

Thinking **ASEAN**

From Southeast Asia **On** Southeast Asia

+
INFOGRAPHIC
Firepower in SE
Asia an Overview

*Implication of trade war
between China-U.S. on
ASEAN economy: what to
expect and way forward*

*RCEP:
Quo Vadis?*

*ASEAN digital challenges:
promoting economic
prosperity through
freedom of speech*



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A note from the editor

Dear readers:

Welcome to the April 2018 issue of the monthly Thinking ASEAN!

If a week in politics is a long time, a month in international relations must be an eternity. There have been some notable surprises taking place over the past few months; all with major implications for the ASEAN region. From the positive developments on the Korean Peninsula, which if all things go to plan will culminate in the first inter-Korean summit since 2007, to the conclusion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) by eleven countries minus the United States, to the more worrying and looming trade war between the world's two largest economies – the United States and China – it has been difficult to keep pace with events.

To try and make sense of these recent happenings, we present to you three articles. Our first is by Jaysa Rafi Prana (Research Associate, Economic Research Institute for ASEAN and East Asia) who writes on 'Implications of trade war between China-U.S. on ASEAN economy: what to expect and way forward.' The article argues that the most worrying aspect of the trade conflict between Washington D.C. and Beijing is not the direct economic impact it will have on ASEAN countries, but more on the lasting damage it will bring to the multilateral global trading system that has helped sustain ASEAN's growth.

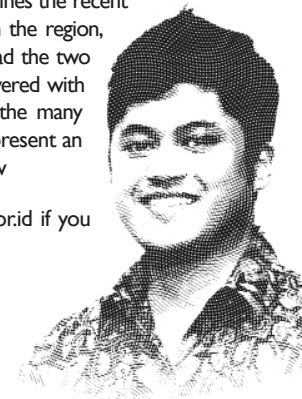
Our second article is by Fina Astriana (Researcher, ASEAN Studies Program, The Habibie Center) on 'RCEP: Quo Vadis?' Noting the progress with the aforementioned CPTPP, the article turns its attention on the ASEAN-led Regional Comprehensive Economic Partnership (RCEP), which to date has missed three deadlines for conclusion. The article identifies some of the major challenges, especially, distinguishing between those within ASEAN, between ASEAN and its free trade partners, and between the different free trade partners themselves.

Lastly, Vierna Tasya Wensatama (Researcher, ASEAN Studies Program, The Habibie Center) and Wiryadiwena (Head of International Relations, The Habibie Center) discusses 'ASEAN digital challenges: promoting economic prosperity through freedom of speech.' Noting Singapore's focus on the digital economy for their chairmanship of ASEAN this year, the article examines the recent trend of 'fake news'. Whilst recognising the dangers of fake news in the region, the article argues against imposing restrictions and censorship. Instead the two writers argue that the peoples of ASEAN should instead be empowered with online media literacy and other programs so that they can seize the many economic benefits that the digital economy promises. As usual, we present an infographic that this month looks at Firepower in SE Asia an overview

Don't hesitate to drop me a line at thinkingasean@habibiecenter.or.id if you have comments, input, or prospective submissions.

Happy reading!

Best regards from Jakarta



From Southeast Asia On Southeast Asia

Thinking ASEAN is a monthly publication that aims to provide insightful, cogent and engaging perspectives on issues central to contemporary Southeast Asia and the ASEAN member states. It is a product of The Habibie Center, with the generous support of the Republic of Korea's Mission to ASEAN.

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Responsibility for the information and views expressed in *Thinking ASEAN* lies entirely with the author(s). For comments, suggestions and prospective contributions, the Managing Editor of *Thinking ASEAN* can be reached at thinkingasean@habibiecenter.or.id.

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The Habibie Center

The Habibie Center was founded by Bacharuddin Jusuf Habibie and family in 1999 as an independent, non-governmental, non-profit organisation. The vision of The Habibie Center is to create a structurally democratic society founded on the morality and integrity of cultural and religious values.

The missions of The Habibie Center are **first**, to establish a structurally and culturally democratic society that recognizes, respects, and promotes human rights by undertaking study and advocacy of issues related to democratization and human rights, and **second**, to increase the effectiveness of the management of human resources and the spread of technology.



Implication of trade war between China-U.S. on ASEAN economy: what to expect and way forward



Coins Currency

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Jaysa Rafi Prana,
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The Association of Southeast Asian Nations (ASEAN) has played an essential role in maintaining peace and building prosperity in the region in its 50 years of existence. ASEAN's GDP now stands at approximately US\$2.5 trillion, ranking the expanded grouping as the world's sixth largest economy and fourth largest global trading power. ASEAN nations have built regional production networks across many sectors, have boosted their competitiveness in global markets and have significantly reduced poverty.

But while the current achievements and progress look good, there is a very significant external threat at its door step: the potential trade war between the United States (U.S.) and China. This article aims to look at the current condition related to the U.S. – China trade war escalation and see the potential impact on ASEAN economies. Later, this article will try to give some pointers that ASEAN governments can consider doing to circumvent any negative effect from this trade conflict.

United States' Actions

Since the beginning of 2018, U.S. President Donald Trump's administration announced a 30 percent tariff on imported solar panels, 25 percent tariff on steel, and 10 percent tariff on aluminium in an attempt to curb its US\$ 375 billion trade deficit with China. Following those measures, the U.S. Trade Representative (USTR), an executive office of the U.S. President, published a report that determined that the acts, policies, and practices of the Chinese Government related to technology transfer, intellectual property, and innovation covered in its investigation were discriminatory and harmful to U.S. commerce¹.

