



## ASEAN'S EXTERNAL ECONOMIC RELATIONS AND THE LIMITS OF ITS ECONOMIC DIPLOMACY

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### *Abstrak*

*Artikel ini bertujuan untuk menjelaskan varian relasi ekonomi eksternal ASEAN atau yang dikenal sebagai diplomasi ekonomi. Untuk proses analisis, tulisan ini menggunakan dua konsep utama yakni varian dan kerangka umum diplomasi ekonomi serta mengelaborasi data wawancara dengan informan kunci dan dokumen-dokumen utama. Berdasarkan konsep dan data yang dikumpulkan, ditemukan bahwa ASEAN cukup progresif dalam aktivitas diplomasi dagang, dengan memanfaatkan 'ASEAN-plus' sebagai skema utamanya. ASEAN juga menunjukkan pola diplomasi dagang yang menarik karena lebih banyak ditujukan untuk mencapai tujuan politik dibanding tujuan ekonomi karena negara-negara anggota ASEAN sejatinya bisa mendapatkan manfaat ekonomi yang lebih besar melalui negosiasi individual dibandingkan secara kolektif melalui ASEAN. Namun, ASEAN juga memiliki limitasi dalam melakukan negosiasi kolektif karena adanya kesenjangan pembangunan, perbedaan dalam tingkat ambisi dan komitmen liberalisasi dagang, tidak adanya tarif eksternal serta absennya negosiator regional yang bisa bertindak sebagai representasi utama ASEAN.*

**Kata Kunci:** ASEAN, diplomasi dagang, diplomasi ekonomi, relasi ekonomi eksternal

### **Abstract**

The purpose of this article is to outline the multiple facets of ASEAN's external economic relations (EER), loosely termed as ASEAN economic diplomacy. In doing so, this article builds on two main frameworks: strands of economic diplomacy and general framework of economic diplomacy and employs research interviews and documentary analysis as the main research method. Findings suggest that ASEAN is most advanced in its trade diplomacy, relying on the ASEAN-plus scheme. ASEAN also displays an interesting pattern in their trade diplomacy, since it is mostly aimed at achieving political goals rather than economic ones. The main reason for this is because ASEAN member states can actually achieve larger economic gains by negotiating individually rather than collectively through ASEAN. However, ASEAN still faces limitations in doing collective negotiations due to its regional development gap, different levels of economic ambition, absence of a common external tariff and the lack of a regional negotiator acting on behalf of ASEAN.

**Keywords:** ASEAN, economic diplomacy, external economic relations, trade diplomacy

## Introduction

ASEAN's external relations are expanding both in numbers and in scope. Up to 2015, ASEAN has concluded more than 200 external agreements and other instruments (Cremona *et al.*, 2015), signifying its seriousness to be perceived as an international actor. While ASEAN's external relations cover a wide array of areas and activities, economic relations are the most dominant ones, at least in legal terms. Cremona *et al.* (2015) reported that out of the 200+ agreements that ASEAN had signed, 82% of these are within the field of economic cooperation, suggesting its dominant role in ASEAN's external relations. In economic affairs, ASEAN has also been long dependent on external partners compared to internal ones. Krapohl and Fink (2013) argued that ASEAN's economic integration is locked into a developmental path that is reliant on extra-regional actors since the stimulus for a deeper ASEAN integration is provided by external partners, such as Japan and China, rather than by their members. This is evident in ASEAN's choice of FTA partners where up to date, ASEAN has concluded free trade agreements with China, Japan, India, Republic of Korea, Australia-New Zealand, Hongkong, and currently has five additional FTAs being proposed with other external partners (Asia Regional Integration Center, 2020a). ASEAN also managed to finalise the highly anticipated Regional Comprehensive Economic Partnership (RCEP) in November 2020, despite being in the midst of a global pandemic.

However, despite an increase in ASEAN's external economic relations – loosely termed as ASEAN economic diplomacy in this paper – not much literature can be found on this phenomenon. In fairness, general studies on economic diplomacy are relatively scarce – both at the state or regional level – despite all the hype of economic diplomacy by national governments. Countries such as Australia, the US and South Korea have all, at some point, explicitly mentioned economic diplomacy as one of their main diplomatic pillars. For developing countries, China has often been used as an example of countries that actively use economic diplomacy for their political goals through the strategic use of investment, international economic agreements, financial-monetary cooperation and foreign aid. For regional organisations, the European Union (EU) is currently the most progressive one, as evidenced by the EU's Economic Diplomacy Strategy Paper (Bouyala Imbert, 2017) and the special section on Economic Diplomacy in the EU's Reflection Paper on Harnessing Globalization

(European Commission, 2017), both published in 2017. For ASEAN itself, several member states already have economic diplomacy high on their agenda. Indonesia, for example, has created a special task force on economic diplomacy in 2016 and declared it as one of its main diplomatic pillars, while Malaysia has a designated diplomatic training for economic diplomacy.

