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# Timor-Leste's Bid to Join ASEAN: A Reality Soon?

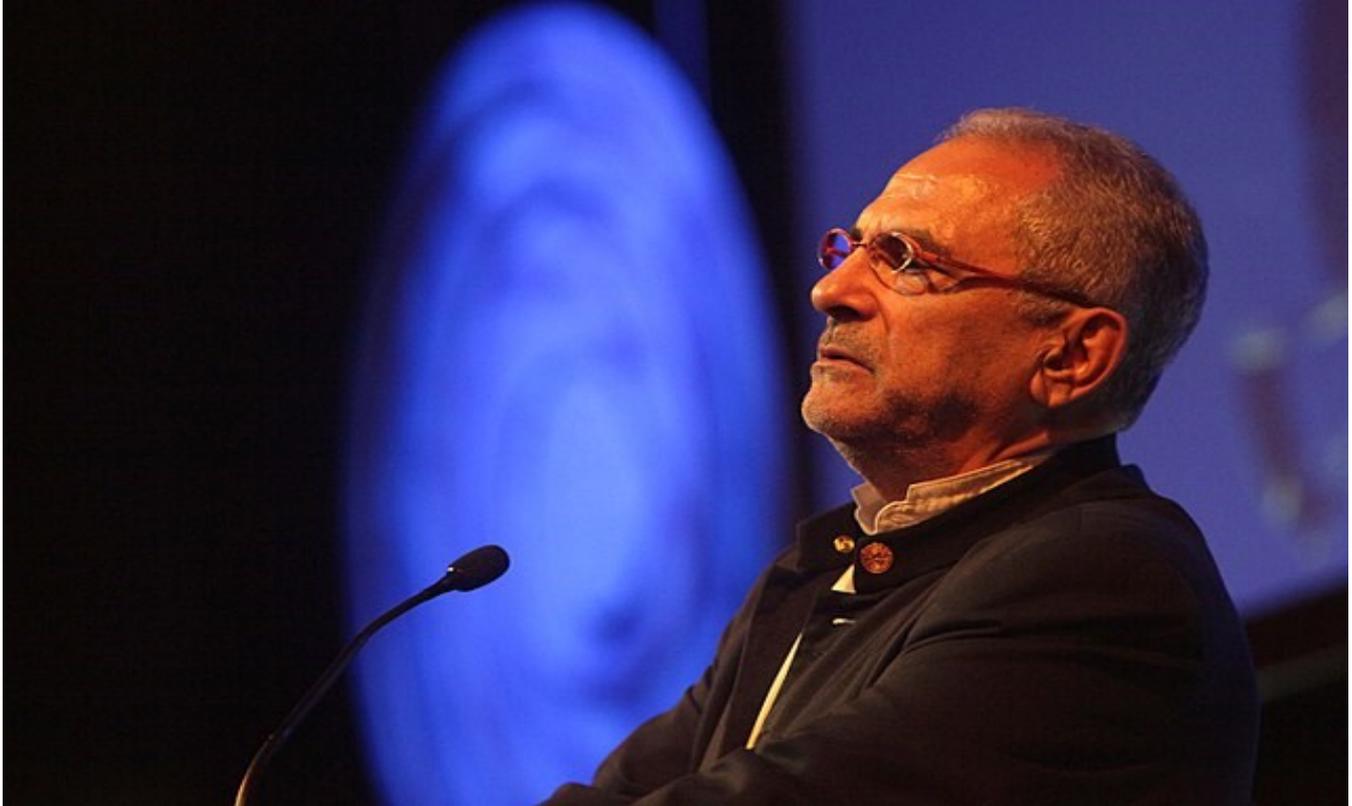


*All ASEAN member states have agreed in-principle on admitting Timor-Leste as the grouping's 11th member. However, the question of when Timor-Leste will gain formal entry to ASEAN remains unclear. This partly depends on Timor-Leste's readiness to contribute significantly towards ASEAN's regional initiatives. As such, is Dili well-prepared to join ASEAN or are there stumbling blocks that jeopardise its accension? Photo taken by Kusuma Pandu Wijaya on Flickr.*