Due to this finding, the U.S. plans to apply the tariffs to about US\$ 50 billion worth of goods to punish China for its actions by imposing an additional 25 percent duty to 1,300 categories of goods listed under Section 301 Action of the Trade Act of 1974. In practice, if a good of Chinese origin currently enjoys a zero percent tariff, the product would be subject to a 25 percent tariff; if a good of Chinese origin were currently subject to a 10 percent tariff, the product would be subject to a 35 percent tariff; and so on.

The list of goods excludes many Chinese-made consumer products including clothing, shoes, and toys. However, the list includes cutting-edge technology products such as semiconductors, medical devices, aircraft parts and batteries, and other high-tech components of high value-added

industries. In other words, the USTR's action is geared towards China's high value-added and technological intensive products, and is going after China's dominance in high value-added industries that China is pursuing dominance in as part of its "Made in China 2025" plan².

According to the USTR's elaboration, the tariffs will not go into effect immediately. The administration will hold a public hearing for U.S. businesses on May 15. After the completion of the hearing process, the USTR will issue the final determination on the products subject to the additional tariff.

China's Response

In responding to U.S.' action, China will take retaliatory measures to safeguard its interest and balance the losses caused by the U.S. putting in place tariffs to compensate for the U.S.' export restrictions³.

While the Trump administration's list would affect 1,300 categories of goods, China is critically targeting a narrower range of 106 types of U.S. goods which were worth US\$ 50 billion in 2017 and made up to 38 percent of the total U.S. export to China. Among the 106 products, the top 3 products from the U.S. that China is targeting are aircraft (US\$ 16.3 billion), cars (US\$ 10.6 billion), and soy beans (US\$ 12.4 billion).

The list China published to retaliate against the U.S.' threat is shrewd. The list aims at putting pressure points in America's democracy which include industries with powerful influence on the political system and significant impact to the bilateral trade value, such as aircraft and soya beans. Moreover, the targeted products are also those produced in politically sensitive states such as cranberry from Wisconsin, where the U.S. Speaker of the House of Representatives Paul Ryan comes from, and bourbon from Kentucky, where the Republican leader of the U.S. Senate comes from⁴.

Neither the U.S. nor Chinese tariffs will be imposed immediately. Chinese Vice Finance Minister, Mr. Zhu Guangyao, said whether or when China will impose its penalties would depend on the outcome of negotiations between the two sides⁵. Under the U.S. deliberation, companies have until May 22 to object to the proposed tariffs, and the U.S. government then has at least 180 days to decide whether to go ahead, providing ample time for negotiations.

Potential impact on ASEAN

There are at least two potential negative effects and two potential positive effects of the U.S. – China trade war for ASEAN economies.

First is the adverse effect that arises when the tariffs are put uniformly across products, such as those that are imposed on solar panels, steel, and aluminium. Some of the effects of the U.S.-China trade tension are already being felt in ASEAN economies. In January, the Trump administration decided to place tariffs of up to 30 percent on solar panels, a measure aimed primarily at Chinese makers whose low-price panels have gained market share globally. The move hurt some other panel makers such as the Singapore factory of REC Solar Holdings AS, which runs one of the largest solar cell factories outside of China and sent almost a third of its solar panel shipments through the first three quarters of 2017 to the U.S.⁶

Second, the U.S. imposition of tariffs on Chinese products will potentially disturb the regional production networks that have been built over the past 30 years. ASEAN countries are heavily connected in the regional supply chain, serving as a major supplier of industrial intermediate inputs to China for further processing and re-export to western countries including the U.S. In 2016, 12.4 percent of ASEAN exports went to China while 30.1 percent of those imports are processing trade goods. Processing trade is another name for intermediate goods for production of goods that will be exported out of the country. That said, measures attempting to curb U.S. import from China have the potential to have an adverse indirect effect on ASEAN economies due to their strong linkage in regional production network.

More specifically, ASEAN might be hit hard in the machinery sector. In 2016, the share of ASEAN electrical and machinery exports in proportion to the whole ASEAN export to China was around 36 percent while 41 percent of those exported product was used by China for further production process. This threat is particularly relevant for Malaysia, the Philippines, Singapore, Thailand and Viet Nam.

The potential effects of the trade conflict between U.S.-China might also be positive for ASEAN economies. On the goods trade, if Apple Inc.'s products assembled in China suffer from the trade conflict, Vietnam could benefit because it is a major production base for

Samsung Electronics Co., the provider of substitution to some of Apple Inc.'s products. At the same time, China might buy more from the region if it follows through on its threat to retaliate against American products. Slapping tariffs against American soya beans, for instance, could lift demand for substitutes such as palm oil products, a major source of exports for Indonesia and Malaysia.

On the investment front, previous experience of trade conflict tells us that tariffs might encourage multinationals to switch their investment plans. For instance, when then U.S. President Ronald Reagan forced Japan to restrict its car exports to the U.S. in 1981, his action boosted Japanese investment in Thailand's growing car industry⁷. Due to its location and cultural similarity, it is rational for businesses to relocate to ASEAN economies when faced with the cross-road of a U.S. and China trade conflict. As stated by Alexander Feldman, president of the U.S. – ASEAN Business Council, "multinational might seek to hedge their risks by reducing production in China, and Southeast Asia would be the logical destination for this rebalance."⁸

The Way Forward

In the grand scheme of things, the most worrying problem of the current trade conflict between the U.S. and China is not the direct economic impact the conflict might bring to ASEAN, but the destruction the conflict might bring to the multilateral global trading system that has been supporting ASEAN's growth over the past decades. If powerful countries such as the U.S. and China pursue protectionist trade policies in defiance of the existing global trading system, other countries might be incentivised to follow their steps. This, ultimately, would gradually erode the role of the existing global trading system, such as the World Trade Organization (WTO), as one of the main foundations of the globalized economy.