Despite countries' enthusiasm for economic diplomacy, not much literature can be found regarding this, particularly at the regional level. There are, indeed, several notable works on economic diplomacy by individual states (see, for example, Bayne, 2003; Moons & van Bergeijk, 2017; Okano-Heijmans, 2012; Rana, 2012; Woolcock, 2012b) and by regional organisations (see for example Woolcock, 2012a), but these studies are rather outdated and thus, cannot capture the dynamic nature of economic diplomacy. Furthermore, a comprehensive study on ASEAN's economic diplomacy is still non-existent in the literature, which this research expects to fill. Thus, the purpose of this article is to contribute to the ongoing study and practice of economic diplomacy by explaining ASEAN's external economic relations.

The main argument to be presented here is that, although still at an early stage, ASEAN is slowly developing an international presence in economic affairs and displaying an observable pattern of economic diplomacy, most notably in its trade diplomacy. In managing their trade diplomacy, ASEAN focuses on the bilateral level via the ASEAN-plus scheme to maintain ASEAN-centrality. However, in doing trade negotiations, ASEAN is still limited by the absence of a designated regional delegation, forcing ASEAN into a complicated three-level game of negotiations. In terms of its aim, ASEAN emphasises the political gain of economic diplomacy rather than the economic one. While there are several economic gains from an ASEAN-led FTA, this is minimal compared to the real economic gains obtained through FTAs negotiated individually by ASEAN member states. This article, however, is not intended to provide in-depth analytical explanations of ASEAN's overall external economic relations, but rather to outline the multiple facets of ASEAN external economic relations and how it fits within the general framework of economic diplomacy by using trade diplomacy as a case study.

The findings of this research are based on two types of data: secondary data from newspapers, press releases, reports, official documents, databases, and primary data

from interviews with key informants in ASEAN, ASEAN member states and several external partners. These key informants include trade officials, business associations, civil society groups and researchers. In assessing and interpreting data, this research employs a deductive thematic analysis based on the theoretical model's classification. To elaborate the core argument further, this paper will first review the literature on economic diplomacy and highlight the progress and limitations of economic diplomacy as a theoretical concept. The second part of the paper will provide a general outline of ASEAN's multiple strands of economic diplomacy before discussing ASEAN's trade diplomacy as a specific case study. The last section of the paper will analyze ASEAN's trade diplomacy using the general framework of economic diplomacy and suggest further research areas.

### **Empirical and Theoretical Development of Economic Diplomacy**

As a practice, economic diplomacy is an old and persistent form of diplomacy, as old as the classic war diplomacy itself (Okano-Heijmans, 2011). Early commercial diplomats include British East India Company and Dutch East India Company, where their ship commanders are given the power to do diplomatic negotiations (Lee and Hudson, 2004) and even the establishment of trade representatives by the Ottoman Empire in the Mediterranean can be seen as an early form of economic diplomacy (Rana and Chatterjee, 2011). However, despite its old-age practice, economic diplomacy never really became one of the mainstream topics in diplomacy since traditionally, diplomacies are mostly political activities done in secrecy involving ambassadors and special envoys stationed in foreign countries. During earlier times, traditional diplomatic tasks are carried out by aristocrats while promoting commercial interests is often seen as lower-class activities, which then influences the study of diplomacy where diplomatic activities relating to politics and security are of more importance than other activities (Lee and Hudson, 2004). Lee & Hudson (2004) point out two main reasons economic diplomacy tends to be overlooked by traditional diplomacy. First is due to dichotomies in international relations regarding the terms 'international-domestic', 'political-economic' and 'public-private'. The oppositional nature of these terms causes the latter terms (i.e. domestic, economic, and private) to be positioned in a less advantageous way than the former, and unfortunately, economic

diplomacy is always linked with these lesser terms. The second reason is regarding the state-centric nature of IR studies, where diplomacy is perceived as means to 'overcome anarchy' and 'create peace' between states and has little to do with economics. As a result, despite the burgeoning practice of economic diplomacy, not much theoretical development can be observed.