## FEATURED COMMENTARY

## Timor-Leste's Road to ASEAN Membership Will be Challenging: An Economic Integration Perspective

By Kaewkamol Pitakdumrongkit



*From an economic integration perspective, Timor-Leste, under the administration of José Ramos-Horta will have a difficult road ahead preparing for its accession to ASEAN as it has yet to adequately address its longstanding economic woes. Overcoming all these challenges certainly will not happen overnight. Photo by Fronteiras do Pensamento and taken from Wikimedia Commons.*

At the recent ASEAN Summit in Cambodia, the leaders of the ASEAN countries present agreed in principle to admit Timor-Leste as the regional organisation's 11<sup>th</sup> member. While this is good news, it will take much time and effort for Timor-Leste to realise its objective of becoming a full member.

### Commentary

ASEAN leaders met in Phnom Penh, capital of Cambodia, from 10-13 November 2022, and one important decision was their agreement in principle to admit Timor-Leste (the former East Timor) into its ranks as the grouping's 11<sup>th</sup> member. This in-principle approval grants the country access to ASEAN meetings including

the summit plenaries. However, the realisation of Dili's longstanding dream of becoming a full member of ASEAN will hinge upon the ability of Timor-Leste to meet the "objective, criteria-based roadmap" that the grouping will draw up for its compliance.

This roadmap, which will be the ASEAN Coordinating Council's (ACC) task to draw up, will be presented at the 42<sup>nd</sup> ASEAN Summit in Indonesia in 2023 for approval. Meanwhile, it was agreed by the leaders that "[all] Asean Member States and external partners shall fully support East Timor to achieve the milestones through the provision of capacity building assistance and any other necessary and relevant support for its full membership in Asean".

### What does it take to become a full member of ASEAN?

The procedure and criteria for an applicant's admission to ASEAN appear in Article 6 of the ASEAN Charter. The criteria listed are: (i) location in the recognised geographical region of Southeast Asia; (ii) recognition by all ASEAN Member States; (iii) agreement to be bound and to abide by the Charter; and (iv) ability and willingness to carry out the obligations of Membership.

The last criterion is a reiteration of Article 5 of the Charter, which stipulates that "Member States shall take all necessary measures, including the enactment of appropriate domestic legislation, to effectively implement the

provisions of this Charter and to comply with all obligations of membership." As ASEAN watchers would know, there is a host of such obligations. They include matters ranging from attending, chairing, and hosting of ASEAN gatherings to the payment of financial contributions to the ASEAN Development Fund and the ASEAN Secretariat.

While the grouping's enlargement is not new – having last admitted Cambodia in 1999; and the Charter provides the steps for doing so – gaining admission today will involve a more difficult journey as ASEAN is no longer what it once was in the 1990s when it admitted Cambodia. For example, ASEAN

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is still continuing with the Community Building project to achieve its three pillars, namely, the ASEAN Political-Security Community, the ASEAN Economic Community, and the ASEAN Socio-Cultural Community.

With regard to ASEAN's external relations, its Dialogue Partners has expanded to 11, with the United Kingdom being the latest one. On the economic front, ASEAN signed on to, and is implementing the Regional Comprehensive Economic Partnership (RCEP) which consolidates the ASEAN-Plus-One Free Trade Agreements. In the 1990s, there wasn't any encumbrance of this nature.

### **Integrating Timor-Leste Economically: Issues to be Addressed**

From the economic integration perspective, there are several issues to be addressed before Timor-Leste's membership can be finalised.

The country's infrastructure and capacities need to be built in order for it to be incorporated into regional supply chains. Dili needs to be better connected to other economies physically and digitally. Roads, sea-ports, airports, and information communication technology (ICT) facilities need to be enhanced. Building the infrastructure and capacities will take a long time even with assistance from the other ASEAN countries and non-ASEAN entities such as regional development banks.

