Regional economic community building amidst rising protectionism and economic nationalism in ASEAN

Chandra, Alexander Christian

Regional Economic Community Building amidst Rising Protectionism and Economic Nationalism in ASEAN

Alexander Chandra *The Habibie Center*

Abstract

Despite its ambitious ASEAN Economic Community (AEC) project, protectionism, and economic nationalism are on the rise in ASEAN. Protectionism, however, is not new to Southeast Asia, with governments across the region employing an inward-looking economic policy when they enjoy economic stability, and pursuing economic reform when confronted with major economic challenges. Unfortunately, embryonic industries will always exist in the region, and governments will find excuses to safeguard their existence. Drawing on the Murdoch School of critical political economy approach, this article argues that the inclination towards protectionism in ASEAN be primarily rooted in the domestic political economy of member states. Apart from bringing about domestic regulatory changes, major economic liberalisation initiatives of ASEAN, such as AFTA and the AEC, significantly redistribute power and resources, and ignite struggles between competing for domestic economic influences, many of which are in favour of government's protection. Whilst existing technical initiatives to address protectionism are useful, major crises that encourage structural adjustments in all ASEAN Member States might be needed to overcome protectionist inclinations in the region.

Keywords: protectionism, economic nationalism, economic regionalism, ASEAN

Introduction

The long-awaited ASEAN Economic Community (AEC) was finally launched on 1st January 2016. Despite the success of the Association of Southeast Asian Nations (ASEAN) in officially launching its most ambitious project to date, scepticisms linger over the viability of the Association's economic integration project. The rise of protectionism, as an expression of economic nationalism, in particular, has been seen by many experts and practitioners alike as a key hindrance to ASEAN's effort to deepen its economic integration project. While senior officials of ASEAN Member States (AMS) have consistently reiterated their countries'

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commitments towards the AEC; a significant contrast is depicted on the ground. Despite significant achievement in reducing tariff barriers over the past decade, for instance, non-tariff measures (NTMs)/non-tariff barriers (NTBs) remain rampant across the region. Though the incidence of NTMs in ASEAN is relatively moderate in comparison with other regions of the world (Cadot *et al.*, 2013: 12), these protective measures will prove to be major stumbling blocks for ASEAN to attain its 2025 Economic Vision.[1]

Domestically in each AMS, protectionist push against the AEC is mounting. Shortly prior and during the immediate aftermath of the AEC launching, public debate on the subject was, unsurprisingly, becoming more common. While many express their excitement about this ambitious regional economic integration project, others remain sceptical, highlighting their countries' unpreparedness to face, *inter alia*, increasing competition as a result of the AEC. In Indonesia, for example, professionals, such as engineers, and workers express their concerns over the potential flood of their more qualified peers from other AMS.[2] Elsewhere, such as in the Philippines and Vietnam, experts and business practitioners alike also warn the difficulty that micro-, small-, and medium-sized enterprises (MSMEs) would face amidst the AEC.[3] With such strong domestic pressures, AMS become more reserved in their commitments towards the deepening of AEC project.

Protectionism, however, is not new to Southeast Asia, with governments across the region employing such an inward-looking economic policy when they enjoy economic stability. On the other hand, major economic reforms, usually pursued in the form of deregulation and liberalisation, are commonly adopted when crises emerge. AMS' positive attitude towards the deepening of ASEAN's economic integration in the immediate aftermath of the late 1990s Asian financial crisis through the launching of the AEC is a case in point. Consistent with Jones's (2015) Murdoch School of critical political-economy approach, this article argues that the inclination towards protectionism in ASEAN be primarily rooted in the domestic political-economy of AMS. More specifically, as Jones further elaborates, agreements, such as the ASEAN Free Trade Area (AFTA) and the AEC, call for major rescaling of economic governance at the regional level, which affects domestic regulatory changes that would significantly redistribute power and resources, and ignite struggles to promote and constraints their effects (pp. 3-4). Whilst existing regional initiatives to address protectionism are useful, major crises that encourage major structural adjustments in all AMS might be needed to overcome fundamental protectionist inclination in the region.[4]

[1] The AEC Vision 2025 is part of an overarching ASEAN Community Vision 2025 that was adopted at the 27th ASEAN Summit, which took place in Kuala Lumpur, in November 2015. The document serves as a guide for ASEAN to deepen its economic integration post-2015. Further details concerning the AEC Vision 2025 see ASEAN Secretariat (2015b).

[2] See, for example, Tempo (2015) and Ambarita (2015).

[3] See, for example, Mercurio (2015) for the Philippines and Anh (2015) for Vietnam

[4] The Asian financial crisis in the late 1990s, for example, prompted ASEAN to accelerate and deepen its economic integration process. The AEC, which entails, amongst other things, indirect efforts to address protectionism, is a major regional economic reform resulted from such a process.