In terms of concepts and definitions, there is currently no consensus on what 'economic diplomacy' entails since it covers various elements. Dent (2002) broadly defines economic diplomacy as "means and parameters within which trade, investment and other international economic relations are conducted between representative agents of different foreign economic policy powers". Rashid (2005) offers a narrower definition of economic diplomacy as "the formulation and advancement of policies relating to production, movement, exchange of goods, services, labours and investment in other countries", stressing the policy aspect of economic diplomacy. Former ambassador, Kishan Rana, offers a diplomat's definition of economic diplomacy as "plural sets of activities aimed to advance home countries' national economic interest" (Rana and Chatterjee, 2011). Rana went further to explain that economic diplomacy is the process through which countries tackle the outside world to maximise their national gains in all activities, including trade, investment and other economically beneficial activities in which they have a comparative advantage (Rana, 2012). Rana's definition leans toward the narrow economic benefits of economic diplomacy, which is not explicitly present in previous definitions.

Generally, these definitions agree on the same component of economic diplomacy, which are *processes* relating to *economic purpose*. Other definitions, however, focus more on the strategic use of economic diplomacy by highlighting the goals and instruments used. Okano-Heijmans<sup>(2011)</sup>, for example, defines economic diplomacy as "*foreign policy practice and strategy* that is based on the premise that economic/commercial interest and political interest reinforce each other and thus, should be seen as tandem". Okano-Heijmans also states the two foreign policy goals of economic diplomacy, which are 'enhancing national economic prosperity through political means' and 'increasing political stability of the nation through the use of economic leverage'. Despite slightly differing from previous definitions, Okano-Heijmans agree that most studies on economic diplomacy focus more on the process

than the structure, stating that structure is mostly related to economic statecraft, which corresponds more closely to traditional diplomacy. It is worth noting to highlight this difference since other definitions of economic diplomacy focus more on the structure and instruments used rather than the process. Berridge & James, for example, assert that: “Economic diplomacy is concerned with economic policy issues, e.g., work of delegations at standard-setting organisations such as WTO and BIS. Economic diplomacy employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objectives. This is sometimes called economic statecraft” (Berridge and James, 2003).

Besides debates on the definition, scholars also vary on what constitutes ‘economic issues’ in economic diplomacy. While the classic trade, investment and finance issues are always included, newer forms of economic-related activities are still debatable. Lee & Hocking (2010) suggest the inflow of people across border as one issue to consider in economic diplomacy, while Woolcock (Woolcock, 2012a) included environment and development affairs in his analysis of EU’s external economic diplomacy. Adding to the confusion, economic diplomacy is also often treated as an umbrella term that incorporates various seemingly similar concepts such as trade diplomacy and commercial diplomacy. Various conceptions of economic diplomacy are useful in listing out its multifaceted activities but detrimental in providing a clear-cut definition of economic diplomacy for research purposes. To overcome this problem, several scholars have attempted to cluster the different types or strands that make up economic diplomacy. Lee & Hocking (2010), for example, offers four types/strands of economic diplomacy, which are commercial diplomacy, trade diplomacy, finance diplomacy and consular visa services. Commercial diplomacy consists of three main activities: trade promotion, investment promotion and tourism promotion, while trade diplomacy is concerned with the formulation of trade regulations and regime. Finance diplomacy is also concerned with the creation (and failure) of regulations or regime, but within the field of monetary and finance and lastly, consular visa service regulates the inflow of people across borders due to migration.

Rana & Chatterjee (2011) based their classification on the content and purpose of economic diplomacy by pointing out the activities which make up economic



diplomacy. These activities include trade promotion, networking, country promotion and regulatory. Okano-Heijmans (2011), on the other hand, offers a wider scope of economic diplomacy, incorporating strands that also relates to economic statecraft. These five strands are commercial diplomacy, trade diplomacy, financial diplomacy, positive incentives (inducements) and negative sanctions. The last two strands are closely related to economic statecraft, which sees economic diplomacy as an instrument to achieve strategic foreign policy goals. Positive incentives include aid and its various forms (grant, loans, debt relief) and development cooperation while negative sanction includes activities such as embargos or aid suspensions. Comparing Lee & Hocking, Rana & Chatterjee and Okano-Heijmans' classification, it can be concluded that despite several differences, scholars mostly agree on three types of activities that make up economic diplomacy which are commercial diplomacy, trade diplomacy and financial diplomacy, which this article also follows.

