Panel One: Geopolitics and Diplomacy</p> <p><u>Chair</u> Tommy Koh, Ambassador-at-Large, Ministry of Foreign Affairs, Singapore</p> <p><u>Speakers</u> Chan Heng Chee, Ambassador-at-Large, Ministry of Foreign Affairs, Singapore</p> <p>Patrick Cronin, Senior Advisor and Senior Director, Asia-Pacific Security Program, Center for New American Security</p> <p>Nguyen Vu Tung, President, Diplomatic Academy of Vietnam</p> <p>Dingli Shen, Professor for International Relations, Institute of International Studies, Fudan University</p> <p><u>Panel Synopsis</u></p> <p>As Singapore assumes the ASEAN Chairmanship, it must help the organization address the issue of ASEAN centrality and unity. A key challenge facing Singapore is how to reinforce ASEAN centrality and address tensions between China and the United States. The emergence of the Indo-Pacific strategy and the Quad grouping between the United States, Japan, Australia, and India have raised concerns over ASEAN centrality. How will this new grouping and concept affect regional order in Southeast Asia?</p>
12:00 - 1:00	Lunch
1:00 – 2:00	<p>Panel Two: Cyber Security</p> <p><u>Chair</u> Kanti Bajpai, Wilmar Professor of Asian Studies; Director, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore</p> <p><u>Speakers</u> Teo Chin Hock, Deputy Chief Executive (Development), Cyber Security Agency of Singapore</p>

	<p>Jim Fitzsimmons, Director of Cyber Consulting, Control Risks</p> <p>Astrid Tuminez, Regional Director, Corporate, External and Legal Affairs (CELA), Microsoft Southeast Asia</p> <p><u>Panel Synopsis</u></p> <p>As ASEAN continues its regional integration process, Singapore and Southeast Asian states have to contend with emerging cyber security challenges. How serious is the threat of cyber terrorism and crime in Southeast Asia, and how does integration impact cyber security arrangements? As ASEAN Chairman, what steps can Singapore and ASEAN take to advance cyber security measures in the region?</p>
2:00 – 2:15	Break
2:15 – 3:45	<p>Panel Three: Regional Connectivity</p> <p><u>Chair</u> Khong Yuen Foong, Li Ka Shing Professor in Political Science, Lee Kuan Yew School of Public Policy, National University of Singapore</p> <p><u>Speakers</u> Rebecca Fatima Sta Maria, Former Secretary General of the Malaysian Ministry of International Trade and Industry; Senior Policy Fellow, Economic Research Institute for East Asia and ASEAN</p> <p>Jia Qingguo, Dean, School of International Studies, Peking University</p> <p>Masahiro Kawai, Professor, University of Tokyo</p> <p>Thitinan Pongsudhirak, Associate Professor, Faculty of Political Science, Chulalongkorn University</p> <p><u>Panel Synopsis</u></p> <p>With the ASEAN Economic Community coming into force in 2015, strengthening regional connectivity is critical to the success of developing a single market and production base. How can Singapore as ASEAN Chairman help advance the region's connectivity agenda? How can outside powers and international agencies contribute to regional connectivity and the realisation of seamless integration in the region? Furthermore, what can the private sector do to help support the region's connectivity agenda?</p>
3:45 – 4:00	Break
4:00 - 5:30	<p>Panel Four: Regional Economic Cooperation</p> <p><u>Chair</u> Danny Quah, Dean and Li Ka Shing Professor in Economics Lee Kuan Yew School of Public Policy, National University of Singapore</p>

Speakers

Mari Pangestu, Former Minister of Trade and Minister of Tourism and Creative Economy, Indonesia; and Professor of International Economics, University of Indonesia

Chea Serey, Director General of Central Banking, National Bank of Cambodia

Munir Majid, Chairman of CIMB ASEAN Research Institute (CARI)

Barbara Plinkert, European Union Ambassador to Singapore

Panel Synopsis

As ASEAN remains the fulcrum of regional economic cooperation in Southeast Asia, enhancing economic cooperation in the region and between the region and external powers is essential to the success of the ASEAN Economic Community (AEC). What is the current status of the AEC, and what are the prospects of the ASEAN-led Regional Comprehensive Economic Partnership (RCEP)? How do ASEAN's key partners assess the current state of regional economic cooperation? Prime Minister Lee highlighted the need to provide ASEAN citizens with the skills and capabilities to operate in the new digital economy. What can Singapore and ASEAN do to support this initiative?

Conference Participants

Mohamad Maliki bin Osman	Senior Minister of State, Ministry of Defence and Ministry of Foreign Affairs and Mayor, South East CDC, Singapore
Tommy Koh	Ambassador-at-Large, Ministry of Foreign Affairs, Singapore
Chan Heng Chee	Ambassador-at-Large, Ministry of Foreign Affairs, Singapore
Patrick Cronin	Senior Advisor and Senior Director, Asia-Pacific Security Program, Center for New American Security
Nguyen Vu Tung	President, Diplomatic Academy of Vietnam
Shen Dingli	Professor for International Relations, Institute of International Studies, Fudan University
Kanti Bajpai	Director, Centre on Asia and Globalisation (CAG) and Wilmar Professor of Asian Studies
Teo Chin Hock	Deputy Chief Executive (Development), Cyber Security Agency of Singapore
Jim Fitzsimmons	Director of Cyber Consulting, Control Risks
Astrid Tuminez	Regional Director, Corporate, External and Legal Affairs (CELA), Microsoft Southeast Asia
Khong Yuen Foong	Li Ka Shing Professor in Political Science
Rebecca Fatima Sta Maria	Former Secretary General of the Malaysian Ministry of International Trade and Industry; Senior Policy Fellow, Economic Research Institute for East Asia and ASEAN
Jia Qingguo	Dean, School of International Studies, Peking University
Masahiro Kawai	Professor, University of Tokyo
Thitinan Pongsudhirak	Associate Professor, Faculty of Political Science, Chulalongkorn University
Danny Quah	Dean and Li Ka Shing Professor in Economics
Mari Pangestu	Former Minister of Trade and Minister of Tourism and Creative Economy, Indonesia; and Professor of International Economics, University of Indonesia
Chea Serey	Director General of Central Banking, National Bank of Cambodia
Munir Majid	Chairman of CIMB ASEAN Research Institute (CARI)
Barbara Plinkert	European Union Ambassador to Singapore
Blake Berger	Research Associate, CAG
Khasan Redjaboev	Research Assistant, CAG
Byron Chong	Research Assistant, CAG
Toh Wei Zheng	Research Assistant, CAG



(L-R): Danny Quah, Mohamad Maliki bin Osman



(L-R): Patrick Cronin, Chan Heng Chee, Tommy Koh, Nguyen Vu Tung, Shen Dingli



(L-R): Kanti Bajpai, Teo Chin Hock, Astrid Tuminez, Jim Fitzsimmons



(L-R): Khong Yuen Foong, Rebecca Fatima Sta Maria, Masahiro Kawai, Jia Qingguo, Thitinan Pongsudhirak



(L-R): Mari Pangestu, Danny Quah, Chea Serey, Barbara Plinkert, Munir Majid

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**Centre on Asia and Globalisation
Lee Kuan Yew School of Public Policy
National University of Singapore**

**2F, Oei Tiong Ham Building
469C Bukit Timah Road
Singapore 259772**

**Tel: +65 6516 7113
Fax: +65 6468 4186
Web: www.lkyspp.nus.edu.sg/cag/
Email: cag@nus.edu.sg**

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