In the meantime, however, the development of domestic consensus remains a key element in the deepening of ASEAN's economic integration project (Yean and Das, 2015). In this regard, as Yean and Das further argue, greater policy coherence in domestic economies, increased stakeholder consultation, mitigation of the negative impact of AEC on domestic stakeholders, and the overcoming of resource constraint are primary areas that ASEAN needs to pay its attention to post-2015 (pp. 7-8). Aside from this, an effective strategy to find common denominators to lessen protectionism is also needed. Though past initiatives, particularly the Priority Integration Sectors (PIS),[5] were capable of attaining such a goal, AMS' half-hearted commitments render these initiatives ineffective. The new AEC Vision 2025, which identifies a new set of sectoral priorities for ASEAN, could potentially serve as an arena in which efforts to lessen protectionist measures are tested.[6]

This article is divided into four sections. Whilst the subsequent section two offers overview on the existing literature of domestic sources of protectionism, the analysis in Section three is dedicated to showing trends and pattern of protectionism in ASEAN. The section also briefly highlights ASEAN's efforts to address protectionism, particularly in the area of elimination of NTMs/NTBs. Discussion in section four, meanwhile, is focused on exploring the domestic sources of protectionist inclination in ASEAN. More specifically, it attempts to illustrate sector/actor-specific struggles that affect AMS' commitments towards the deepening of ASEAN economic integration. Furthermore, section five makes an argument for the deepening of ASEAN's economic integration in advancing domestic reforms that could assist the dismantling of protectionist inclination amongst AMS. Finally, the article is concluded in section six where the author attempts to identify specific policy-oriented recommendations for consideration towards dismantling protectionist inclination in the region.

Domestic sources of protectionism: A theoretical overview

Protectionism is understood as a form of government's policies and actions that restrict trade and economic openness in favour of the protection of local business and industries, which can be implemented through the imposition of tariffs, quotas, subsidies, as well as other forms of direct state intervention in the economy. Two notable arguments have been commonly used to promote trade protectionism, and these include national security and infant industry arguments. Whilst national security argument is often advanced with consideration of protecting an industry that is deemed critical to national security; infant industry argument generally calls for temporary protection of fledging domestic industries from foreign competition (Warrier, 2011, p. 225). Amongst all arguments commonly used to advance trade protectionism, infant industry argument

[5] Launched in 2004, PIS is an initiative aimed at accelerating integration in sectors that are deemed priority by AMS. Originally covering 11 sectors, including electronics, e-ASEAN, healthcare, wood-based products, automotive, rubber-based products, textile and apparel, agro-based products, fisheries, air travel, and tourism, in 2006 logistics was added as the 12th PIS.

[6] The new AEC Vision 2025 identifies several key sectors that are deemed important to enhance connectivity and sectoral cooperation in the region, and these include: (1) transport; (2) information, communication, and technology (ICT); (3) e-commerce; (4) energy; (5) food, agriculture, and forestry; (6) tourism; (7) healthcare; (8) minerals; and (9) and science and technology.

probably enjoys the highest attraction for policy-makers and economists alike, and this is likely to be continuously invoked since embryonic industries will always exist (Kicsi and Buta, 2010, p. 179).

Although strong arguments have been made for free trade, protectionism continuously resurfaces in new guises (Gilpin, 2000). Throughout history, in fact, free trade has been the exception, whilst protectionism has been the rule (Bairoch, 1993: 6). Indeed, if free trade is more efficient in comparison to trade protectionism, it remains puzzling as to why the former is not more universally and consistently adopted by countries around the world (Kaempfer *et al.*, 2002, p. 2). An understanding of domestic political-economy of foreign economic policy-making can offer some explanations to this query.

Few hypotheses have been developed to analyse the reactions of politico-economic actors *vis-à-vis* regionalism. One hypothesis, for example, focuses on the type of domestic pressure groups capable of pushing for protectionist measures in a regional trade liberalisation process (Hoekman and Leidy, 1993). Domestic industrial sectors, as Hoekman and Leidy further postulate, can be divided into two types, including holes and loopholes. Whilst some domestic actors support the protectionist measures attached to all domestic industries (also refers to 'holes'), others can be satisfied with the provisions that allow for only temporary protection, such as import restrictions, import subsidies (also called 'loopholes'). Other scholars, such as De Melo and Panagariya (1993), argue that the 'preference dilution effect' and the 'preference-asymmetry effect' may limit the power and the rent-seeking behaviour of domestic pressure groups. The preference dilution effect implies that the larger the political community, the less influence can be exerted by domestic pressure groups on the policy-making process. The preference asymmetry effect, on the other hand, allows for compromises on a specific issue to take place amongst different state actors and domestic pressure groups. Another set of arguments focuses on the formation of a regional integration arrangement as a response of policy-makers to domestic pressures. In Milner's (1997, pp. 76-77) view, such an arrangement can be seen as a government's attempt to balance consumer interest with the pressures that emerge from private economic agents, such as firms.