**Table 0. Strands of Economic Diplomacy**

Strand of Economic Diplomacy	Types of Activities or Instruments Used		
	Lee & Hocking (2010)	Rana & Chatterjee (2011)	Okano-Heijmans (2011)
<b>Trade Diplomacy</b>	Formulation of global trade regulation	Formulation of trade regulation, FTAs and RTAs	Formulation of trade regulations at the bilateral and multilateral levels, negotiations on tariffs, quotas, trade and investment, export-import licenses and other barriers
<b>Commercial Diplomacy</b>	Trade promotion, investment promotion, tourism promotion	Trade promotion, investment promotion, business support (creation of domestic and global networks), country (image) promotion/ nation branding	Trade promotion, investment promotion, business advocacy, tourism promotion, promotion of socially responsible investing
<b>Financial Diplomacy</b>	Creation of (and the failure of) global financial institution	Formulation of finance regulation	Currency swap agreements, exchange rate policy, buying and selling of government bonds, freezing assets, withholding dues or payments
<b>Consular Activities</b>	Regulating the flow of people across the borders	-	-
<b>(Negative) Sanctions</b>	-	-	Embargo, boycott, aid suspension, capital controls, blacklist
<b>(Positive) Inducements</b>	-	-	Aid (grants loans, debt relief, humanitarian aid),

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granting access to  
technology, granting  
membership of an  
international organization

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**Source: Author's Compilation**

As the literature review suggests, economic diplomacy lacks comprehensive conceptualising at the fundamental level, making it difficult for theory-building. However, there have been attempts to theorise it, most notably by Okano-Heijmans through her work on the framework of economic diplomacy. In her work, Okano-Heijmans combined approaches from International Relations (IR), International Political Economy (IPE), economics and diplomatic studies to explain the practice of economic diplomacy. In this framework, IR studies provide the context for economic diplomacy, answering the *when* question by explaining the national-global relationship and the power interplay between multiple actors. IPE studies provide the analytical tool to answer the *where* question by systematically explaining the place or arena where various players are exercising power. This can include institutions both at the regional or global level. The economic approach is used to answer the question of what by outlining the various tools employed by states to conduct their economic diplomacy, including policy and other forms of activities. Lastly, diplomatic studies elaborate the question of how by pointing out the steps to achieve specific foreign policy goals. All these what, when, where and how questions together form the basics of economic diplomacy and answer the fundamental question of why.

Okano-Heijmans' framework is the first and only attempt at introducing a comprehensive framework for the study of economic diplomacy and unfortunately, still lacks evidence on its appropriability as a general model. This framework is built from her research on Japan's economic diplomacy and has never been tested on other countries or other non-state entities. Another problem with Okano-Heijmans' framework is its rather confusing starting and ending points, which makes it quite difficult to determine where to start and end the analysis, and it also lacks consideration on the domestic elements since it focuses too much on the inter-state level (Bayne, 2014). However, despite its limitations, Okano-Heijmans' framework signals a crucial turning point for the study of economic diplomacy since it marks the first plausible attempt to fully theorise it. Based on the different strands of economic diplomacy and



Okano-Heijmans' conceptual model, this paper will elaborate on ASEAN's economic diplomacy and analyse its trade diplomacy practice.

### **Strands of ASEAN Economic Diplomacy: Trade, Finance and Commercial Diplomacy**

ASEAN was established in 1967, but not until 1976 did ASEAN achieved their first milestone in economic cooperation. During their 1976 meeting in Bali, ASEAN member states agreed on an Action Plan containing three important documents for ASEAN economic cooperation: the ASEAN Industrial Projects (AIP), the Preferential Trade Agreements (PTA) and the ASEAN Industrial Cooperation (AIC) Scheme (ASEAN Secretariat, 2012). In 1992, ASEAN started their first effort towards a Free Trade Area (FTA) through the Common Effective Preferential Tariff (CEPT) Scheme, which was then widened and deepened to establish the ASEAN Economic Community (AEC) in 2015. During this time, ASEAN also developed closer ties with other external actors and signed their first-ever free trade agreement with China through the ASEAN-China Free Trade Agreement (ACFTA) in 2002. Following ACFTA, ASEAN subsequently signed free trade agreements with the Republic of Korea (2005), Japan (2008), India (2009), and Hongkong (2017). Currently, ASEAN also has four FTAs which are in the preparatory phase, including FTA with Pakistan, Canada, the European Union and the Eurasian Economic Union (Asia Regional Integration Center, 2020b). In managing its trade agreements, ASEAN employs the 'ASEAN-plus strategy', making ASEAN the hub of free trade in Asia-Pacific (Das, 2014). ASEAN-plus is a terminology used to explain ASEAN's practice of cooperating with partner countries by using plus to indicate the number of external countries involved. Up to date, ASEAN has finalized seven FTAs, including the world's largest FTA –as calculated by market size– the Regional Comprehensive Economic Partnership in November 2020.

