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To What Extent Has ASEAN Succeeded in Driving Economic Regionalism?

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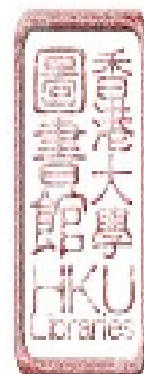
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Capstone Project Report submitted in partial fulfillment of the requirements of
the Master of International and Public Affairs

Department of Politics and Public Administration
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2016



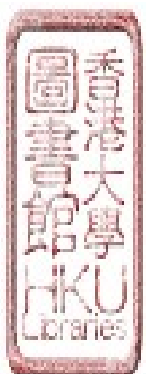
I declare that this Capstone Project Report, entitled To What Extent Has ASEAN Succeeded in Driving Economic Regionalism?, represents our own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or any other institution for a degree, diploma or other qualification.

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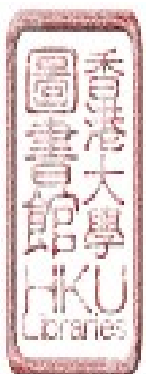


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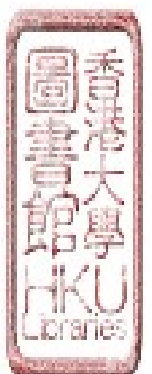
Finally, we deliver our regards and blessings to all of those who buttressed us in any matter during the accomplishment of the project.



Abstract

This paper aims at analyzing the success of Association of Southeast Asian Nations (ASEAN) by using constructivism, hoping to offer a different facet to advance the progress of ASEAN in economic regionalism since most of academic researches focus on liberalism. We argue that to a smaller degree has ASEAN succeeded in achieving regionalism because of the disparity in ideas, norms and values which hinders the support from the mass, the compromise for national interests, socioeconomic harmony and the formation of a common identity.

Although ASEAN Economic Community (AEC) was formed with high ambitions and goals of seamless collaboration amongst the member states, with identifiable stated goals that drives regionalism in the South East Asia, the success of it is still debatable. This paper aims to argue that the achievement has been limited, most of it limited to governmental trade and high level economic cooperation. Asia, in particular South East Asia, remain largely made up of independent sovereign states, compared to the European Union, ASEAN has not lived up to its original aspirations of driving regionalism. Although ASEAN is in the driving seat, most



evidently by the adoption of the “ASEAN Economic Blueprint” in 2007, it is because of historical political animosities, lack of mutual trust amongst states and intense global economic competition in the age of rapid globalization, it is argued that although ASEAN remains in the driver’s seat, and has progressed tremendously since its inception in 1967, ASEAN has yet to fulfill its goals of achieving true regionalism. In order for ASEAN to further facilitate regional integration, it can learn from the European Union (EU) in some areas. When referring to EU to develop its regional integration, ASEAN can try to develop supranational institutions, get consensus on regional economic direction and increase the level of economic cooperation among countries. In the area of economic integration and cooperation, ASEAN could refer to the EU model of an alignment in economic policies. ASEAN can also consider allowing a free flow of capital account, further relaxation on intra-regional flow of trade, service and capital, human capital and capital accounts for the next stage of cooperation and economic integration.

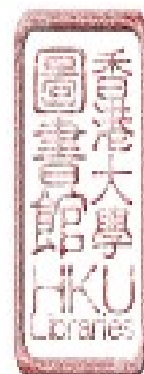
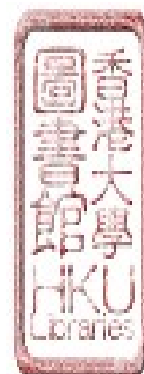
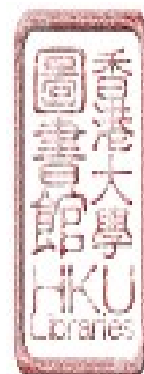


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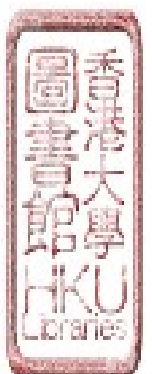