There are at least two things that ASEAN governments and leaders can consider doing to uphold the current trading system that has been helping the region to grow and to take advantage of what might arise from the trade conflict.

First, ASEAN should realize its significance, as a regional grouping, in the global geopolitical dynamics and utilize that by shoring up support for trade. This argument is based on the fact that no country really dominates ASEAN, and no country in ASEAN would have the

strategic geopolitical weight to be heard in the world alone. ASEAN is the only way for a group of relatively small countries that in collective provide a middle power for it to be heard in the world. The effort to support existing global trading system shall be done by keeping ASEAN centrality in regional forums to advance regional cohesion, economic integration, and international influence.⁹ In practice, this strategic goal can be manifested by concluding the Regional Comprehensive Economic Partnership negotiation with its six main trading partners.

Second, ASEAN governments should double down their commitment to push structural reforms in each respective economy. Like we have discussed before, while a trade war might bring a negative impact on the global economy, there are also opportunities arising from the conflict. For instance, the rebalancing of multinational investment might spur more investment into ASEAN economies and in the end boost the growth of ASEAN economies. Also, the U.S. and China might buy substitute goods from ASEAN should they decide not to buy goods from one another. In taking this opportunity, ASEAN governments need to continuously improve its investment climate, improve its trade facilitation environment, and continue its domestic structural reforms.

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The Negotiations
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Fina Astriana,
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In light of the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – previously known as the TPP – in March 2018, the Regional Comprehensive Economic Partnership (RCEP) is under the spotlight given the latter trade pact's negotiations have not yet been concluded up until now. Since the US withdrawal from the TPP back in January 2017, many were questioning whether the TPP could still be concluded without the involvement of its major driving force. At that time, RCEP negotiations seemed to be a little bit ahead than the TPP. Nevertheless, the rest of the TPP members still managed to finish the negotiations even without the US. This led to another question whether RCEP conclusion will follow suit.

have now missed three deadlines. This long-delayed FTA have consequently raised questions from its stakeholders on whether the trade pact will soon be concluded or not. Having said that, progress indeed has been made. For example, agreements on Economic and Technical Cooperation and on Small and Medium Enterprises have been already completed. Meanwhile, the revised offer for services and investment is still under consideration and no deadline was set.¹ Despite the progress, there are still many issues that have slowed down the conclusion of the RCEP: issues within ASEAN, ASEAN-ASEAN+1, and within the six Dialogue Partners.

There is no doubt that the less-developed AMS are concerned whether they will be able to gain benefits from the RCEP due to their lack of economic capacity. According to Vo (2005) cited in Das (2014), further economic integration may lead to huge social costs incurred by the less-developed AMS due to structural adjustment and the risks of falling into a low-cost labour trap.³

Due to the different levels of development, each AMS may have different priorities, interests, and ambition. This is something that ASEAN needs to resolve by finding a middle way to accommodate its members. In the end, ASEAN should stand in the same position during the trade negotiations. In this regard, Iman

Table 1. Different level of development in ASEAN

COUNTRY	GDP per capita (at current USD, 2016)	Global Competitiveness Index*	Ratio of total trade to GDP (2016)
Brunei Darussalam	26,493	46	67.3
Cambodia	1,266	94	116.9
Indonesia	3,600	36	30.2
Lao PDR	2,402	98	45.5
Malaysia	9,464	23	119.4
Myanmar	1,297	n.a.	39.6
The Philippines	3,017	56	45.7
Singapore	52,963	3	212.1
Thailand	6,034	32	100.7
Vietnam	2,138	55	177.1

Source: World Economic Forum (2017) and ASEAN Secretariat (2017)

Notes: (*) out of 137 countries; n.a. is not available.

The rationale behind the creation of the RCEP is to reduce the 'noodle-bowl' effects by integrating five existing ASEAN+1 FTAs. The trade pact comprises of 16 participant countries: the 10 ASEAN Member States (AMS), Australia, China, India, Japan, New Zealand, and South Korea. Moreover, it accounts for 32 percent of the world's GDP, around 29 percent of international trade, and a combined population of 3.53 billion people. Several issues that are taken into account in the trade agreement are trade in goods and services, intellectual property, economic and technical cooperation, investment, competition, small and medium enterprises, e-commerce, and dispute settlement.

However, since the beginning of the trade negotiations back in 2012, policy makers

Issues within ASEAN

One of the hurdles that complicate the trade negotiations is the varying degree of economic situation between ASEAN Member States. This can be seen from the vast differences in terms of GDP per capita, competitiveness, and ratio of total trade to GDP (see Table 1). Some countries, such as Singapore and Malaysia, are more advanced and more open to international trade than the least developed AMS, such as Cambodia and Myanmar. Hence the former will surely be ready to have a further engagement with the regional trade than the latter. These existing development gap may lead to different preparedness and readiness, and may affect the level of technical discussion during the negotiations.²

Pambagyo, the Indonesian Trade Ministry's international trade negotiations director general, urged ASEAN to have one voice when negotiating with partner countries in the RCEP.⁴ In order to do so, ASEAN should have an internal discussion on certain issues before negotiating them in the RCEP forum. By having one voice, ASEAN can ensure its centrality in the RCEP. Since the RCEP was initiated by ASEAN, it is natural for ASEAN to show its leadership to ensure the progress of the trade negotiations.