ASEAN-plus strategy is rooted in the concept of ASEAN centrality in doing external relations. ASEAN centrality means that ASEAN is, and should remain, the core of Asia's –or Asia-Pacific– regional institutions by providing the institutional platform where other wider cooperation is anchored (Acharya, 2017). In economic realms, ASEAN is starting to play this anchor role as well, as demonstrated by RCEP, where ASEAN managed to unite regional powers like China, India, Australia, and

Japan in a single forum. In fact, RCEP was an ASEAN-led alternative to a previously suggested FTA with similar members but with Japan and China at the driver's seat. In addition to bilateral agreements via the ASEAN-plus scheme, ASEAN is also developing a stronger presence in multilateral economic settings such as in Asia Pacific Economic Cooperation (APEC) and G-20. In APEC, seven ASEAN member states are APEC's member economies, and ASEAN Secretariat holds an observer status in it, while for G-20, although Indonesia is the only ASEAN member included, ASEAN is a permanent guest invitee of the forum, denoting its role in the world economy.

Despite its progressive stance in managing external trade cooperation, ASEAN's management of external finance is rather conservative and limited. ASEAN currently only has two financial cooperation with external parties, the Chiang Mai Initiative and Multilateralization (CMIM) and the Asian Bond Market Initiative (ABMI), both involving China, Japan and South Korea (ASEAN+3). The CMIM is a currency swap involving a pooled fund of US\$240 billion between ASEAN+3 countries, established in 2010, following the 1998 Asian financial crisis. The 1998 Asian financial crisis was often considered a major turning point for ASEAN's financial cooperation and had a positive impact on Southeast Asia since it leads to the creation of ASEAN's first region-wide financial safety nets (Beeson, 2011). However, CMIM is often criticized due to its limited funds (only 1,5% of the region's GDP), which pales compared to the EU's European Stability Mechanism, which totals to 8% of the EU's GDP (Siregar and Chabchitichaidol, 2013). CMIM's borrowing term, which requires being linked to International Monetary Fund (IMF), also discourages its member states from using this mechanism due to their negative perception of the IMF (Volz, 2012).

Like CMIM, ABMI was also created following the aftermath of the Asian financial crisis to "develop efficient and liquid bond markets in Asia, which would enable better utilization of Asian savings for Asian investments" (ASEAN Secretariat, 2003). In their 2017 report, Asia Development Bank stated that ABMI had made significant progress in expanding ASEAN+3's local currency bond market (LCY) from US\$ 1.1 trillion in 2002 up to US\$ 10.2 trillion in 2016, which shows an increase in both absolute value terms and GDP percentage. ABMI's LCY has also been a major funding source for Indonesia, Malaysia, the Philippines and Thailand's government's

expenditure (Asia Development Bank, 2017). However, there are also several criticisms regarding this scheme since financial integration is more likely to benefit countries with strong institutions and developed financial markets (Osada and Saito, 2010), whereas several ASEAN member countries are not.

At the global financial & monetary level, ASEAN is also slowly building its presence, although on a limited scale. In 2010, ASEAN established the ASEAN+3 Macroeconomic Research Office (AMRO) as the economic surveillance unit of CMIM. Duplicating IMF's macroeconomic surveillance role on a regional scale, AMRO is expected to support IMF's role and contribute to maintaining regional economic stability. In October 2017, IMF and AMRO signed an MoU, formalizing their cooperation efforts on macroeconomic surveillance, capacity building and joint research projects (International Monetary Fund, 2017), acknowledging AMRO's position as a functioning regional institution. In addition to this, ASEAN is also a member of the Asian Infrastructure Investment Bank (AIIB), with all 10 ASEAN states listed as Prospective Founding Members. Although ASEAN states' decision to join AIIB is an individual choice, the need to tap AIIB's resources is partly driven by ASEAN's regional need to fulfil their connectivity projects. Despite several ASEAN countries concern that AIIB is China's economic instrument to extend their political power, AIIB is still one of the few financial cooperation where all ASEAN member states are on board, signaling a somewhat unified position in this issue.

Considering the limited financial cooperation that ASEAN has engaged in, it can be said that ASEAN is rather cautious in managing their external financial relations, which is understandable considering their experience with a financial crisis and the aftermath. Up until now, ASEAN is rather selective in choosing their external partners for financial cooperation, with China, Japan and South Korea being the only ones. Within the ASEAN integration scheme itself, financial integration is one of the least developed areas, which explains ASEAN's reluctance to develop a wider or deeper financial cooperation with external parties.