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Introduction

Despite the efforts of Association of Southeast Asian Nations (ASEAN) in regionalism, ASEAN continue to encounter considerable difficulties and hindrances. Many scholars analyze the failure of ASEAN by applying liberalism. However, in this paper, focal point will be fallen on the using of constructivism, which related the issue to ideas, norms and identity, as we argue that constructivism will be more appropriate to explain the issue because the failure to establish a shared idea, norm and identity hampers the development of regionalism. Since factors, like the lack of support from the mass, the denial of states to compromise for own national interests, socioeconomic heterogeneity and the difference in identity, affect the development of ASEAN in regionalism, we argue that to a smaller extent ASEAN has succeeded in driving economic regionalism. By applying constructivism for analyze, we hope we can offer a new dimension to evaluate the entire issue so as to improve the effectiveness of ASEAN in economic regionalism. We have generally agreed that ASEAN only has limited effect in successfully driving regional integration. In order for ASEAN to further facilitate the regionalism development, it can learn from the European Union (EU), which has been considered as one of the largest, most mature and successful regional



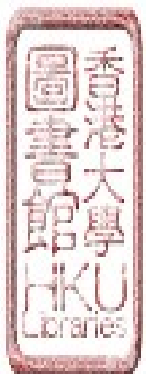
communities in the world. Despite EU and ASEAN share similar idea of facilitating regional cooperation, their model of cooperation varies. In addition, the political, economic, cultural and ideology of member states in the two institutions also has huge difference. We will explore ways in which ASEAN could strengthen its regional cooperation by referring to the cooperation model of EU.

Key Concepts

The following provides clear definitions for the key concepts.

Values

ASEAN members will fight for accomplishing the values, like fairness, rule of law, right, autonomy, and currently, democracy and human rights, in the seek for identity, so as to attain peaceful mutual co-existence, regional strength, regional sovereignty, regional liberation, regional peace, coordination, solidity and affluence, that means, the joint aspirations for mutual objectives and values shown by the demand to create a strong basis for joint effort to stimulate regional collaboration in Southeast Asia



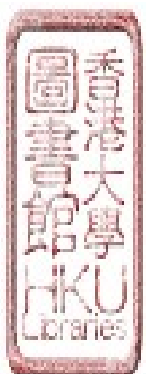
in the idea of uniformity and corporation, which contribute towards peace, progress and prosperity in the region (The ASEAN Declaration, 1967) (Layug).

Norms

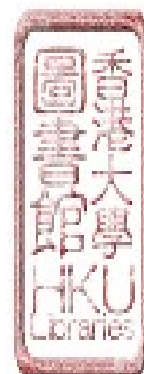
The norms for intra-ASEAN relations, including treasure national autonomy, non-intervention in internal matters of states, abandon of the risk or restoration of force in resolving conflicts (Layug), the denunciation of an ASEAN armed agreement, the inclination for mutual defense collaboration via non-use of military power and peaceful disputes settlement, regional sovereignty and joint self-reliance, will contribute to the formation of ASEAN identity (Layug). These norms, being exclusive to Southeast Asia, are significant not only in the creation and diffusion of a common identity, but also assist ASEAN to solve preliminary misunderstanding and reach agreements over the implication and extent of the ASEAN principles (Layug).

Ideas

Starting from the establishment of ASEAN, ASEAN serves as a diplomatic instrument in creating a basis for a affluent and peaceful entity in Southeast Asia



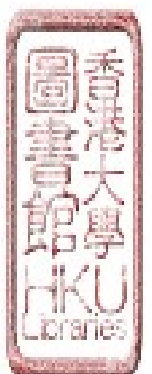
by establishing “ASEAN Community” due to the requirement of the 1967 ASEAN Declaration to regard this as one of the objectives and the motions of ASEAN to hasten its economic advancement, communal development and national growth in the region through joint endeavors in the belief of fairness and cooperation so as to fortify the groundwork for a wealthy and stable society of Southeast Asia states (Layug). Also, in ASEAN Vision 2020 declaration in 1997, member states agree to unite their effort on developing a community of Southeast Asian states to establish a peaceful relation with each other and with the rest of the world, accomplishing affluence for their citizens and progressively cultivating their livings by presenting ASEAN as a concert of Southeast Asian states which embodies openness, harmony, solidity and affluence to gather states jointly in energetic growth and in a community of considerate cultures (Layug). In 2003 the Declaration of ASEAN Concord II (Bali Concord II), ASEAN members commit to attain the ASEAN Vision 2020 by developing the target of constructing an ASEAN Community by 2020 which embraces three foundation referring to political-security community, economic community and socio-cultural community, of which are strictly linked and strengthened the determination of guaranteeing sustainable harmony, solidity



and mutual affluence in ASEAN (Roadmap for ASEAN Community, 2009-2015) (Layug).