Institutional infrastructure needs to be strengthened. The country needs to align its rules and regulations, as much as possible, with that of ASEAN's, for a smoother accession. Dili's membership of the World Trade Organisation (WTO), expected to be approved in 2023, would also help. On this, it should be noted that Dili's prospect of joining the WTO was enhanced when it adjusted its domestic rules and regulations and undertook the necessary institutional and policy reforms to meet international standards.

Besides WTO membership, regional economic integration would also require Dili's compliance with additional obligations. For instance, the Regional Comprehensive Economic Partnership's (RCEP) Customs Procedures and Trade Facilitation chapter goes beyond the WTO's Trade Facilitation Agreement (TFA) with regard to customs clearance time limit for perishable goods. Dili would need to work on such additional obligations.

### **A Long Road Ahead**

Well-prepared, Timor-Leste will ease its own entry into ASEAN besides not hindering the organisation's efforts to achieve the ASEAN Economic Community (AEC) 2025, which is a regional integration initiative. However, one must be realistic about Dili's accession timeline as the country faces additional challenges.

Out of a population of 1.37 million people, about one-third are illiterate. Its GDP and GDP per capita in

2021 were about US\$1.96 billion and US\$1,450 respectively. Youth unemployment has recently worsened, with 43.3 per cent of the population aged 25 to 39 out of work in 2020-2021. Economic growth relies heavily on government spending which is largely financed by revenues from oil through the Petroleum Fund. From 2005 to 2021, the fund's accumulated revenue was US\$23 billion, out of which US\$13 billion were channelled to finance public spending.

As the Ramos-Horta Administration is striving to steer the country away from an oil to a non-oil economy, the Petroleum Fund may be exhausted sooner than later. This could negatively affect public finances, increase the risk of financial instability, and reduce the state's ability to shoulder the expenses and contributions pertaining to ASEAN's activities. Dili is working on viable alternatives to oil such as tourism and manufacturing.

### **Relying Less on Oil Resources**

As the Petroleum Fund will shrink, the Ramos-Horta Administration will need to be prudent and frugal in the way it spends to drive the economy. To spur economic growth, the private sector needs to be galvanised. One way to do this is to attract FDI, which can be facilitated by amending rules and regulations to make the state more business friendly. This can encompass, for example, a

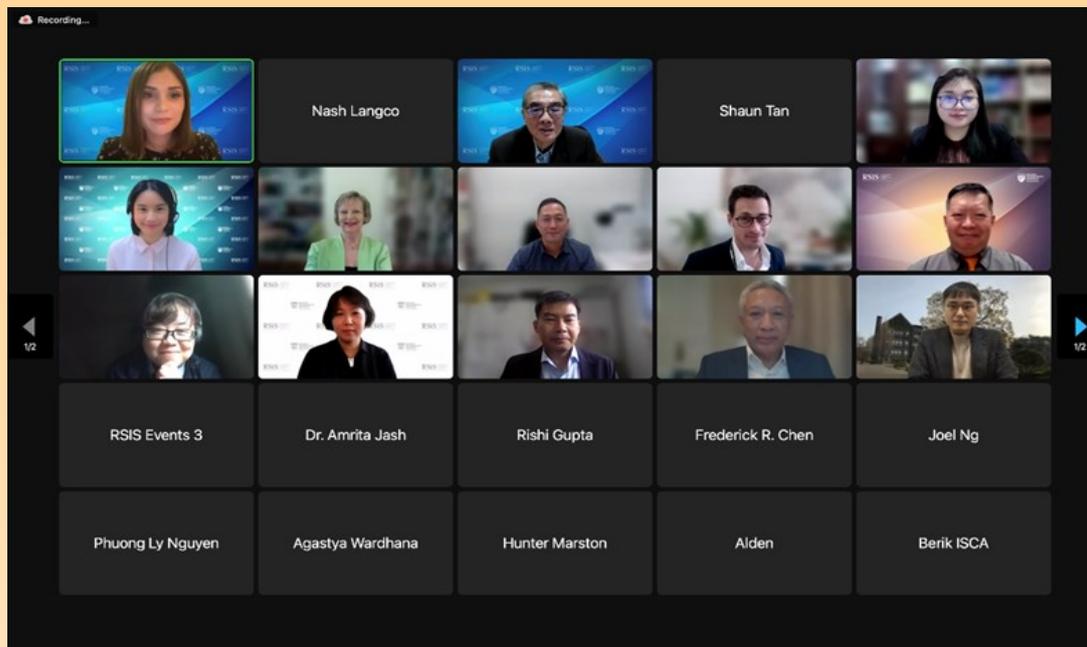
shortening of the licence approval time and giving tax and non-tax incentives to foreign investors.