Of all the strands of economic diplomacy, ASEAN's commercial diplomacy is the least developed since it is practically non-existent. Up until now, commercial diplomacy is still a national domain, with ASEAN member states individually promoting their export, investments, and tourism. ASEAN countries' strategies in

managing commercial diplomacy range from creating a dedicated institution for commercial diplomacy, enhancing the state's capacity in doing commercial diplomacy, to mandating a stronger economic role for overseas embassies and consulates. Similarities in ASEAN products such as agriculture and textile may also hinder concerted efforts in managing commercial diplomacy. In fairness, developing region-wide commercial diplomacy is challenging, not only for ASEAN but even for a highly integrated regional project such as the EU. The EU faces problems in their commercial diplomacy due to the sometimes-overlapping role of EU delegation, national embassies and private sectors' representatives abroad and the persistently strong identity of 'national companies' rather than 'European companies' in the marketing process.<sup>1</sup> Considering ASEAN's level and nature of economic integration, it is, indeed, rather difficult to imagine ASEAN having a regional strategy of commercial diplomacy soon.

For other activities such as negative sanctions and positive inducements, ASEAN does not make these decisions at the regional level since ASEAN does not have a common foreign policy and is unlikely to do so in the future. For development cooperation, more than half of ASEAN countries are net recipients of aid, despite several other countries progressing towards becoming donors, such as Malaysia, Thailand and Indonesia. One notable progress at the ASEAN level is the conferment of a development partner status to Germany in 2016, the first country ever to receive it. Following this, ASEAN-Germany Development Partnership Committee (AG-DPC) was established in January 2017 to provide directions and oversee the overall development projects (ASEAN Secretariat, 2017). It is still unclear, though, what this status entails and why it was granted. Looking at ASEAN's history, the conferment of even the least binding status, such as observer, always has a strategic or practical purpose (Thuzar, 2017). Germany being the first country to receive it is rather uncommon since development partner is usually granted to regional/international organisations, whereas individual countries are usually conferred sectoral dialogue partner status.

In sum, among all the strands of economic diplomacy, ASEAN is most active in trade diplomacy, followed by financial diplomacy and, at some level, development

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<sup>1</sup> Interview with representative of EU private sector in February 2018

cooperation. Commercial diplomacy is yet to see some progress, but looking at ASEAN's historical economic relations, the prospect of this is rather obscure.

### **Case Study: ASEAN Trade Diplomacy and Its Limitations**

As the most advanced form of ASEAN's economic diplomacy, ASEAN's trade diplomacy is progressing despite ASEAN's low level of institutionalisation. One defining feature of ASEAN is its relatively weak organisational power, where its member countries choose to retain their power rather than transfer it to a higher supranational institution. ASEAN member countries deliberately avoid creating a strong supranational institution, making ASEAN Secretariat highly underpowered (Hill and Menon, 2010). Unlike the EU, which is characterised by a mixture of a supranational and intergovernmental model of cooperation, ASEAN is a purely intergovernmental organisation, where the decision-making process largely depends on consensus-building between member states, including in trade negotiations.

Any trade negotiations with ASEAN generally starts with an expression of interest or Letter of Intent from ASEAN external partners to the ASEAN Secretariat, which is then transferred to ASEAN member states. This invitation will be discussed at the Ministerial Level by Senior Economic Ministers, who will then undertake feasibility studies for the proposed negotiations. Once it is agreed that the negotiations will proceed, ASEAN member states will create a Trade Negotiating Committee (TNC), consisting of the ten-member state's representatives. Once TNC is formed, they will develop guidelines for negotiations and submit them to their respective Economic Ministers, and once these guidelines are approved, TNC will start creating working groups to discuss specific issues of the negotiation.<sup>2</sup> In managing their negotiations, ASEAN uses either a sequential or single undertaking approach, depending on their negotiating partner. The sequential approach focuses on creating a Framework Agreement that serves as a basis for future agreements while single undertaking approaches are single negotiations aimed at creating a comprehensive agreement since the very beginning (Di Masi, 2016).

Aside from trade negotiations completed under the ASEAN framework, individual ASEAN member states are also engaged in state-to-state trade agreements

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<sup>2</sup> Interview with Indonesia trade official in March 2018

with ASEAN external partners, making it rather confusing. Japan, for example, has an Economic Partnership Agreement (EPA) with ASEAN as a region and at the same time has seven bilateral EPAs with individual ASEAN member states. India, Australia and China also display similar patterns, and the EU is likely to follow this trend, having concluded negotiations with Singapore and Vietnam and at the same time, having parallel negotiations with the Philippines, Indonesia and ASEAN. Economic agreement with ASEAN or its member states usually comes in the form of a Free Trade Agreement (FTA) or an Economic Partnership Agreement (EPA), which is deeper, wider and more comprehensive than FTAs. FTAs are by nature easier to negotiate compared to EPAs since it covers fewer issues and thus, most countries generally start with FTAs before continuing to EPAs. Consequently, ASEAN-led economic agreements usually come in the form of FTAs, while bilateral agreements by individual ASEAN member states are usually EPAs.