Regionalism

Regionalism highlights an aim or mutual ideas among a collection of states, which have a shared awareness of identity and obligation in constructing international organization conveying a specific identity and form joint commitment within a geographical region (Kang). According to Nye in his foundational work “*International Regionalism: Reading*” published in 1968, Nye defined a region as a group of states linked together by two important characteristics: geographical proximity and a certain degree of mutual interdependence amongst these states (Nye 1968). According to Fawcett, a region is usually a group of states that share a common space on Earth (Fawcett). Other scholars such as Kalevi J. Holsti also have similar definition of a region. Simply put, it is clear amongst the academia that a region is a to be defined as a cluster of states within a particular geography with a common set of ideologies, behaviors, traditional customs and most importantly: interdependence amongst those states to a certain degree. Regionalism implies a state-of-affair whereby sovereign states acts as main actors and non-state actors

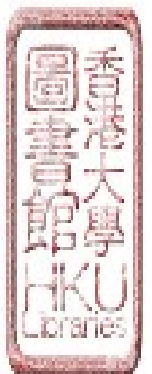


cooperate within a common set of parameters and geographical constraints. Regionalism refers to a political structure that reflect and shape governments' strategies as well as their policies, business corporations and other social movements or units, adopting a top down approach vis-à-vis other social units in certain geography.

Achievements of ASEAN in Driving Regionalism

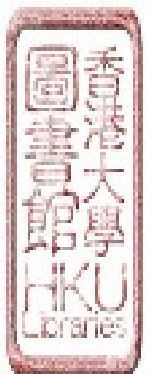
ASEAN's Central Role in Formation of Regional Institutionalization

Since late 1970s and early 1980s, both South Korea and Japan has attempted to establish its presence in the East Asian region; with Japan's fast blossoming economy post World War II and its tremendous wave of investments into East Asia in search of competitive labor production costs, Japan hoped to realize an Asian Network in 1988 after its appreciation of the Yen (Stubbs, 2002); similarly, South Korea wanted to establish the Asian Common Market in early 1970s. However, these first two attempts to establish regional economic cooperation / integration failed to bear fruit due to historical tension amongst the states, antagonism, wars and civil conflicts that resulted in political turmoil and instability, mutual disrespect



and suspicion among those great powers at the time.

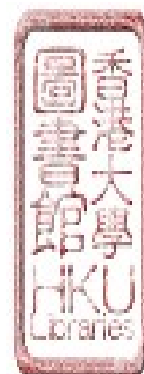
Nonetheless, there are other political tail-winds that propelled ASEAN into the forefront to drive East Asia regionalism. Firstly, with China starting to grow, it is in China's foreign policy where she wanted to assure its economic growth, stabilize its domestic communist rule and at the same time project its influence abroad into the region. Secondly, with Japan in full-blown industrialization, it is in Japan's best business security interest to stabilize its low costs production bases in ASEAN countries by enhancing its political ties and relationships with its East Asian counterparts. Thirdly, due to the end of the Cold War and irresistible force of globalization, ASEAN countries were eager to remain relevant on the global scale and thus were incentivized to work closer together towards prosperity (Stubbs, 2002; Cheunboran, 2011). Lastly, with its identifiable benefits, ASEAN is viewed as the most suitable institution that serves as the linkage between Southeast Asia and its northern powerful counterparts, and being economically less threatening than other states, ASEAN was the obvious choice. It is for these reasons, ASEAN got into the driver's seat in enhancing political and economic cooperation.