A more recent political-economy analysis on the domestic consideration of foreign economic policy (FEP)-making is offered by Dent (2002). Drawing from seminal work of Putnam's two-level game theory and assessment on the formulation of American FEP carried out by Ikenberry *et al.* (1988), Dent's contesting actor-based influence theory maintains that the process of FEP formulation is usually contingent upon four factors, and these include: (1) state bureaucratic power, culture, and dynamics; (2) level of democratisation; (3) internationalisation of civil society; and (4) economic nationalism. Whilst the first condition, or bureaucratic state power, culture, and dynamics, generally occurs in a state-centric society where constituents hold limited influence over FEP formulation, the level of democratisation in a society determines the extent to which domestic constituents can exert their influence over a country's FEP. Meanwhile, the level of civil society's influence over FEP is also dependent upon their knowledge regarding international political and economic conditions. In this regard, more outward-looking societies are more likely to assert a greater stake in the FEP formulation process, and *vice-versa*. Last but not least is economic nationalism, which acts as the source of protectionism in a country. In the ASEAN context, whilst economic nationalism and protectionism today have been displayed in AMS's half-hearted participation in ASEAN economic community building, in the past, cases of confiscation of foreign assets were also common in some AMS.

More recently, Jones (2015) offers a more compelling political-economic argument to explain the domestic root of protectionism in ASEAN. Using the Murdoch school approach,[7] he argues that the rhetoric and reality of AEC be primarily rooted in the domestic political economy and social conflict of AMS. He went on to suggest that the proposed rescaling of economic governance at the regional level promotes domestic regulatory changes that would significantly redistribute power and resources, and this stimulates struggles between competing for domestic economic influences. Accordingly, whilst the domestic socio-political coalitions that underpin state power in Southeast Asia generate political imperatives for some level of economic openness, the same forces also constraint AMS to pursue full liberalisation at the regional level. It is not surprising, therefore, that the rich, substantive, agenda of the AEC is often compromised by protectionist inclination arising from domestic alliances between elites in political and business spheres, and the broader imperatives of avoiding socio-political unrest that could accompany structural adjustments emerging from the AEC (pp. 3-4).

Elsewhere, this author has also argued that the relationship between nationalism and ASEAN regionalism be symbiotic – the two variables can sometimes be mutually reinforcing, and sometimes mutually exclusive and conflicting.[8] Whilst it has always been assumed that nationalists are opponents to free trade agreements (FTAs) and/or regional economic integration initiatives, they have not always been hostile to free trade and closer economic ties with other states (Shulman, 2000, p. 365). As with other domestic actors, nationalists, today have to adjust to the ongoing and intense pressures of globalism and regionalism. Incentives such as sustained economic development, the promotion of national unity, identity, and culture, the promotion of the state's autonomy in international fora, the formation of regional collective action to attain regional governance, and the elevation of their country's bargaining power at the international level are some of the incentives that nationalists can accrue from supporting initiatives such as the AEC.

Pattern of protectionism in ASEAN

Despite a commitment to open regionalism, the trend towards protectionism is increasingly common in ASEAN. Data made available by the Global Trade Alert (GTA) (n.d.)[9] suggests

[7] The Murdoch School tradition emerged from the Asia Research Centre at Murdoch University, Australia, which has generated numerous influential studies on the political-economy of Southeast Asia since the 1980s (see, for example, Robison *et al.* (1987), Hewison *et al.* (1993), and Rodan *et al.* (2006)). For further detail on this approach see also Hameiri and Jones (2014).

[8] See, for example, Chandra (2008).

[9] The GTA is an initiative that provides real-time information on measures that are likely to discriminate against international that is coordinated by a London-based think-tank, the Centre for Economic Policy Research.

that, to date, AMS still make use of considerable amount of measures that are harmful to trade. The GTA classifies trade measures as 'green', 'amber', and 'red' to indicate their degree of 'harmfulness', with the red classification being the most harmful. Amongst 630 protective measures that AMS adopt, 339 of them are classified 'red', whilst 182 and 109 of these measures are classified 'green' and 'amber' respectively (refer to Table 1). With 346 measures, the majority of which, or 191 of them, are in 'red' category, Indonesia is the heaviest user of protectionist policies in the region. Moreover, despite the country's recent aggressive moves in international trade negotiations, Vietnam comes second as the AMS commonly issuing a protectionist policy that is harmful to trade. Out of 107 measures, 60 of them are under 'red' category, whilst 29 and 18 of these measures are classified 'green' and 'amber' respectively.

Furthermore, since tariffs are already low (refer to Diagram 1), most protectionist policies in ASEAN are in the form of NTMs/NTBs, despite the 2007 AEC Blueprint setting the deadlines for the elimination of NTBs.[10] To date, as the ASEAN Secretariat (2015, pp. 16-17) notes in its *ASEAN Integration Report 2015*, though the feasibility to calculate the number of NTMs identified as NTBs, or the number of NTBs eliminated, is small, it is possible, however, using the Integrated Trade Intelligence

Portal of the World Trade Organisation (WTO), to find the list of AMS' notified NTMs to this global trade body (refer to Table 2). The same report also suggests that out of the total 2,178 notified NTMs, the largest concentration of these harmful trade measures is in the form of technical barriers to trade, which account for 1,188 measures, followed by sanitary and phytosanitary measures (SPS), amounting to 735 measures. Ironically, however, many of the SPS measures are linked to resource-based products that are part of ASEAN's PIS.