From an ASEAN member state perspective, once an individual country secures EPA with external partners, it makes little economic sense to engage in ASEAN-led FTA since it has little added economic benefit. However, in practice, this pure economic calculation is not always applicable. For example, it makes little economic sense for Vietnam or Singapore to be involved in EU-ASEAN FTA since they already concluded EPAs with the EU, and yet, Singapore and Vietnam are still on board with the EU-ASEAN FTA negotiations. Indonesia's parallel negotiations with the EU, both individually and via ASEAN, also affirms this practice, raising questions on the negotiation's real aims and goals. During an interview with a Singapore representative, the trade official affirms that the EU-ASEAN FTAs also serves as a 'symbolic' region-to-region agreement as a way to strengthen ASEAN's global role. Since ASEAN is Singapore's main concentric circle in foreign policy, having a meaningful political relationship with ASEAN member states is one of Singapore's main interests.<sup>3</sup> Furthermore, Singapore's involvement in ASEAN's trade negotiation is necessary to ensure that Singapore plays its role in developing ASEAN's external economic relations.<sup>4</sup>

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<sup>3</sup> Interview with Singapore trade official in February 2018.

<sup>4</sup> Interview with Singapore trade official in February 2018.



From an external party's perspective –such as the EU– securing an ASEAN-based FTA, such as the EU-ASEAN FTA, is important in 'politically signaling' the significance of ASEAN as a bloc and is beneficial in strengthening region-to-region cooperation.<sup>5</sup> Thus, from both ASEAN and EU's perspective, this region-to-region FTA is a calculated political move to assert ASEAN's role as a cohesive economic bloc on the global stage. Eventually, this logic can also be extended to explain ASEAN's various parallel negotiations and agreements with other external partners, where collective FTAs by ASEAN tend to imply a strong non-commercial interest, in addition to smaller commercial interests.

Given ASEAN's emphasis on non-commercial interest in its trade agreements, ASEAN's FTA often has several economic limitations, both in content and during negotiations. During trade negotiations with ASEAN, external parties often cite several institutional and procedural difficulties. First, the absence of a common external tariff (CET) in ASEAN makes it difficult to reach a unified agreement since ASEAN partners are faced with ten different tariff numbers and tariff schedules. Despite having entered the next phase of integration via AEC in 2015, a CET is still far from the agenda. Study shows that while partial-CET may be feasible for ASEAN, not all countries can benefit from this scheme (Sally, 2013). Second, differing levels of development between ASEAN member states means that they also have a varying degree of ambition and goals, making it difficult to reach a common ASEAN position, as some countries are forced to either decrease or increase their economic ambitions. One negotiator from ASEAN external partner observes that during negotiations, several ASEAN countries sometimes display a higher level of economic ambitions and willingness to open their trade borders which are not matched by other ASEAN member states, creating difficulties in maintaining a common regional position for ASEAN.<sup>6</sup>

Third, the absence of a single negotiator in ASEAN makes it challenging for external parties to negotiate since they face ten different demands. During the previously postponed EU-ASEAN FTA negotiations, the EU officials cited several problems with the negotiations, ranging from the issue of Myanmar, the difficulty of

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<sup>5</sup> Interview with researcher on EU-Asia trade relations in February 2018.

<sup>6</sup> Interview with ASEAN external partner's trade negotiator in March 2018.

negotiating with ten-member states rather than a single bloc, and the different level of ambitions, both within ASEAN and between the EU and ASEAN (Okano-Heijmans, 2014). ASEAN's difficulty in reaching a more ambitious trade agreement with external parties resulted in their FTAs considered too 'weak' and 'light' to contribute to regional and global integration (Sally, 2013).

Another problem with ASEAN trade negotiations is its decision-making model, which, while useful in maintaining stability and harmony for the organisation, is rather weak for making binding economic commitments. In conducting trade negotiations, ASEAN works based on pooling authority since no 'regional agent' is present. Albeit pooling authority may work in negotiations, it adds an extra level since decision-making is distributed between several layers of authority. International negotiations are mostly explained using a two-level-game logic, introduced by Robert Putnam in 1988 (Putnam, 1988), which asserts that negotiators should simultaneously consider the domestic and international levels during negotiation since agreements are more likely to occur when the win-sets of the negotiating parties overlap. For ASEAN, however, there is an added layer since ASEAN countries also need to consider their regional counterparts' win-sets, making it a three-level game negotiation (domestic, regional and international) rather than a two-level game negotiation.