And it is not without initial success, ASEAN initiated the East Asian Economic Group (EAEG) in 1990 (later renamed to East Asian Economic Caucus (EAEC) to avoid being viewed as only a trading bloc). The creation of East Asia Summit in 2005 with the participation of other non-regional players such as Australia, India, New Zealand and latter the United States and Russia; below we shall explore more in depth of these architectures.

East Asian Economic Group and East Asian Economic Caucus

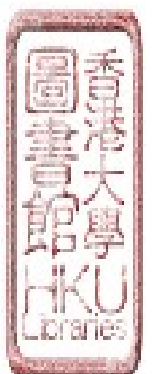
The EAEG was initiated by then Malaysian Prime Minister, Dr. Mahathir Mohamad, during a meeting with China's Prime Minister Li Peng who was visiting the country. Initial purposes were to react to the growing international developments of regionalisms, particularly the EU and the North American Free Trade Agreement (NAFTA), hopeful to provide Asia with an answer and strong voice in participation of leading global affairs. P.M. Mohamad proposed the EAEG to improve the economic influence and bargaining power of East Asian and thus deliberately excluded Western traditional superpowers, in response United States put pressure on its allies, namely Japan and South Korea to reject the proposal, it was almost inevitable that the EAEG immediately renamed to EAEC to make it sound less like



an economic trading bloc that would face fierce competition from the U.S.

However, damage was already done when EAEG was forced to rename itself, together with the suspicion of other ASEAN member such as Indonesia, fearing that Malaysia has brokered a special deal with China (Stubbs, 2002). But it was because the lack of interests by Japan and strong opposition by the United States, the EAEG was off to a stumbling start, despite its existence, the caucus never really took off its intended goals and was inevitably put on hold given the reasons above, as well as the ill-timing as APEC at the same time is rapidly developing. Although ASEAN, or in this case a key member of ASEAN was central in developing regional economic cooperation, the EAEG or EAEC never materialized in its perceived manner and thus had limited or none success in driving regionalism.

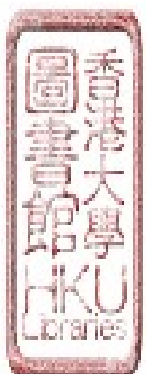
Although Singapore's Lee Kuan Yew tried to resurrect the idea by saying "...an idea [the caucus] would not go away" (Stubbs, 2002), the EAEC only contributed to the successful launch of the eventual ASEAN +3 in 1997 in tandem of the Asian Financial Crisis.



East Asian Summit

Learning from its missteps in the EAEC, the East Asian Summit first meeting in Malaysia in 2005 was more welcomed by both member and non-member states, as evidenced by the inclusion of India, New Zealand and Australia in its summit, as these non-member states viewed the Summit as a hub to counter the now fast growing and economically influential China. Not only the Summit meetings is tied in to the timetable of ASEAN annual ministerial meetings hosted by ASEAN countries, ASEAN also has great influence in determining the membership of the Summit by controlling the status of “ASEAN Dialogue Partner”, key to participating of the East Asian Summit. By 2011, United States and Russia was also welcomed into the EAS.

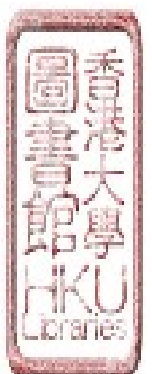
As seen in the above analysis, albeit with mixed successes, ASEAN did enjoy a central role in formulation of the region’s main cooperation infrastructure, most successfully the East Asian Summit; however, the summit involvement of non-member states is both a blessing and a curse where the Western superpowers still flexes in muscles to ensure its interests are unharmed – a key obstacle for ASEAN to truly evolve into a regional hegemon.



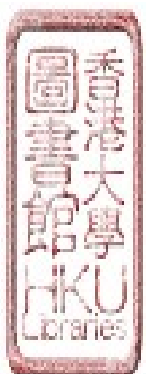
Collectively, the members of ASEAN have been responsible for launching a number of key regional institutions. The institutions bring together within a multilateral security forum all the states, including the major super-powers, with security interest in the East Asia region. Similarly, ASEAN took responsibility for organizing the creation of the ASEAN +3. This emerging organization, brings together the members of the ASEAN within the three Northeast superpowers, China, Japan and South Korea. The aim is to ensure regional cooperation in various areas, notably in security, culture and economic development strategy.