Issues within the six ASEAN's Dialogue Partners

The challenges in concluding the RCEP is not only from within ASEAN but also from its six Dialogue Partners. It is important

Table 2. FTA relations among RCEP members

Signed/Concluded/Implemented	Under Negotiations	No Negotiations Launched
Australia – Japan (1 January 2015)	China – Japan – South Korea (March 2013)	Japan – South Korea
Australia – South Korea (12 December 2014)	New Zealand – India (April 2010)	Japan – New Zealand
Australia – New Zealand (1983)		India – China
Australia – China (November 2014)		China – Japan
Australia – India (launched in May 2011)		
China – New Zealand (1 October 2008)		
Japan – India (1 August 2011)		
India – South Korea (1 January 2010)		
South Korea – New Zealand (12 December 2014)		
China – South Korea (May 2012)		

Source: Pambagyo (n.a.)⁵

to note that some countries do not have FTA relations with one another (see table 2). The non-existing FTAs among some of the parties lead to complication during the trade negotiations. It will be the first time for those parties to talk to each other in the RCEP forum about opening up their market due to the absence of bilateral FTAs. Hence, the RCEP does not simply mean integrating the existing ASEAN+1 FTAs, but also integrating participant countries with no bilateral FTAs with one another.

Moreover, harmonizing interests between ASEAN's six Dialogue Partners is also difficult since they have competing interest and conflicting priorities. For example, India and New Zealand have a conflicting interest with regards to dairy products. New Zealand is known for its dairy products and it intends to increase its access to India's market since currently it has very low access. However, India is reluctant to open its market for food exports such as dairy.⁶

Moreover, while the other RCEP members have proposed to have tariff elimination coverage of up to 92 percent and to use the single-tier tariff reductions approach, India seems reluctant with the proposal.

It is uncomfortable with the level of good liberalization that is considerably high for its country.

India's reservations towards the regional trade pact are not without reasons. Many stakeholders are afraid that the trade gap between India and other RCEP members will widen once the RCEP takes into effect. India has already experienced trade deficits annually with other RCEP members of up to USD 100 billion. Half of the deficit is with China, even without a bilateral FTA. After India concluded FTAs with ASEAN, Japan, and South Korea, its trade deficit has also been increasing. Businesses in India are also concerned that the RCEP may have negative implications on many sectors such as steel, aluminium, auto-components, and ready-made garments.⁷

On the other hand, India has urged for more services liberalization since it argues that the negotiation on services is not keeping pace with that on goods. During the negotiations, India proposed to eliminate non-tariff barriers in the services sectors, including IT and IT-enabled Services (ITeS) sector, so that it can have greater market access to other RCEP members. Furthermore, India also

came up with the issue under Mode 4 (Movement of Natural Person) in the services sector by proposing work-visas to accommodate the movement of professional workers.⁸

The argument for these proposals is because the RCEP agreement is meant to be based on three pillars: goods, investment, and services. However, it seems that goods liberalization negotiations are making more progress than negotiations on services liberalization. For India, there should be a balance between goods, services and investment. It is therefore understandable for India to insist on pursuing the liberalization of services. However, other RCEP members are still reluctant for such kind of arrangement.

Hence, one possible step to overcome the existing challenges among the six ASEAN's Dialogue Partners is to have some flexibility among participant countries and to find a balance in order to conclude the long-delayed regional FTA.

Issues between ASEAN and ASEAN+1

Creating the RCEP means that all 16

The rationale behind the creation of the RCEP is to reduce the 'noodle-bowl' effects by integrating five existing ASEAN+1 FTAs.

participant members need to consolidate all the rules and arrangements under the existing FTAs among them, since currently they are very varied. Among the existing bilateral FTAs between ASEAN and its Dialogue Partners, the ASEAN- India FTA has the lowest tariff elimination coverage, reaching only 79.6 percent. On the other hand, the coverage in the ASEAN-Australia & New Zealand FTA can reach up to 95.7 percent.⁹ If tariff elimination coverage under the RCEP is lower than the target, it will likely reduce the economic gains.

In addition, in terms of rules of origin (ROOs), there are 22 different ROOs under the coexisting five "ASEAN+1 FTAs". Therefore, it would require extra efforts to agree on ROOs that are acceptable for all participant countries. Moreover, only 30 percent of tariff lines under the ASEAN+1 FTAs have common ROOs. For example, the Japan-India FTA has 12 types of ROOs and 7 of them are unique from the other ASEAN+1 FTAs.¹⁰ Adjusting all existing ROOs is another problem that needs to be resolved.

Policy makers need to find a middle way to accommodate all these differences, not only within the ASEAN+1 FTAs but also among the other six non-ASEAN countries.

To move forward? Balance and flexible

Members of the RCEP are more diverse than the TPP since there are both less-developed and developed countries. Hence, there are some countries that have higher ambitions than others. The RCEP can only be concluded if the 16

participant countries are willing to be flexible and harmonize their interest in order to overcome all the challenges.

Balance and flexible are the two key words in order to conclude the regional trade pact. Policy makers need to ensure balance between goods, services, and investment negotiations; balance between ambition and sensitivities. In addition, a flexibility clause under the RCEP framework will be able to accommodate the development differences among participant countries. While being flexible is the right thing to do to get every country on board, nevertheless, the policy makers need ensure that the flexibility will not become the bottleneck for the RCEP conclusion.