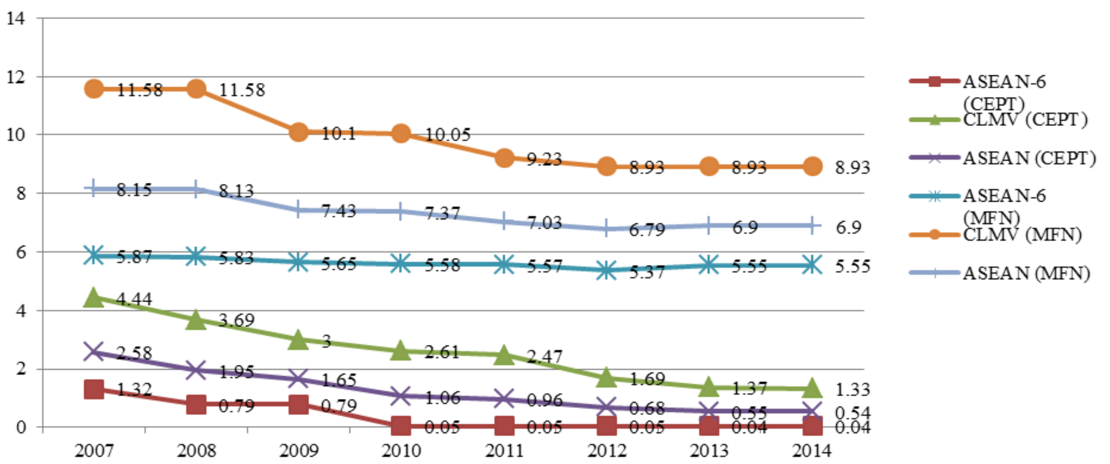
Table 1. Harmful trade measures in ASEAN

Countries	Green	Amber	Red	Total
Brunei Darussalam	1	0	0	**1**
Cambodia	2	0	1	**3**
Indonesia	94	61	191	**346**
Lao PDR	1	0	0	**1**
Malaysia	16	12	24	**52**
Myanmar	4	1	3	**8**
Philippines	11	3	7	**21**
Singapore	9	4	21	**34**
Thailand	15	10	32	**57**
Vietnam	29	18	60	**107**
Total	**182**	**109**	**339**	**630**

Source: GTA (n.d.).

[10] The AEC 2007 Blueprint deadline for the elimination of NTBs include: 2010 for Brunei Darussalam, Indonesia, Malaysia, Singapore, and Thailand; 2012 for the Philippines; 2015, with the flexibilities up to 2018, for Cambodia, Laos, Myanmar, and Vietnam.

Diagram 1.
ASEAN' CEPT/ATIGA rates and MFN rates



Source: ASEAN Secretariat (2015: 9).

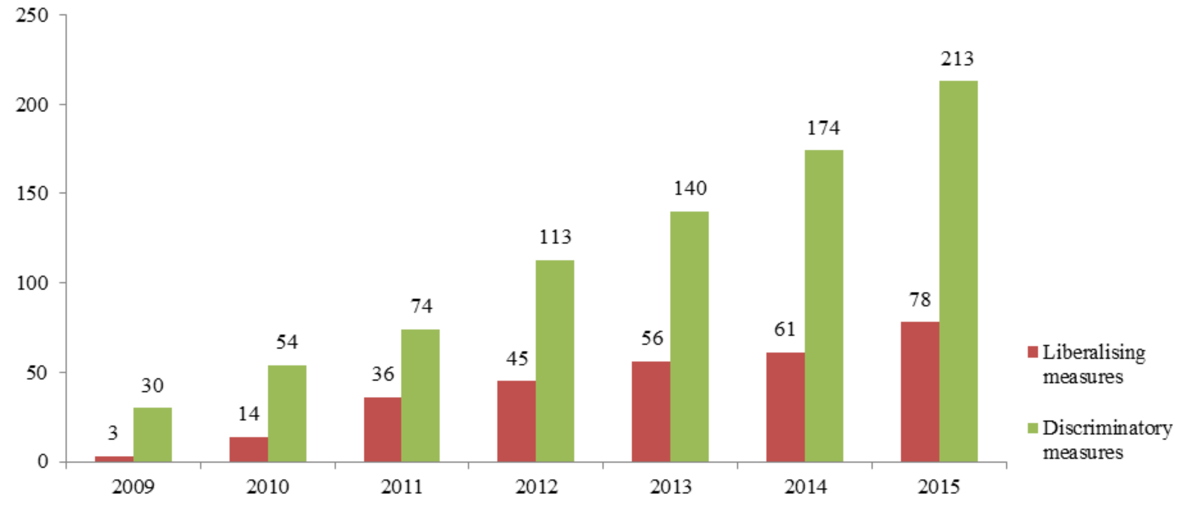
Table 2. ASEAN's notified NTMs to the WTO