In comparison, this problem does not occur in the EU due to the existence of a delegation in the form of DG Trade at the European Commission. Once DG Trade is granted the mandate to negotiate, the domestic level is eliminated (or shifted) to the EU/regional level. While DG Trade still needs to consider member states' domestic interest for the agreement to be ratified by the EU Parliament, this 'level' is mostly played after negotiations are concluded, rather than during negotiations. ASEAN, on the other hand, needs to go back and forth between different levels during negotiations, although at the domestic level, several stakeholders are often bypassed. Due to their political systems, ASEAN trade negotiations are mostly state-based activities with varying degrees of involvement by private sectors and a very limited role for civil societies. Furthermore, even when civil societies are involved in trade negotiations, their role is relatively insignificant compared to the private sectors.<sup>7</sup>

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<sup>7</sup> Interview with representative from Indonesia's trade-focused civil society organisation in March 2018.

Applying Okano-Heijman's framework to ASEAN's trade diplomacy, several assertions can be made regarding the when (context), where (arena), what (tools) and how (goals) of ASEAN's trade diplomacy. First, in explaining the context of trade diplomacy, ASEAN member states choose ASEAN as a political vehicle to leverage their power vis-à-vis other parties since ASEAN member states are mostly developing countries with limited power at the global scale. Thus by combining their resources via ASEAN, they expect to achieve something greater which they cannot achieve otherwise. To put it blatantly, ASEAN is an association of less powerful states with the aim to maintain a limited regional order (Jones, 2015), including in economic affairs. Second, due to their limited power, ASEAN is cautious in choosing which arena to engage. ASEAN operates mostly at the bilateral level through the ASEAN-plus scheme. Despite also using plurilateral platforms such as RCEP, ASEAN always ensures that the external partners involved in the plurilateral scheme are already familiar with ASEAN's workings.

Third, ASEAN has limited tools at their disposal, currently using only bilateral FTAs as the main tools for their trade diplomacy. Since ASEAN does not seem to have a strong multilateral presence in trade affairs yet, ASEAN will continue to have a very limited choice of tools for trade diplomacy. *Fourth*, ASEAN trade diplomacy is mostly driven by political goals rather than economic ones. Whilst ASEAN's financial diplomacy may be economically driven; their trade diplomacy is not. ASEAN member states gain more economically by negotiating individually rather than collectively since ASEAN-led FTAs are usually weak and shallow. ASEAN countries, however, continue to negotiate via ASEAN for the sake of 'symbolism' and 'political signalling' as a credible regional bloc, signifying the political ends they are trying to achieve.

Lastly, this study is perhaps the first-ever to use Okano-Heijmans' framework on a regional basis and, thus, can suggest several things to consider when applying the framework to a regional organisation. *First*, Bayne's criticism on the lack of domestic consideration within the framework is justified since most regional organisations, including ASEAN, do not behave in a unitary manner. Each member states are driven by different motives and goals, and so are their domestic stakeholders; thus, adding national/domestic considerations in the framework may be useful. *Second*, Okano-Heijmans' framework is a general framework for economic diplomacy, which covers

a wide array of activities and instruments and hence, may be confusing. It is more useful to apply this framework to a specific strand of economic diplomacy and explain it one at a time rather than treat it as a one-size-fits-all framework for the whole strand of economic diplomacy. Explaining economic diplomacy by breaking it down into different strands also helps provide a more detailed and clear-cut analysis of the phenomenon, which this field of research needs.

## Conclusion

As ASEAN increasingly develops networks of external cooperation, their economic diplomacy is also progressing. Guided by the 'ASEAN-plus's type cooperation, ASEAN's economic diplomacy relies on bilateral levels of cooperation, mostly consisting of free trade agreements, making ASEAN's trade diplomacy progressing more rapidly than other strands. While ASEAN is increasingly accepted as a credible regional organisation and international actor, there are limits on what ASEAN can achieve in economic negotiations. ASEAN's development gap, the absence of a common external tariff and the lack of a unified delegation who can negotiate on behalf of ASEAN pose several challenges which ASEAN needs to overcome. In explaining the broad spectrum of economic diplomacy, this article barely touches the surface since it is only meant as an introduction to provide a general description of ASEAN's economic diplomacy and hence more research is required. For future research, a specific focus on the strand of economic diplomacy, either in trade, finance, or development, can provide a deeper understanding of ASEAN's workings and how they fare in these activities. Research of a comparative nature is also useful in explaining other regional organisations' workings and how they manage their economic diplomacy in comparison with ASEAN.

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