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**ASEAN REGIONAL COOPERATION: PROGRESS, PROSPECTS AND CHALLENGES**

The aim of the article is to present ASEAN as a dynamically developing integration organization. One of the turning points in its history was the 1997 Asian financial crisis which brought significant change in the approach to regional cooperation in Southeast Asia (so-called new regionalism). This approach is based mainly on a system of bilateral and multilateral trade links and on the implementation of the adopted strategy using adjusted procedures which led to the formation of ASEAN Community. The ASEAN Economic Community (AEC) came into effect on January 1, 2016 and holds immense potential for the region. However, full-scale implementation is far from complete. A comprehensive, sustainable, flexible, and effective community that benefits the people is what this organization aspires to be in the post-2015 period. This article reflects ASEAN’s drive towards the building of an ASEAN Community and outlines the framework and key recommendations for achieving this goal.

**Key words:** Southeast Asia, ASEAN Community, integration, security, economic cooperation, political stability.

A strong economic community, laboriously built over decades, is growing on the southeast of Asia. On January 1, 2016, ASEAN members will form the basis of the common market counting more than 630 million consumers. The entire process will continue for the next ten years, but it is worth remembering that every eleventh inhabitant of the globe is living in one of the ten ASEAN countries, while their economy in the last decade grew up at a rate of 13.5 percent per year. ASEAN Economic Community, a close comparison to the European Union with about 20 per cent more population, will become one of the most economically integrated markets in the world.

At the time of ASEAN creation in 1967, the main goal of Southeast Asian leaders was to promote peace and security in the region. Overtime, ASEAN has also become a highly effective tool for cooperation in the political and economic sphere in the Southeast Asia. Rapidly growing economic development of SEAN member countries proves this fact. At the end of the 20th century, five new members joined ASEAN, and today most of its members are among the "Asian tigers". The turning point in the history of ASEAN was the financial crisis in Asia in 1997-1998. It showed social problems within the Association and has substantially changed approaches to further regional integration, especially in the economic dimension. This period is considered to be the transition from the so-called traditional regionalism to new Asian regionalism, namely the transition from cooperation based on systems and international institutions to close cooperation with regional neighbors within the expanding network of bilateral and multilateral trade agreements.

Although the Asian crisis revealed a number of deficiencies and problems within the group, ASEAN continued to exist. The organization took actions to improve current procedures, while the most important goal was to create ASEAN Community by 2015 to prevent similar political and economic destabilization in the future. To support the hypotheses formulated in this article, the author has attempted to assess their level of performance and identify trends and challenges to be faced by the members of the Association in the future. In addition, the direction of ASEAN’s development since the Asian crisis in 1997-1998 has led to the strengthening of cooperation between the Member States and enhancement of the groups in the world economy.

The main vision underpinning the establishment of ASEAN was an association of ten countries in the region, and despite the fact that there are only five countries among the "founding fathers" – Singapore, Malaysia, Indonesia, the Philippines, and Thailand – over the years, this idea has been consistently implemented. Brunei joined ASEAN in 1984, Vietnam in 1995, Laos and Burma (Myanmar) in 1997, and Cambodia in 1999. The initial fear that accompanied the accession of new members to ASEAN was primarily due to the concern about the attempt of western countries to interfere into the process of shaping

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international relations in Southeast Asia. Concerns were raised about the economies being open to foreign influences, as well as differences in economic systems developed by existing and new members, and elimination of huge disparities in economic development between the countries (the biggest differences existed among so-called ASEAN-6 and ASEAN-4 countries, which represent the five founding countries plus Brunei and the other four economies). ASEAN-4 was also characterized by a strong influence of state power and insufficient adjustment to full liberalization of trade and cooperation in the framework of a global economy, which was directly or indirectly affected by the Asian crisis.

Drawing on lessons learned from the economic crisis, representatives of the member countries set for themselves an objective to strengthen cooperation within both ASEAN, and the entire East Asia. The crisis has thus become an incentive to reduce the dependence of Asian countries on foreign partners, mainly on the United States and Europe. One of the most important operating and developing initiatives aimed at bringing together the major economies in the region is the concept of ASEAN+3 (APT - ASEAN Plus Three). This idea was born in 1997, while in 1999 APT finally took the form of regular, annual meetings of the ASEAN countries and China, Japan, and South Korea. Major goal of their collaboration was to stabilize the relations and links between the countries in the region of East Asia, improve their image, empower them, and, at the same time, increase the investment attractiveness of the region in the international arena.