It is true that governments should not be in haste to conclude the RCEP because it is important to ensure that the trade agreement will be mutually beneficial for all participant members. However, if the policy makers of the 16 countries fail to conclude the regional FTA this year, it may reduce their credibility. Moreover, another delay will only give more rooms for people to become more skeptical towards the trade pact. Surely the latter one will add another burden for governments to restore public perceptions on the benefits that can be brought by the RCEP. They should not risk another delay this year so as not to raise doubt from its stakeholders.

In the end, accomplishing the RCEP will be important for ASEAN to show the world that amidst the rise of protectionism, anti-trade, and anti-globalization sentiments, ASEAN will further contribute to further

economic integration in the Asia-Pacific.

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ASEAN digital challenges: promoting economic prosperity through freedom of speech

Internet Business
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Singapore kick-started its ASEAN chairmanship through the theme 'resilience' and 'innovation', echoing its beliefs that ASEAN should be able to weather contemporary challenges by keeping ahead of the trend. Primary amongst these challenges is the rapid changes brought by technological developments.

Indeed, the rapid development of technology has significantly affected life in Southeast Asia. Many daily activities are now mostly done online: banking, shopping, or even simply communicating. The freedom every person possesses over the use of the Internet enables them to exchange goods and information in a faster and simpler manner, with a wide range of audience able to be reached. It is understandable that Singapore's chairmanship — echoing the priorities of other countries in the region — aims to respond to this development primarily in the economic sector. The digital economy, and the prosperity it might bring into the region, is important. However, another important issue that the region needs to also pay close attention to is the digital flow of information.

It's not just the economy

Singapore's focus on the digital economy is reasonable. There are a lot of untapped potentials that can be spurred to stimulate growth in the region. An ATKearney-Axiata report stated that the region can potentially generate an additional US\$ 1 trillion in GDP over the next 10 years through the digital economy should ASEAN accelerate innovation in the digital economy and its infrastructures.¹

However, while Singapore might have the infrastructure to pursue this goal, the same

does not apply for other ASEAN member-states. The United Nations Information and Communication Technology (ICT) Development Index 2017, shows that Singapore ranks relatively high globally at number 18. Meanwhile, the rest of the region is falling behind—Brunei at 53, Malaysia at 63, Thailand at 78, Vietnam 108, the Philippines at 100, Indonesia at 111, Cambodia at 128, Lao PDR at 139, and Myanmar at 135. Most countries in the region understands the importance of catching up. Region-wide investment in the sector has reached US\$ 100 billion in 2014, and shows a 15% annual increase. There is much to be hopeful for from this sector.

Furthermore, even as the rapid development of ICT has benefited many, digitalisation in the region comes with a price. Indeed, the region is now encountering challenges in responding to the fast exchange of information allowed by rapid advancement of technology. On the one hand is the spread of 'fake news', fabricated and false information disguised in such a way that they appear true and trusted; fake news are usually written in a provocative manner to propel their rapid dissemination — an aftermath often utilised by certain parties and individuals for their own benefit and is considered by some as a major threat to democracy.²

The threat of fake news toward a country's democracy is felt particularly strong in some parts of the region. For example, Indonesia is struggling to counter the rise of provocative 'fake news' that are widely shared and believed by Indonesian citizens on their social media accounts. The archipelagic country has experienced first-hand the damage that fake news can bring when political — as well as religious and ethnic — tension was pushed high during the gubernatorial election in

Jakarta last year due to provocations spread throughout the election period.

In realisation of the need to tackle this challenge, particularly at the institutional level, the ASEAN Ministers Responsible for Information (AMRI) occasionally meet to exchange views on countering fake news and communicating the right information. Additionally, in working towards developing a more socially responsible media in the region, currently the ASEAN information sector has considered a set of core values, READI, which stands for Responsibility, Empathy, Authenticity, Discernment, and Integrity, and will serve as a framework for digital literacy programmes in the region.³ Moreover, in understanding that social media platforms have on many times been an easy target for allegations of publication and dissemination of fake news, ASEAN has then considered the importance of engaging with the private sector, particularly online social media companies, in the effort of abolishing the dissemination of fake news.

However, on the other hand is another side of the issue, where some ASEAN member-states have been hiding behind the shield of 'fake news'. Some concerns have been raised toward countries like Myanmar, who continues to reject the allegations surrounding the Rohingya crisis, stating that the events "are not happening"⁴, and the Philippines, who is trying to revoke the Rappler news site for allegedly spreading 'fake news' about President Duterte and his meeting with US President Donald Trump.⁵

Moreover, to 'restrict the dissemination of fake news', the government of Malaysia has just recently issued the Anti-Fake News Act 2018.⁶ Many have criticised the

Act, aside for being the alleged political effort to silence the opposition ahead of the coming election, but also over the vague definition of fake news in the Act that would easily criminalise people, even the ones who mean no harm. Singapore has received strong criticisms against the plan to introduce a new law on fake news, saying that the existing laws are actually adequate and such new law would be "yet another tool for censoring dissent".⁷ At the same time, Indonesia is known to have repeatedly blocked or closed down access to websites that the government considers harmful to national security — the most recent example being the plans to block Facebook, in fear of fake news spreading beyond the government's control.

Such invasive measures taken by governments have also targeted civilians indirectly. For the past year in Cambodia, there has been numerous threats to and criminalisation of civilians from public officials for expressing their opinions criticising the government on Facebook, as well as the shutdown of mainstream media platforms such as The Cambodia Daily and Radio Free Asia — an action seen as an effort in muzzling freedom of the press.⁸

Steps to the right direction

It is concerning when governments try to exercise massive control over social media platforms not to protect the people from contents that would harm their interests, but rather to protect themselves from unwanted opposition. As more ASEAN countries follow legal steps to incriminate political differences under the agenda of 'countering fake news', the region might find that digital changes can also bring forward declining democracy. As beneficial as they are intended to be, fake news laws may become a blanket effort of the intention to prevent criticism at the government as well as to protect the government from opposing opinions.