	ADP		CV		QR	SG		SPS		SSG	TBT		Total
	I	F	I	F	F	I	F	I	F	F	I	F	
BRN	0	0	0	0	0	0	0	2	1	0	2	0	**5**
CAM	0	0	0	0	0	0	0	0	0	0	2	1	**3**
IND	20	15	0	0	0	10	16	53	42	0	78	14	**248**
LAO	0	0	0	0	0	0	0	1	0	0	1	0	**1**
MYS	8	19	0	0	0	2	0	27	6	0	205	6	**273**
MMR	0	0	0	0	0	0	0	0	0	0	1	0	**1**
PHL	1	0	0	0	0	4	7	119	142	7	242	1	**523**
SGP	0	0	0	0	43	0	0	36	17	0	28	11	**135**
THA	4	34	0	0	59	2	2	205	18	0	523	22	**869**
VNM	0	0	0	0	0	1	1	43	23	0	44	7	**119**
Total	**33**	**68**	**0**	**0**	**102**	**19**	**26**	**486**	**249**	**7**	**1,126**	**62**	**2,178**

Note: ADP: Antidumping; CV: Countervailing; QR: Quantitative restriction; SG: Safeguards; SPS: Sanitary and Phytosanitary; SSG: Special safeguard; TBT: a Technical barrier to trade; I: Initiated; F: In force.

Source: ASEAN Secretariat (2015: 16).

Diagram 2.
Number of liberalising and discriminatory measures implemented by Indonesia since 2009



Source: Evenett and Fritz (2015: 72-73).

Given the sheer size of its economy, much attention on the protectionism debates in the region has been given to Indonesia. Although the country is not the worst offender in the region in imposing new Trade-Restrictive regulations, it is one of the worst when it comes to NTMs (Patunru and Rahardja, 2015, p. 7). While the number of liberalising measures adopted has increased from 3 in 2009 to 78 in 2015, the number of discriminatory policies has risen from 30 to 213 in the same period (Evenett and Fritz, 2015, pp. 72-73) (refer to Diagram 2). The 16th GTA Report even considered Indonesia as the worst 'offender' for increasing protectionism since the global financial crisis.[11] These NTMs, most of which imposed by the country's Minister of Trade and include measures such as license and permit requirements, pre-shipment inspections, and new labelling requirements, were often imposed to reinforce the previous ones, often with added strictness, whilst others involved complex cross-bureaucracy between ministries. In order to promote domestic industries, Indonesia was also active in imposing policies, such as local content requirements and export restrictions, many of which propelled complicated and cumbersome business environment in the country (Patunru and Rahardja, 2015, p. 7).

Several initiatives have been introduced to address the issue of NTMs in ASEAN. As ASEAN Secretariat (2015, p. 16) reports, in addition to aligning and upgrading their NTMs database in line with the new NTM classification system of the United Nations Conference on Trade and Development (UNCTAD), each AMS has also established inter-agency bodies to strengthen coordination

[11] In addition to NTMs imposed for trade in goods, the 16th GTA report in 2014 also highlights that Indonesia, along with the Philippines and Thailand, are the top three most restrictive countries with regard to services trade (Evenett, 2014).

in addressing these protectionist measures. Other initiatives, such as the ASEAN Solutions for Investments, Service, and Trade (ASSIST), which is a consultative, internet-based facility that offers a structured mechanism for the private sector to lodge their complaints in a transparent and open manner (MITI, 2015) and the ASEAN Trade Repository, an electronic interface through which the public can freely access the information available on National Trade Repositories of each AMS,[12] are also expected to contribute to the elimination of various protectionist measures in ASEAN.

Domestic sources of protectionism in ASEAN

By and large, the economies of Southeast Asia display mixed economic regimes that accommodate economic openness, market mechanism, and multilateralism in trade policy, on the one hand, and state-driven models and interventionist practices, on the other (Nesadurai, 2012, p. 18). Despite their ambitious content, present regional economic integration initiatives of ASEAN, such as the AEC, remain shallow in reality. As Dosch (2015, p. 3) rightly points out, the AEC reflects the same hesitant pattern that was evident in previous ASEAN's economic integration ventures, such as the ASEAN Preferential Trade Arrangement (APTA) and AFTA. Indeed, as highlighted in the previous section three, although, on the positive side, the Association has managed to reduce Member States' tariff level to a considerable degree, protectionism is creeping in by way of NTMs/NTBs.