The government in Dili needs to boost workforce productivity through education and skills training to meet the private sector's demands. The government also needs to help grow local businesses through entrepreneurship training. And, because the government will earn less from oil in the future, it must seek to offset the loss through new taxation policies and public spending cuts to lessen the risk of fiscal deficits.

Timor-Leste's economic restructuring is taking place as it works towards becoming the 11<sup>th</sup> member of ASEAN. As ASEAN has an interest in bringing it on board, and in accomplishing the ASEAN Economic Community by 2025, besides other regional initiatives, the grouping should assist the prospective new member where possible. But this is not to suggest that ASEAN has to solve all of Dili's problems. ■

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# Great Power Competition: The Changing International Order and Multilateralism



*The panellists concurred on the importance of a rules-based system and emphasised the degree of agency that small powers possess to foster greater stability in an increasingly fragmented global order.*

Great power competition has exemplified the transition of post-Cold War international relations shaped in the early 1990s. US–China trade disputes have significantly affected global supply chains and many countries relying on multilateral trading systems. Moreover, the Ukraine War has deepened the US and its NATO Allies’ confrontation with Russia and China. Amid growing tensions from great power rivalry, middle and small powers are now dealing with internal and external security challenges as well as uncertainties in the global economy.

These current affairs invited us to critically revisit the ongoing scholarly debates about great power competition and its implications for geopolitics, the interna-

tional order, and the global political economy. On 13 October 2022, the Centre for Multilateralism Studies at the S. Rajaratnam School of International Studies (RSIS) hosted a workshop with the Asian Vision Institute, Cambodia on “Great Power Competition: The Changing International Order and Multilateralism.”

In their welcome remarks, Ambassador Ong Keng Yong, Executive Deputy Chairman of RSIS, and Dr Chheang Vannarith, President of the Asian Vision Institute, both discussed the recent challenges to the global and regional international order. They encouraged participants to provide insight into what is happening and what non-major states can do in the shadow of great power competition.

The workshop consisted of two sessions following the opening remarks. The first session focused on great power competition and the changing international order. Dr Tomoo Kikuchi, Associate Professor in the Graduate School of Asia-Pacific Studies at Waseda University, built a two-stage sequential game-theoretic model to investigate how two superpowers compete over members to form alliances by providing club goods. This model presented a trade-off for superpowers as their utility increased in the club size but decreased in the distance to the club good. Simulation based on long-term GDP projections revealed that while the US had a locational advantage, China’s club size eventually exceeded the US’s club size if

its trade dominance continued to increase. This unified model helped illuminate how two superpowers compete to form clubs interacting with other countries.

Dr Su-Hyun Lee, Assistant Professor and Coordinator of the MSc International Political Economy Programme, RSIS, and Dr Byungwon Woo, Associate Professor in the Department of Political Science and International Studies at Yonsei University, investigated whether and how China utilizes its foreign aid politically at various institutions of the United Nations (UN). They found that the allocation of Chinese development projects across countries is closely related to China’s geopolitical and economic interests. More specifically, countries that maintain simi-

lar voting patterns at the UN General Assembly receive more aid from China, whereas countries serving at the UN Security Council as non-permanent members receive less aid from China. They also found that China tends to concentrate more aid to countries elected to serve at the UN Human Rights Council, especially those that maintain similar voting patterns at the UN General Assembly.