ASEAN's Role in Driving Political Regionalism

ASEAN's influence in shaping or participating in the regional political arena was quite incidental, in the backdrop was the vulnerability of the South China Sea, Korean peninsula crisis and repeated failures of the Six Party Talks, and especially the heightened efforts that United States have put into counterbalancing China's rise have highlighted East Asia's fragility in maintaining peace and security. Thus incidentally ASEAN has been propelled into the forefront of regional security agenda for a number of reasons:



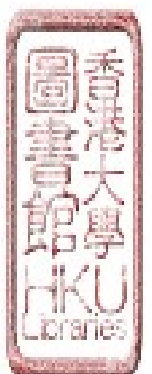
- 1) Asia is divided into strong individual north countries and a cluster of smaller South and East Asian countries, and given the historical hostility and political mistrust amongst the North great powers (e.g. China vs Japan, South Korea vs China), ASEAN has been given weight in linking these major powers and driving regional cooperation. In Alice D. Ba's article, she argued that great power relations are characterized by "*a mixture of uncertainty, mutual suspicion, long-range jostling for position, a desire for cooperation to advance vital political and security and economic interests, a widely-shared desire to somehow manage the rise of China, and China's wish to dispove the China threat theory*" (Ba, 2009). Hence in the backdrop of mutual distrust but the deep desire by Asian superpowers (except China) to enhance regional security or political cooperation with one another, ASEAN is the obvious fall back to broker all necessary cooperation among the Asian powers to counter the China threat to the region.
- 2) The ASEAN has demonstrated its credibility in maintaining peace and security – as evidenced by the East Asian Summit which brought together



otherwise countries that are hostile or characterized by tension, namely China, United States and Russia. As an institution that has almost 50 years of existence, the ASEAN has matured and served as a regional power broker and sometimes the all-important mediator.

- 3) No single country (possibly the exception of North Korea) would want to reengage in large scale military conflict after the cold war and World War II and thus this desire acted as a catalyst to have mutual cooperation and ameliorate their security and economic benefits, and this cooperation can be readily promoted by ASEAN. In particular, ASEAN is relatively small, both in terms of real and relative power and thus can be less threatening and has an appearance of being more objective in promoting such regional security objectives.

It is for the above reasons that ASEAN has set its foot onto the regional political-security arena in driving greater interdependence, that is has led numerous meetings for actors to exchange concerns and to deal with specific security problems. As a clear indication of success, the 2002 Cambodia ASEAN summit gave rise to a solution to South China Sea's conflict with a "Declaration of Conduct of Parties in

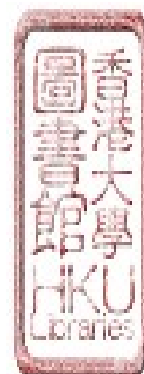


the South China Sea”, a definite win for ASEAN in flexing its muscles as a power broker to make China accord itself to the norms as viewed by other countries in the region.

Another demonstration of success in ASEAN’s agenda setting capability is the conclusion of the “Declaration of ASEAN Concord II” that facilitated the creation of various ASEAN Community consisting of the three pillars, that remained significant to address shared norms and rules of good conducts in inter-state relations (Association of Southeast Asian Nations, 2009).

ASEAN is also central in balancing Northeast Asian superpowers like China and Japan against non-regional countries like Russia and the United States as its traditional non-interventional “ASEAN Way” strategy. According to Goh (Goh 2003), the ASEAN Way is characterized by four basic principles:

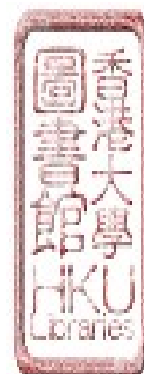
- a) Respect for sovereignty and territorial integrity;
- b) Non-interference in the internal affairs of one-another;
- c) Settlement of disputes by peaceful means; and
- d) Renunciation of the threat or use of force



As a result, ASEAN was able to maintain its existence and also to balance the great powers to achieve regional peace and security. The power to include non-member states to the East Asian Summit is an effective tool to maintain check on China's rise, in which its traditional inclusion principle and consensus based mechanism further acts as a natural balance of power with ASEAN member states.