There is little doubt, however, that protectionism in ASEAN is mainly rooted in the domestic political-economy of its AMS. Whilst regional economic integration projects are often argued as rational responses to globalisation and growing international competition, in Southeast Asian context, they are most and foremost political projects that are generated and promoted by specific social and political forces and contested by those threatened by the so-called 'neo-liberal' restructuring and adjustments (Jayasuriya, 2003). Notwithstanding diversity in the state-society relations across different AMS, two common features can be found in the region, including the central role played by the economy in politics and the intricate linkages between the state, political actors, and politically influential domestic social forces, particularly corporate sectors, that is embedded within the so-called patronage networks (Nesadurai, 2014, p. 228).

Business-state relations deserve particular attention in this regard. As Jones (2015, p. 7) argues, the development trajectories that have been developed in Southeast Asia have created forms of state power that are amenable to the interests of these non-state actors. The long process, developed throughout the Cold War period, of the state-led development process that was backed by Western governments, donor agencies, and international financial institutions has cultivated the symbiotic relationship between political bureaucracy and business groups, whilst marginalising opposition groups (Rodan *et al.*, 2006). In Indonesia, for instance, the then Suharto's regime exchanged protection to ethnic-Chinese business elite for economic support to advance the interests of the regime (Robison, 1986),

[12] Further detail about the ASEAN Trade Repository is available in its official website at (accessed 24th January 2016): http://atr.asean.org/.

whilst, subsequently, the surviving oligarchs in the post-Suharto era, along with other provincial politico-business elites, reorganised themselves to dominate the country's new democratic and decentralised political institution through money politics and clientelist networks (Robison and Hadiz, 2004). The same also applies to other ASEAN countries, including Malaysia (where the ruling UMNO has actively cultivated support for Malay business elite in return for financial support),[13] the Philippines (where landed oligarchs and crony capitalists cultivated under the Marcos regime remain in control of the country's democratic elites),[14] and Thailand (where politico-business elites that have been cultivated under successive military regimes were able to dominate Thai politics in the late 1980s and were always in competition for office thereafter).[15]

Whilst these domestic circumstances present significant challenges to AMS' intention to pursue active engagement in international fora, this does not mean reforms and liberalisations have not taken place. Tariff liberalisation, as mentioned elsewhere in this article, has been relatively successful, whilst the level of ASEAN's economic integration has arguably been deepened, albeit slowly. As in the case with its past economic integration projects, the degree of liberalisation achieved in ASEAN is reflective of the outcome of struggles between liberalising reformers, who emphasised the general welfare gains offered by greater international economic openness, and their opponents, who sought to maintain specific, national-scale protections benefiting themselves and their allies (Nesadurai, 2003). Whilst this struggle generate substantial deregulation, with the average import tariffs, fell from 12.3 percent in the early 1990s to 1.5 percent by mid-2006 (Hill and Menon, 2010, pp. 7-8), many of the highly politically sensitive sectors remained protected (Jones, 2015, p. 12). At the onset of AFTA implementation, for example, over two-thirds of agricultural products were excluded from the Common Effective Preferential Scheme (CEPT).

More importantly, however, when their business interests are challenged by regional economic integration initiatives, such as AFTA, business actors were able to overturn specific policy decisions through their connection with the ruling elite (Nesadurai, 2003, p. 122). Such circumstances often spark frictions amongst AMS. For example, the reduction of import tariff under AFTA has enabled Japanese firms to consolidate their production in Thailand. Whilst this vastly improved the automotive industry of Thailand, the automotive sectors in Malaysia were severely hit, and this generated severe anti-AFTA resistance amongst the country's politically connected producers (Wad, 2009, pp. 175-178). Elsewhere in the Greater Mekong Subregion (GMS), Glassman (2010) also argues that, instead of facilitating the deepening of the GMS, this sub-regional initiative has, by and large, been used as a platform for Thai and Chinese capitals to serve the Southeast Asian region and beyond.

Protectionism, however, has been more profound since the emergence of 2008/09 global financial crisis (GFC). Although many of the Southeast Asian economies were not heavily invested in

[13] See, for example, Gomez and Jomo (1997).
[14] See, for example, Hutchison (2006).
[15] See, for example, Pasuk and Baker (2004).

the type of toxic assets that exposed owners to deep losses in the West, the GFC, nevertheless, affected the economies of the region through trade and financial channels, reflecting the region's deep economic integration with the rest of the world (Plummer, 2009, pp. 1-2). Although ASEAN leaders were quick to issue a statement that emphasised the region's stance on anti-protectionism (McDermid, 2009),[16] the prolonged impacts of the GFC encourage AMS to resort eventually to protectionist measures.

The protectionist inclination is particularly alarming in the largest economy of ASEAN, or Indonesia. Whilst much attention has been given to the present administration of President Joko Widodo, the trend towards protectionism was already visible in the second term of Susilo Bambang Yudhoyono administration (2009-2014). At the time, not only that the country saw a significant increase of NTMs to limit imports and exports, but it was also amongst the large and emerging economies that used this protectionist tool extensively to protect its domestic industry (Oliver, 2012). Whilst past economic crises were able to generate 'good policies', during the present economic hardship, however, Indonesia is more inclined towards making 'bad' economic policies, including protectionist measures and various inward-looking policies (Patunru and Rahardja, 2015). Aside from deteriorating domestic economic condition that has been fuelled by prolonged global economic slowdown, slow exports, and weak household confidence and consumption, rising nationalism, driven by various political parties and business groups, also gives room for protectionist policy to exist (Negara, 2015, pp. 4-6).