Dr Benjamin Herscovitch, Joint Research Fellow with the School of Regulation and Global Governance and National Security College at the Australian National University, examined the great power rivalry between the US and China and how this competition has shaped the geo-economic world order. Using the analytical framework of traditional security dilemmas, he unpacked some of the key escalatory cycles of economic statecraft between the US and China since 2016. He also explored how these developments have both strained the rules-based international trading system at the macro level and created new and fraught policy dilemmas for third states. Using Australia as a case study, Dr Her-

scovitch concluded by considering how traditionally economically liberal states are navigating this emerging geoeconomic age.

Following the first session, the panellists in the second session discussed the challenges to regional groupings and strategies for small powers. Dr Kaewkamol Pitakdumrongkit, Assistant Professor and Head of the Centre for Multilateralism Studies at RSIS, focused on small states' economic statecraft in multilateral agreements. She analysed how small powers shape the details of multilateral governance frameworks to advance their economic statecraft and lessen major powers' economic statecraft. Using a case study of the Regional Comprehensive Economic Partnership (RCEP), Dr Pitakdumrongkit suggested that regional states can collectively craft the terms of multilateral economic agreements to galvanise their clout over certain governance areas. She argued that small states conduct inclusive institutional balancing through being the core of cooperation, acting as the negotiation chair, and having a clause that incorporates other powers in the framework.

Dr Chheang Vannarith, President of the Asian Vision Institute, discussed the role of small states in multilateralism. He argued that multilateralism is one of the key foreign policy objectives of small states. He described the challenges that small states face in advancing open, inclusive, and rules-based multilateralism amidst heightening geopolitical rivalries between major powers. In Dr Vannarith's view, while small states have limited material resources and face constant foreign intervention, small powers are not entirely without agency. In the context of rising fluidity and multiplicity of the international system, small states possess room for manoeuvre as they continuously adjust their foreign policy posture to adapt to and navigate the fast-changing geopolitical landscapes and trends and promote multilateralism.

Dr Anne-Marie Schleich, Adjunct Senior Fellow at RSIS, analysed how Pacific Island countries work together to fight against climate change. She noted that last year's leader meeting of the Pacific Island Forum (PIF) repeated the clarion call that climate change remains the greatest immediate chal-

lenge facing the Pacific region. Pacific Island countries have coordinated their positions within the PIF framework. Moreover, they have also engaged with other members of the Small Island Developing States (SIDS) Conference and the Alliance of Small Island States (AOSIS). These countries have also sought to gain like-minded partners such as the European Union (EU) and individual EU member countries like Germany. The "New Pacific Diplomacy" has helped raised the Pacific Island states' international profile with climate security agenda and strengthened their global voices in United Nations negotiations.

The panellists all highlighted the importance of rule-based international order, international law, and states' sovereignty and independence. They reached a consensus that small powers can make a unique contribution to prosperity and international peace. Multilateralism is especially critical in the era of great power competition. ■

# US-China Soft Power Competition and the Role of Europe in the Indo-Pacific



*Panellists analysed results of the recent global attitude survey and discussed how Europe can potentially contribute to the Indo-Pacific order strained with geopolitical competition.*