ASEAN member-states should consider the benefits of a free, open, and neutral internet. Website shutdowns or burdensome censorship should not be the primary responses. Instead, empowering the people with the necessary skills to keep up with the fast-developing technology and information exchange would benefit more in the long run, such as through coding training and media literacy workshops. It will allow ASEAN citizens to be a true digital natives who can benefit from the opportunities that this brave new world has to offer them.

It will also increase connectivity in the region. An open internet will facilitate intra-regional trade by connecting consumers with suppliers from different Member States. Home-grown e-commerce companies such as Lazada have also started a regional operation, with others following closely behind. This development needs to be encouraged by preparing ASEAN citizens with the right skills to adapt to it and the many challenges — such as fake news — that it poses. Imposing overly strict control over their ability to communicate in the internet might only create a barrier that will hamper the region's growth.

Fortunately, ASEAN has taken some steps in the right direction. The Ministers in AMRI recognised the need for a multi-sectoral approach, with the ICT sector working together with the sectors of telecommunications, transnational crime, law, youths, and education. For example, as one of the strategic areas for collaboration, ASEAN and UNESCO has launched ASEAN-JAIF Media Information Literacy Forum: Cyber Wellness for the Youth as part of the media and information literacy programme. At the national level, a number of ASEAN member-states are already running programs to improve media literacy, such as Singapore, which has established a Media Literacy Council, working towards "Singaporeans who are able to evaluate media content effectively, and to use, create and share content safely and responsibly".

Such multi-sector approach should also encourage incorporating digital education that will provide ASEAN citizens with the right skills for a digital world. Coding workshops, for example, will be beneficial in providing ASEAN citizens with the necessary tools to benefit from the economic opportunities of an open internet.

ASEAN member-states should also consider joint efforts to boost investment in digital infrastructures. It is important that all member-states are able to prioritize digital infrastructures amidst the still existing development gap in the region. Indeed, assistances should be provided to member-states that are still behind the others and might be struggling to catch up.

Conclusion

The theme that Singapore has chosen is truly relevant to the contemporary challenges that ASEAN currently encounter. The region does need to be resilient to brave the challenges that

rapid advancement in ICT brings, and to be innovative to reap the many economic benefits that such advancement provides for the region. In this regard, some steps that the region has taken is encouraging.

At the same time, it is truly the challenge of our time that the freedom of speech is being abused to quickly spread hatred and provocation. Fake news is an urgent challenge that might hamper the democratic process happening across the region. Responding to the challenge should not mean restricting the rights of ASEAN citizens and therefore providing further challenge to democracy in Southeast Asia.

The answer to this challenge should be empowering the peoples of ASEAN and not limiting them. Opportunities are abound in the region in this digital era. ASEAN should believe that the key drivers to truly capture those opportunities, as well as the solution to the challenges that accompany them, are its peoples.

End Note

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The freedom every person possesses over the use of the Internet enables them to exchange goods and information in a faster and simpler manner, with a wide range of audience able to be reached.

Firepower in SE Asia

an overview

Global Firepower has recently released a global ranking of global military powers in 2018. This edition's infographic compiles the positions of ASEAN countries in the global ranking and the defense budget of each country.

THE RANKING

INDONESIA	15
VIETNAM	20
THAILAND	27
MYANMAR	35
MALAYSIA	44
PHILIPPINES	52
SINGAPORE	67
CAMBODIA	102
LAOS	117
BRUNEI	N.A

DEFENSE BUDGET (US\$)

\$ 6,900,000,000
\$ 3,365,000,000
\$ 5,390,000,000
\$ 2,400,000,000
\$ 4,700,000,000
\$ 3,000,000,000
\$ 9,700,000,000
\$ 192,000,000
\$ 18,500,000
\$ 375,000,000*

*Source: The Diplomat



Make bridges not wall: MIKTA's strategic collaboration in facing contemporary security challenges

Mexico, Indonesia, South Korea, Turkey, and Australia are what Giovanni Botero defined as Middle Power states. Although, as there is no precise measurement on the extent of one's middle power position and limitation, each of these countries have been thriving in the international platform by showing its determination to step up on both regional and international stage. The nature of this multilateral group is a proven commitment which underlined the inevitable fact of new international challenges and complexities which are the by-products of globalization. The group understood that to further their steps forward, there should be pragmatic and constructive solutions.

Unlike great powers, which are known for their managing role in the realm of global political affairs, middle power countries have specific limitation to exert their power, often described as the subordinates to great power. The foreign policy of each states is reflected by how they interact with great powers—through ties such as agreements. However, the creation of MIKTA underlines the possibility of non-confining act that proved countries might not necessarily rely on 'self-help' but also the existence of 'other-help', creating new junctures to take more charge especially in tackling arising security issues.

Other-help provides a bridge which is illustrated by MIKTA in the context of security where the members have the geostrategic advantage through their

geographical positions. Regardless, such advantage can also be exploited by transnational criminal organizations, and the ability to cause chaos and terrors in any of the MIKTA members might create a rippling regional instability. Moreover, this multilateral diplomatic organization can forge vital relationship across continents by championing interconnectivity among its members. New cooperative policies are to be expected, but each of MIKTA members still has to be able to bring out its specialties and potentials into the table and providing that to sustain the pivotal role of this organization.