The push for protectionism is also evident in other ASEAN countries. In Malaysia, for example, aside from its long-standing New Economic Policy, which is dubbed by some as discriminatory and protectionist,[17] the country's automotive sector remains one of the most protected ones in the region. The sector was only liberalised as late as 2004 under AFTA since the industry was considered as a key import substitution project designed to generate a Malay capitalist class (Jones, 2015, p. 12). Until more recently, however, Malaysia's automotive sector remains protected from foreign competition through the elaborate construction of tariff barriers, investment-approval permits, differential excise taxes, subsidised credit, procurement arrangement, and tax allowances (Nehru, 2012).[18] In the Philippines, meanwhile, the country's investment climate has been hampered by its 1987 constitution that supports laws restricting foreign ownership of property to 40 percent (Article XII) (Tacujan, 2013), whilst Presidential Decree No. 1466, which prohibits government cargoes to be transported by non-Philippines flagged ships, also restricts the country's regional economic integration commitments.[19] Similarly, in Vietnam, the country's steel sector lobby

[16] See, for example, ASEAN Leaders' statement at the 14th ASEAN Summit that took place in Hua Hin, Thailand, in 2009.

[17] See, for example, the comment made by the former Envoy of the European Commission to Malaysia, Thierry Rommel, as quoted in Netto (2007).

[18] Despite this, as Nehru (2012) further explains, the share of the main automotive producer of Malaysia, or Proton, has been declining, with the company now utilises only 45 percent of its capacity and is steadily losing ground to other domestic and international competitors.

[19] As quoted in Port Calls Asia (2014).

group has recently called for greater protection amidst challenges of weak domestic demand and, at the same time, dirt-cheap steel imports from China.[20] Around the same time, state-owned PetroVietnam also asked the government to limit fuel imports and take measures to do local businesses to use products from its two oil refineries.[21]

From a sectoral perspective, protectionism is merely a result of sector-specific struggles for powers and resources within ASEAN societies. In an extensive analysis on the professional migration in ASEAN, Sumano (2013: 151-204) argues that, in Thailand, the country's medical council was dominated by scarce, and, consequently, well-paid local doctors who feared competition from their peer abroad. In view of potential salary reduction, employers of these local doctors, both private and public hospitals, were expected to favour liberalisation in the sector. It turned out. However, public hospitals were divided, between those in the rural areas where medical professionals were scarce, and those in the urban areas where such professionals were plenty. In the meantime, private hospitals continued to lure medical professionals from public institutions with higher salaries. Accordingly, employers in the sector were hardly ever unified behind a strongly pro-liberalisation stance, with the Thai Medical Council insisted the country maintain qualifying examinations in Thai, a de facto NTB (Jones, 2015, p. 18).

Similar circumstances also occur in Indonesia. Recently, for instance, the Indonesian Medical Association expressed their disagreement towards liberalisation trade practices of the AEC. It argued that public health matters should not be left to the market mechanism (Bisnis Indonesia, 2016). In the public, the opinions are divided. A commentary in *The Jakarta Post* argued, for example, that Indonesian medical services in the country need to be improved, whilst attitude of local medical professionals need to be changed so as to allow better treatments for the patients. At the end of the day, as the author of this commentary opines, 'local physicians would only have themselves to blame if customers shift to foreign physicians'.[22]

Can the deepening of the regional economic integration address chronic problem of protectionism in ASEAN?

Can the deepening of ASEAN integration serve as a tool to promote economic reforms and, thereby, dismantle protectionist inclination amongst countries in Southeast Asia? This is certainly the expectation amongst policy-makers and intellectual elite in the region. In the past, the Association's regional economic integration initiatives, particularly AFTA, were seen by many as a 'training ground' where AMS could learn to compete with one another before they compete elsewhere in the global market place.[23] Many of these initiatives looked at ways in which ASEAN could become more competitive, and this entailed, *inter alia*, the removal of tariffs as much as NTMs/NTBs.

Recent literature, however, show a rather pessimistic view about the role that regionalism can play in dismantling protectionism. Štěrbovǎ (2008), for

[20] As reported by the Vietnamnet (2015).

[21] As reported by the Thanh Nien News (2015).

[22] See Dharmawan (2014).