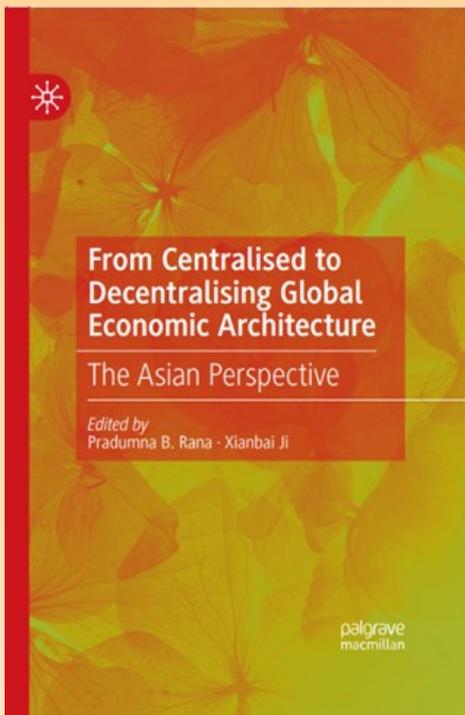
On 1 November 2022, the Centre for Multilateralism Studies (CMS) and the Institute of Defence and Strategic Studies (IDSS) co-organised a panel seminar titled 'U.S-China Soft Power Competition and the Role of Europe in the Indo-Pacific'. During this in-person seminar, panellists critically discussed findings from the 'Sinophone Borderlands – Interactions at the Edges', a worldwide public opinion survey conducted by Palacky University Olomouc in collaboration with the Central European Institute of Asian Studies (CEIAS) from April to September 2022 which aims to present unique insights on global

attitudes mainly towards US, China and the EU.

Dr Richard Q. Turcsanyi, key researcher at Palacky University Olomouc, assistant professor at Mendel University in Brno and program director of the Central European Institute of Asian Studies (CEIAS) highlighted that countries whose development and ideology shares high degree of similarities with the US tend to hold negative views on China. He also pointed out that both the US and EU enjoyed a relatively healthy image and that majority of the survey respondents preferred the west over China.

Dr Alfred Gerstl, associate professor at the department of Asian studies at Palacky University Olomouc and President of the Central European Institute of Asian Studies (CEIAS) touched on the topic of how the EU can play constructive roles in Asia. Public attitudes in the US and China have hardened such that the two largest economies will find it increasingly harder to engage in positive partnership. As the EU has built up a considerable reputation as a normative soft power, Dr Gerstl suggested that EU can function as a trusted broker in fostering an open and more stable Indo-Pacific. ■

# From Centralized to Decentralizing Global Economic Architecture: The Asian Perspective



The book "From Centralized to Decentralizing Global Economic Architecture: An Asian Perspective", co-authored by Dr Pradumna B. Rana and Associate Professor Ji Xianbai, examines the evolution of the global economic architecture, the relationship between international economic institutions, and provides policy recommendations pertaining to economic governance in Asia.

The Centre for Multilateralism Studies (CMS) at RSIS and Renmin University of China (RUC) jointly organised a book launch webinar titled 'From Centralized to Decentralizing Global Economic Architecture: An Asian Perspective' on 23 December 2022.

This new book, co-authored by Dr Pradumna B. Rana and Associate Professor Ji Xianbai focuses on the recent rise of new regional economic institutions such as the Chiang Mai Initiative Multilateralisation (CMIM), the Asian Infrastructure Investment Bank (AIIB), and the Regional Comprehensive Economic Partnership (RCEP),

which were established, in part, as a result of dissatisfaction of dynamic emerging markets with global economic institutions such as the IMF, the World Bank, and the GATT/WTO. The book also addresses how the recent decentralisation wave, defined as the co-existence of "senior" global institutions and a plethora of newly established regional institutions, has affected global economic governance, delivery of global public goods and whether this has led to a fragmentation of global economic governance.

Nevertheless, this book provides several worthy insights. First, it uses a benefit-risk analytical framework to study the decentrali-

sation process from a novel angle. Next, it describes and analyses the establishment of global and regional economic institutions and the evolving relationships between the two. Third, the authors also show how the decentralisation process will continue in the post-pandemic period and recommend policies to reset the relationship between global and regional institutions. Lastly, the book discusses proposals to reform the international monetary system including the global reserve system with a view to reducing the hegemony of the US dollar. Throughout the book, the role for Asia is also identified and elaborated on. ■

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The **Centre for Multilateralism Studies (CMS)** is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia Pacific. It aspires to be an international knowledge hub for multilateral cooperation and regional integration.

**Multilateral Matters** is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.

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