The primary challenges of MIKTA are the domestic challenges that middle powers have. Domestic political and economic concerns might take most of these countries time in trying to find solutions as they are crucial for internal legitimacy. This will unable the countries to remain committed to the formulation of foreign policies which are aimed at the global level. Furthermore, due to the state's limitation, it is difficult to voice and implement plenty of approaches as the countries might have limited abilities in larger institutional meetings to show their stances.

In the chessboard of international relations, MIKTA represents the organic and authentic forms of dialogue and solidarity in solving security issues—instead of possibly costly and ineffective military intervention. Firstly MIKTA is able

to adopt a genuine approach of based on familiarity toward each members ability instead of a fixed framework. MIKTA can share best practices of each members. Indonesia, for example, has been prosperous in conducting negotiation forums even with separatist group such as Abu Sayyaf that can be adopted into larger framework of resolving conflict in the world. While the state must be assertive in exercising their policies in dealing with armed groups, Indonesia's successful case also perpetuates new norm in being involved in such conflict by not overplaying their cards.

New program among security and military experts as part of knowledge transfer among the countries should also be a priority to diversify bridge the limitations which MIKTA countries might have in this sector. Learning as an important practice is often neglected due to the traditional security understandings of threats, while this practice will give MIKTA members the upper hand of in-depth comprehension on the kind of scenarios each MIKTA countries face as each of them faces a different type of challenges.

Furthermore, each country has remarkable uniqueness and different strategic culture in setting their military agenda through their diverse geography and history, which are essentials for policymaking. For example, Turkey borders the high tension region of the Middle East, with currently

One important note is that in setting the agenda of MIKTA, the group must be able to develop the measurement of progress despite the instruments being used whether it is diplomatic means or military collaboration

ongoing conflicts which can be detrimental to both Europe and Asia. Putting it into perspective, Turkey sees a different kind of problems to the ones which become the concern of Mexico. However, differences aside, the learning process is critical; through collaboration, the answer to these challenges might even be more profound to the traditional ones.

MIKTA has the chance to further cooperative agenda instead of a competitive one. In the presence of immense possibilities, and despite of an array of conditions and adversaries, the group's determination to work together can be the best call to achieve their security goals both domestically and regionally. Individually, MIKTA members held regional power in influencing their neighbors through the use of each members' diplomatic capabilities. This use of cooperation and diplomacy are able to reduce tension and decrease security dilemmas in the global affairs.

Alternatively, MIKTA's policies directions must be able to persist, stabilize, and promote a democratic environment. MIKTA's efforts to push peaceful initiatives is key to this group's leadership to promote peace in the world. One important note is that in setting the agenda of MIKTA, the group must be able to develop the measurement of progress despite the instruments being used whether it is diplomatic means or military collaboration. By gaining a tangible proof

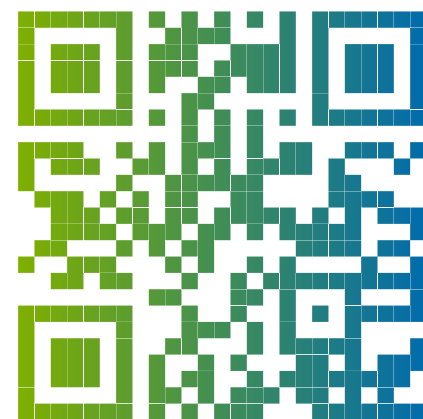
that can be assessed by the group annually, MIKTA can continuously setting visionary goals through this exercise instead of normative guidelines.

Lastly, moving within an interconnected world, MIKTA's collaborative success in facing new security challenges are based on the creative efforts of the members of this group, it can assure the sustainability for future projects, and in a more pragmatic makes it easier to set mutual objectives which can be the answers to the complex security questions. MIKTA's existence reflects its members' commitment to taking a chance on the current global dynamics, where new rules are emerging and quickly changing as it is being facilitated by the vastly growing technology sector. The way is to set aside ideological rigidity and adopt more flexible approaches. Flexible approaches mean that on the meetings, policies must be responsive to the needs of security challenges.

In conclusion, MIKTA can voice its views amidst contemporary global affair complexities. Despite of the long multilateral meetings with limitations to reach consensus, smaller groups such as MIKTA has the advantages to learn from each other and be focused on responsive actions that would be the answer to new challenges brought by globalization. In a nutshell, 'other-help' provides a collaborative framework that can be seen as a bridge to secure the group's position.

However, it becomes the responsibility of each country to know what they can offer to the table during the meetings. Ambitions and aspirations are not enough for future endeavor; the group needs a coherent purpose which can monitor actual progress.

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ASEAN ROUND-UP

Fina Astriana is an Economic Researcher
of the ASEAN Studies Program of The Habibie CenterGrab confirms acquisition of
Uber's South-east Asia business;
Uber gets 27.5% stake in Grab

Starits Times, 26 March 2018

<http://www.straitstimes.com/business/companies-markets/grab-buys-ubers-south-east-asia-business-uber-gets-275-stake-in-grab>

"Singapore-based Grab on Monday (March 26) confirmed that it has acquired Uber's South-east Asia operations for an undisclosed sum - putting an end to recent speculation about the merger between the two ride-hailing giants. Bloomberg had reported on Sunday that the two companies had reached a deal. Uber will take a 27.5 per cent stake in Grab, a figure which Grab described as "reflective of the companies' respective market shares".

Why it matters:

The acquisition of Uber by Grab has attracted the public's attention since the deal is the largest of its kind in Southeast Asia. Uber's operations in eight countries in Southeast Asia, namely Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam will now be taken over by Grab. Uber is no stranger to such deals. Previously, Uber sold its business to Didi Chuxing in China and merge its operation with Yandex in Russia.