As a result of the crisis, the economic cooperation of countries of this region has also experienced a change, which might be considered as a transition from the traditional Asian regionalism towards new regionalism. This change was evident in many aspects. First of all, it is the difference in the approach of establishing cooperation used to expand the structure of the group and implement the adopted procedures. The principles of new regionalism have underpinned the development of strategies and the implementation of the objectives with the use of adjusted procedures. In addition, the new regionalism is based on the cooperation of all members, without any necessity to obey one authority and members of other groups, i.e. without excessive hierarchy. Characteristics of new regionalism also point to the flexibility and openness of borders. So far, the boundaries within the interested groups have been set on the basis of a geographical location, whereas now the shape of the relationship between the members is derived from a desire to implement joint projects. Therefore, it is common vision, objectives, and policies, rather than governments and the Community institutions, that ensure implementation of the integration process in new regionalism. Relations between the group members are therefore based on the principle of trust, while its success depends on the creation and use of new links, as they offer new possibilities and new prospects.

Adoption of "ASEAN Vision 2020" in 1997 was the first step in the process of changing the structure of ASEAN and its manner of functioning. This document became one of the fundamental prerequisites for building a strong community of ASEAN with the use of complex systems and ways of economic and social cooperation. A few years later, it was decided to extend the commitments made in this document and to create by 2020 the ASEAN Community based on three pillars: economic, socio-cultural, and political, as well as to address security issues (subsequent to the result of further considerations, it was decided to shorten the time of its implementation to 2015). Another reason to change the functioning of ASEAN and the way of its members’ economic development became more noticeable with the growing importance of developing countries in the global economy. On the one hand, it was an opportunity for the less developed countries in the region; on the other hand, a threat to further dynamic development of the country which made its development dependent on the implementation of a strong pro-export policy (most of the ASEAN countries) due to the danger of escalation of protectionist sentiments. For example, China's accession to the WTO in 2001 has increased the risk for the regional economies, as China has bought a considerable amount of foreign direct investment and, thus, created new jobs.

Therefore, leaders of the Asian countries have realized the benefits of regional integration, with the result that there has been a shift towards its tightening. It started with a similar dynamic search for partners among other Asian countries, which had a positive impact on the growth of capital flows and placement of foreign direct investment within the region. It has also led to the conclusion of new bilateral and

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multilateral trade agreements on a mass scale - some of them even establishing free-trade areas (FTA). The first such agreement was signed in 2002 between Japan and Singapore, the first free trade area (excluding ASEAN Free Trade Area) was formed between ASEAN and China. The document, whereby this area should have been established by 2010 for ASEAN-6 countries and by 2015 for ASEAN-4 countries, was signed in November 2002. According to the data published by the ADB (Asian Development Bank) in the end of January 2016, a total of 134 FTA agreements have been signed and implemented, 14 agreements – signed, but not yet implemented, 62 agreements are under negotiation. It is worth noting that the process of production fragmentation and creation of international production chains, when manufacturing processes are divided into several stages located in different countries with the consideration of comparative advantages of each, bears a significant impact on the increase in the number of trade agreements in the Asian countries. Due to major differences in the level of economic development of the countries-members of ASEAN, and, thus, the availability of different location factors (good geographical location, availability of capital, diverse work force etc.), the region of ASEAN is considered to be an attractive place to build international production networks.

It should be emphasized that increased focus on the development of regional integration in Asian countries does not mean an end to cooperation in the global environment. One of the good examples here is establishment of the ASEAN international dialogue with the European countries in the form of ASEM (Asia-Europe Meeting). The initiative was established in 1996 and currently includes 51 member countries, their meetings being held at least once every two years. The idea is to support the ASEM through conducting discussions and negotiations and to strengthen cooperation between the two regions in three main dimensions: economic, political, and socio-cultural.

An important issue that has come up during the Asian crisis was the lack of adequate security of Asian countries in the field of financial and foreign exchange. Therefore, Japan has proposed to set up the Asian Monetary Fund. Although initially it was not supported by the representatives of other countries in the region, the idea was reborn a few years later during a meeting of ministers of ASEAN + 3, which took place in Chiang Mai, Thailand in 2000. Its outcome was signing of an agreement on short-term foreign exchange swaps which should help to avoid potential short-term exchange rate fluctuations (Chiang Mai Initiative, CMI), which were one of the direct causes of the crisis. The agreement has been transformed into Chiang Mai Initiative Multilateralization (CMIM) with a total fund of 120 billion USD in 2009. Key role in governing CMIM belongs to the Central Banks of its member countries. The CMIM is designed to enhance the effectiveness of the CMI by establishing an advanced framework of the CMI as regional liquidity support arrangement.