[23] See, for example, Ariff (1993).

instance, argues that, over the years, regional integration has lost its historical role in supporting global trade liberalisation, and has, in fact, become a crucial obstacle to it. Aside from bringing the protectionist element into the legal aspect of the multilateral trading system, the increasing intervention of global trade negotiations into domestic policies, such as in the protection and enforcement of intellectual property rights, government procurement, administrative procedures, and so on, is making countries more inclined to pursue protectionist policies. Along similar line of argument, Abida (2013) also maintains that, by creating preferential rules that are inconsistent with the principles of the WTO, regional integration strategy can create trade diversion, and increase the risk of trade disputes with third party countries that can generate a commercial environment that is full of threats and reprisals.

Fortunately, this is not the case with ASEAN. Given their vast economic dependence with non-ASEAN economies, AMS see the value in involving themselves actively in multilateral trade negotiations, and have, therefore, consistently extended their continuous support for the conclusion of the WTO's long-standing Doha round of negotiations. It is also part of the reasons why ASEAN's trade agenda has been expanded over the years to include bilateral free trade agreements and/or comprehensive economic partnership with its key Dialogue Partners, and, more recently, the negotiations to create a Regional Comprehensive Economic Partnership (RCEP).[24]

More importantly, if properly adhered to, ASEAN's economic integration initiatives possess the potential to advance domestic reforms that could assist the dismantling of uncompetitive, rent-seeking, behaviour that paves the way for protectionist inclination in AMS. As widely argued by regionalism advocates, regional economic integration could propel domestic reforms that would enable governments to pursue policies that are welfare-improving, but incapable to do so in the absence of such a regional set-up.[25] Unlike engagement made at the multilateral and/or bilateral level, which, as mentioned earlier, governments can find extremely intrusive towards their development agenda, the pace and development of ASEAN economic integration agenda have been built and designed to suit the development capacity of its member countries. Though this in itself is an apparent half-hearted commitment towards economic integration amongst state apparatuses in ASEAN, regional economic integration provides a more logical option for countries that wish to maintain status quo, on the one hand and pursue gradual economic reforms, on the other.

Given the emerging support for economic nationalism and protectionism in the region, however, ASEAN is in dire need to truly self-reflect on its

[24] Launched at the 21st ASEAN and Related Summits in Phnom Penh, Cambodia, in 2012, RCEP is a free trade agreement currently being negotiated between ASEAN and its six Dialogue Partners with which the Association already has individual FTAs with. When and if completed, RCEP will make up 45 percent of the world population, and contribute a third of the world's GDP. Whist initially planned to be completed by the end of 2016, it is understood that the new schedule for additional negotiating rounds in 2017 has been set to further discuss sticking points in the negotiations. For further information on RCEP, see, for example, Ministry of Trade and Industry of Singapore (n.d.).

[25] See, for example, Niekerk (2005).

achievement to date. Aside from communicating better its economic integration policies to the public, the Association also is in need of a better approach in amplifying the message that protectionism benefits the few, and harms the masses. At the same time, the public also needs convincing of the fact that the unwillingness of state apparatuses to distant themselves away from influential rent-seekers, which are often dominated by powerful business interests, keeps them away from potential benefits that ASEAN economic integration promises.

Concluding remarks

Despite its ambitious AEC project, protectionism is on the rise throughout ASEAN. Protectionism, however, is not new to Southeast Asia, with governments across the region employing such an inward-looking economic policy when they enjoy economic stability, and pursue reforms when confronted with major economic challenges. Unfortunately, embryonic industries will always exist in the region, and governments will find excuses to safeguard their existence. With the major decline in tariff lines, AMS can be expected to make use continuously of NTMs/NTBs to serve such a protectionist purpose.

Whilst it is difficult to predict the occurrence of the next crises, and whether 'good' policies could, indeed, emerge from such a catastrophic event, it is possible, however, to take gradual steps to eventually lessen the use of protectionist measures. About NTMs/NTBs, for example, there is a merit of considering incorporating efforts to eliminate these barriers in regulatory-reform agendas of each AMS, and improve information-sharing and technical cooperation on the issue amongst AMS (Cadot *et al.*, 2013, p. 2). Another potential approach is to identify common denominator to lessen protectionism. Whilst initiative, such as ASEAN Trade Repository and the ASEAN Solutions for Investments, Services, and Trade (ASSIST) may pave the way for eventual elimination of NTMs/NTBs, priorities on the elimination of these measures can be focused, for example, on the existing and new priority integration sectors ASEAN. In the meantime, however, the attainment of domestic consensus, developed through greater policy coherence and extensive stakeholder consultations, will prove to be a critical ingredient in overcoming protectionism, on the one hand, and instilling popular support for ASEAN economic integration, on the other.

About Author

Alexander C. Chandra is an Associate Fellow of the ASEAN Studies Program, The Habibie Center. He was former Executive Director of the ASEAN Business Advisory Council (ASEAN BAC). Prior to joining the ASEAN BAC, he was the Regional Coordinator for Trade Knowledge Network (TKN) Southeast Asia. He holds a Ph.D. in Southeast Asian Studies from the University of Hull, UK. His key interests are political economy of Southeast and East Asian regionalism, international trade, democratic governance and the role of the civil society in policy-making.

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