The deal left policy makers and analysts wondering what would be the impact on the market. The positive impact from the acquisition is that Grab will have a larger supply of vehicles. Therefore, waiting times for customers will likely be reduced.

Despite the positive impact, policy makers are also concerned with the negative implications. They fear that

Grab will dominate the market. The concerns are not coming only from Singapore - where Grab's headquarters reside- but also from other Southeast Asian countries such as Malaysia and the Philippines. The market domination m create undesirable practices such as monopoly.

In the case of Singapore, Grab has been so familiar with local values and habits, hence it has more superiority than other ride-hailing companies that have not been operating long in Singapore. In addition, since Singapore already

has an established pool of registered private-hire cars of about 47,000 at the end of 2017, other ride-hailing apps, such as Go-Jek, will be struggling to add more cars if they want to expand to Singapore. Hence, due to the above situations, it is hard for other players to enter a market such as Singapore and in the end this will hinder other players from growing.

Taking into account this situation, policy makers have planned to take actions in order to prevent any single dominant player. The Competition and Consumer Commission of Singapore (CCCS) has proposed to Grab and Uber to maintain their pricing policies after the acquisition. Authorities in Malaysia and the Philippines are also assessing whether the Grab-Uber deal will hinder competition in their respective countries. The Vietnam Standards and Consumers Association is also worried that Grab will likely start manipulating prices since it does not have any competitor now in Vietnam.

In order to address any negative perception, Grab should continue to have a constructive dialogue with the governments to ensure that it will not violate any rules after the acquisition. Moreover, as the business continues to grow, Grab should prove that it will not only increase its services to the customers but it will also give more attention to the welfare of its drivers.



ASEAN ROUND-UP

Askabea Fadhillah is a Researcher
of the ASEAN Studies Program of The Habibie CenterHealthcare for all is public
health priority
Myanmar Times, April 09, 2018<https://www.mmtimes.com/news/healthcare-all-public-health-priority.html>

Around half of Southeast Asia's population still lacks full coverage of essential health services. Some 65 million are pushed into extreme poverty, mainly due to paying for medicine, especially for noncommunicable diseases and other common ailments.

Given the region's sustained economic growth, accelerated progress is both possible and necessary. Though action across sectors is essential to enhance healthcare, priority health programmes clearly play a major role. But to make healthcare truly universal it must be designed around and for people, rather than around diseases or institutions. Doing so will have an immediate and lasting impact.

Why it matters:

The fast-paced development in ASEAN not only brings remarkable contributions to the region but also a number of new and emerging challenges, especially related to public health. The late ASEAN Secretary-General, Surin Pitsuwan mentioned that economic betterment across Southeast Asian countries has brought a whole new type of health problems for the people, especially in the form of non-communicable diseases, as a result of poor lifestyle choices.

Furthermore, ASEAN countries are a hotspot for health security threats due to a number of factors. According to Dr. Vikram Rajan, Health Cluster Leader of World Bank Indonesia, the growing population and density in ASEAN, unplanned urbanization,

poor hygiene and sanitation as well as lack of food safety pose significant risks for health security in the region. Furthermore, weak health systems and infrastructure have also created resource shortage, which makes it difficult for ASEAN to address this issue properly. Meanwhile, at the global level, factors such as a highly interconnected world, the easier movement of people across open borders, as well as climate change and changing ecosystems have made the region prone to transnational health challenges.

Threats towards health security in the region is not only harmful because it will cost people's lives and their livelihood. It will also disrupt the region's economy. The case of Ebola Epidemic has shown that the outbreak also contributed to the affected countries' GDP losses and resulted in lower investment and private sector growth.

Considering the gravity of this situation, ASEAN has made numerous efforts to ensure the fulfillment of an ASEAN health sector. In reference to the ASEAN Socio-Cultural Community Blueprint 2025, the ASEAN Post-2015 Health Development Agenda (APHDA) captures the shared goals, strategies, priorities, and programmes of ASEAN health sector from 2016 to 2020.

Fortunately, ASEAN also recognizes that this issue is not limited within the scope of socio-cultural pillar. The AEC Blueprint 2025 also clarifies that the cooperation in the healthcare sector aims to promote the development of a strong healthcare industry that can contribute to better



healthcare facilities, products, and services to meet the growing demand for affordable and quality healthcare in ASEAN.

To put these objectives into practice, what kind of healthcare infrastructure would actually benefit the people of ASEAN, considering the emphasis earlier in this article that it should be designed around and for the people, rather than the diseases or institutions? It requires ASEAN to be aware of its trend and demography in order to decide which healthcare systems can cater to the right population.

With the increasing concern of non-communicable disease, healthcare system needs to emphasize on primary care as the gate keeper. Non-communicable diseases could result in an ongoing treatment, therefore, the first step of primary care could prevent potential future costs. An ASEAN healthcare system also needs to consider long-term care, considering the recent ASEAN demographic trend of emerging young population and the increasing aging population. Furthermore, with this fast rate of urbanization in the region, ASEAN also needs to develop a specific mechanism to cater the population from this group, such as involving private sector into public health endeavours.



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The objective of the ASEAN Studies Program is not merely only to conduct research and discussion within academic and government circles, but also to strengthen public awareness by forming a strong network of civil society in the region that will be able to help spread the ASEAN message. With the establishment of ASEAN Studies Program, The Habibie Center aims to play its part within our capabilities to the ASEAN regional development.

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