A series of terrorist attacks in October 2002 in Bali that killed over 200 people were one of the most important events, apart from the economic crisis, that emphasized the need of making changes in ASEAN. These events have shown a lack of appropriate mechanisms of action and cooperation in combating the problem of terrorism and the need to reform and develop appropriate security procedures. Another noticeable problem was a period of economic stagnation and a marked reduction in the amount of inflow to the region’s foreign direct investment, which was its driving force. All these issues have contributed to the revision of the principles and objectives of ASEAN’s functioning enshrined in the ASEAN founding act of 1967. Consequently, the 9th Summit of leaders of the member countries, which took place on October 7-8, 2003 in Bali, adopted the Declaration of ASEAN Concord II (Bali Concord II). It was also decided to establish by 2020 the ASEAN Community that consists of three pillars: the Economic Community, the Political and Security Community, and the Socio-Cultural Community. The 10th ASEAN Summit in Vientiane in 2004 developed and adopted several documents, including Action Plan for 2004-2010 and the ASEAN Charter. The ASEAN Charter sets out the guiding principles governing how ASEAN will conduct its affairs, confers legal personality upon ASEAN as a legal entity in its own right, establishes the organs through which ASEAN will act, and institutes a formal structure for decision-making. Its introduction was


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accompanied by a lot of controversy, therefore it only entered into force in February 2009. The 14th ASEAN Summit in the Thai town of Cha-Am was focused primarily on identifying concrete actions to establish the ASEAN Community by 2015. It adopted the Declaration on the ASEAN Roadmap for 2009-2015 that confirmed the desire to implement projects on all three pillars of the Community¹.

The main goal of the ASEAN Economic Community at the time of its creation was to build a stable, competitive, and prosperous market based on free movement of persons, services, goods and capital, characterized by a uniform and equitable economic growth, low unemployment without poverty and social inequality. It has thus contributed to the growth of international competitiveness of the region. In addition, the task of the Economic Community is to fill the development gap between ASEAN-6 and the ASEAN-4, to accelerate integration in strategic sectors, and to facilitate the flow of well-educated and skilled workforce. This calls for strengthening the institutional mechanisms of ASEAN and integration in areas such as human resources development, financial cooperation, cooperation in the field of macroeconomic policy, mutual recognition of qualifications, improvement of social and technical infrastructure (including transport infrastructure), increase of the private sector involvement, etc. At the same time (as a summary of the indicated assumptions and systematization of concrete measures to implement the proposed ideas), the Economic Community project approved within the Declaration on the ASEAN Roadmap for 2009-2015 was characterized by four essential features: high competitiveness of economy, a significant share of the region in global economy, and fair and sustainable economic development of the single market and production base including free movement of goods, services, labor, capital, and investments. Particular importance was given to twelve priority sectors with primary focus on food, agriculture, and forestry².

Creation of the Political and Security Community should have provided ASEAN members with a possibility of functioning in an environment in harmony and in a democratic manner. In addition, the most important objective set out in the act of the ASEAN foundation was to ensure peaceful settlement of disputes, recognize the sovereign right of each of the members of the Association to conduct their own foreign policies and conclude agreements and arrangements relating to national defense, and to secure non-interference in the affairs of each Member. While referring to the earlier provisions, the Community was to confirm the functioning of ASEAN as a Zone of Peace, Freedom and Neutrality (ZOPFAN) and an area free of nuclear weapons. ASEAN Regional Forum (ARF) is as an overarching initiative in Southeast Asia, whose aim is to build mutual trust and promote the peaceful resolution of disputes, ASEAN and its main driving force. The Political and Security Community within ASEAN which was introduced at the 14th ASEAN Summit in Cha-Am assumed that by 2015 ASEAN will have to meet three basic standards: basing on the principles of post-secreted values and standards; consistent, active and peaceful co-operation, and to increase the dynamics of the region-oriented external affairs³.

The third pillar of the ASEAN Community - cooperation in the socio-cultural sphere - is aimed at cooperation of Member States in the framework of a community of caring societies. According to 1976 Declaration of ASEAN Concord, one of the organization’s objectives was to cooperate in the field of social development striving to improve the standard of living of the rural population and the poor. It also stressed the need to implement projects encouraging all social groups (in particular, women, youth, and local communities) to participate in social life. The goal of the Community thus became to create mechanisms that will allow people to benefit from cooperation owing to an increase in the amount of funds earmarked for education, higher education, R&D, employee training, creation of new jobs or social aid. Development of human resources is in fact the most important element in the strategy to reduce unemployment and eliminate poverty and social inequality. The key objectives of the establishment of Socio-Cultural Community must also include promotion of workers’ mobility within ASEAN, cooperation in the field of public health, prevention and treatment of infectious diseases, provision of cheaper alternatives of medical drugs, promotion of regional identity and cultural diversity, and protection of cultural heritage. The essence of cooperation is joint problem-solving against the background of growing population in the region, growth of unemployment, and environmental degradation⁴.

Taking into account the fact that the ASEAN Community is expected to achieve its goals by the end of 2015, and that the ASEAN Economic Community should be launched in January 2016, let us attempt to assess their level of performance. The information indicated in ASEAN Annual Report 2012-2014 shows that Member States are going to complete the actions taken to integrate economies within a given period of time. Based on the data from March 2015, the framework of the Economic Community has reached almost 80% of the goals. ASEAN concluded all negotiations undertaken in order to sign and implement free trade agreements between ASEAN and six countries (Australia, New Zealand, China, Japan, South Korea, and India), which will strengthen ASEAN as leaders in intensifying economic cooperation throughout the region by 2015. In addition, a groundbreaking agreement was signed with the possibility of free movement of natural persons. It fulfilled its function as a trial implementation of the idea of ASEAN Single Window, aimed at improving trade facilitation. According to the plan, implemented actions are also aimed at eliminating the development gap within the Association within the Initiative for ASEAN Integration (IAI). ASEAN Plan of Communications is also successively implemented and is aimed at improving technical infrastructure (ASEAN Connectivity). In the aforementioned report of the Secretary-General of ASEAN, Mr. Le Luong Minh stated that a part of building of the Community Political and Security milestone was put into effect in 2012 Declaration of Human Rights. He noted that ASEAN take all possible efforts to regulate relations on the South China Sea. Within the Socio-Cultural Community the most important thing was to implement initiatives to improve the conditions in the education sector and in the collective fight against infectious diseases, such as malaria, HIV, and AIDS. In addition, due to the large number of natural disasters in the region it is necessary to highlight the important role of the establishment of the Center for Humanitarian Assistance Coordination (AHA Centre) within the Community.

The first talks on cooperation plan after the establishment of ASEAN Community in 2015 were conducted during the 18th ASEAN Summit in Jakarta in 2011. Thus, given the growing complexity of issues, such as economic slowdown in China, development gaps, climate change, transboundary haze, natural disasters and terrorism, the ASEAN leaders decided that the direction and priorities of future cooperation will be based on the principle of "ASEAN Community in a Global Community of Nations". It was considered that the main goal of ASEAN by 2022 is creation of a cooperation-oriented platform aimed at:

- strengthening the position of ASEAN in the international forum on global issues;
- developing the ASEAN Community, while respecting norms, principles, and values;
- increasing the capacity of the Association to respond to the issues of interest and concern of ASEAN, beneficial for the development of its members;
- increasing the powers of the ASEAN Secretariat, whose task will be to support ASEAN in the Global Community of Nations.

The Declaration of Bali III was adopted further to the proposed vision and direction of cooperation within ASEAN at the 19th Summit in Bali. It alluded strictly to the provisions adopted in Jakarta and expressed the members’ commitment to pool their efforts to strengthen the position of ASEAN Community in the global area. The ASEAN leaders have voiced their agreement to each of the pillars of the ASEAN Community, pointing out the most important areas of cooperation and activities to be implemented in their structures. These measures include further economic integration (taking into consideration increasing share of ASEAN in international economic initiatives), strengthening of economic stability (by adapting national policies to regional and global ones), and economic development (based on a closer and stronger cooperation with international organizations and institutions).

Cooperation within the Political and Security Community covers two categories of activities: political development (through the consolidation of democracy, protection of human rights and fundamental freedoms, and social justice) and participation in shaping international peace and security.

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(including active participation in peacekeeping operations, support of the fight against terrorism and international crime, and peaceful settlement of disputes). The necessity of involving ASEAN into global cooperation in terms of crisis management, environmental sustainability, and climate change, as well as access to adequate health care, distribution of knowledge and technology, professional development, access to education, protection of cultural heritage, and quality of life improvement must be implemented within the Socio-Cultural Community. The willingness to implement these measures was confirmed by the abovementioned 2012 Bali Declaration on ASEAN Community (Bali Concord III) which presented the timetable for specific actions in the first stage of implementation of the "ASEAN Community in a Global Community of Nations" vision.

The presented analysis shows that the actions and initiatives taken by ASEAN since the Asian crisis of the 1990s have influenced the development of integration processes in the region. Initially, regional integration dimension was quite limited both territorially and with the same scope of cooperation. Over the time, however, the ASEAN was joined by another Southeast Asian countries, and the development and implementation of the ASEAN Charter, the creation and realization of the vision of ASEAN Community, as well as the work undertaken to prepare the vision of the ASEAN Economic Community helped ASEAN member states to strengthen their partnership and move to the next stage starting from January 2016. The integration will not be fully possible without eliminating certain barriers, especially the development gap between ASEAN-6 and the ASEAN-4 countries. At the same time, it is likely that this problem should be gradually reduced in the coming years, in connection with the activities undertaken within the ASEAN Economic Community. Meanwhile, the Association development plans attest to the fact that ASEAN wants to increase its importance both in East Asia and on the global scale. ASEAN is going to show that apart from economies in Asia, such as China, India and Japan, there are also other attractive markets for production and sale open to the inflow of foreign investments.

References