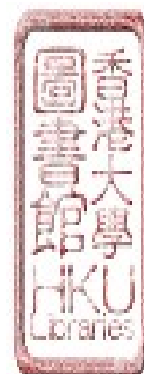
ASEAN's Role in East Asia Economic Regionalism

ASEAN's influence on the wider world stage comes to the global forefront in the establishment of the Asia Pacific Economic Cooperation (APEC) forum. Formed in 1989 in Australia at a ministerial meeting, APEC brought together economies from round the Pacific Rim, including the United States, Japan, Australia and Canada. As a measure to prevent APEC from outshining the ASEAN, it was agreed that an ASEAN member would host APEC every other year. With APEC's agenda mostly driven by the host country's pressing economic issues, this arrangement has given ASEAN members considerable leverage over the development of APEC and ensured that members states' interests are not overridden by larger economies with the APEC.



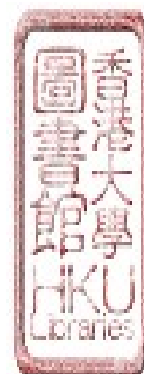
Over the years, ASEAN's increasing credibility and economic prosperity in the decades leading up to the late 1990s, has swept through the region against a wave of foreign direct investments that flowed into the region from Japan, consequently certain members of the European Union also seek to form a formal linkage. The fact that ASEAN had developed a central institutional role in East Asia was the key to the EU's interest in developing ties to the Association. The idea of Asia-Europe Meeting was approved by ASEAN in 1995.

At the same time as the ASEAN +3 was starting to emerge as a framework for regional cooperation, the Asian Financial Crisis in 1997 swept through the region. Resentment at the way IMF had mishandled the problem and imposed inappropriate measures on Thailand and Indonesia only exacerbated the situation spurred regional leaders to find a regional solution to combat the collective vulnerabilities to the forces of globalization (Higgot 1998; Bowles 2002). The 1997 crisis clearly sharpened the interrogation of the interests of economic globalization and especially the utility of the United States, which in turn began changing the basis for regional organization in general and articulation of regional cooperation in response to the global financial disorder. Consequently, the establishment of



ASEAN+3 with ten areas of cooperation at their apex is financial cooperation initiated to grapple with the 1997/8 crisis and to benefit from the support of Asian Development Bank (ADB). ASEAN+3 Finance Ministers had discussed comprehensive financial cooperation since 1998 and at last successfully created Chiang Mai Initiative (CMI) in 2000 in order to address the short-term liquidity problems which could devastate the whole economy as already learned from the 1997 Asian Financial Crisis, In 2009, ASEAN+3 agreed to move from bilateral swap agreements to the multilateralization or from the initially agreed amount of \$80 billion to \$120 billion after the adverse experience of the 2008 global economic crisis.

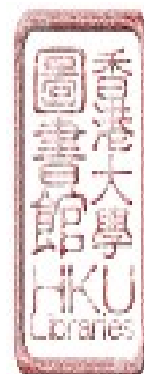
Besides, ASEAN+3 countries are holding the ambitious “regional institutionalization project” of economic integration called East Asian Free Trade Area (EAFTA); however, there have so far been only the bilateral free trade areas (FTAs) between ASEAN and each Northeast Asian country (Jakarta Post, 2009). Moreover, ASEAN has also been very active and proactive in initiating hard development infrastructures, but the funds on the enormous infrastructure buildings have heavily and mainly been contributed by the Plus Three countries.



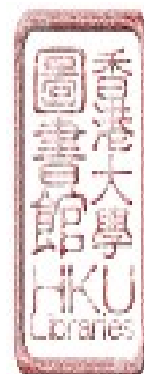
Chiang Mai Initiative / Chiang Mai Initiative Multilateralization

The 1997 financial crisis exposed the financial vulnerability of these smaller Asian countries, particularly the way they felt being treated by the international community, in drying up the much needed liquidity to keep their currency from collapsing. It was a traumatic experience for the ASEAN countries, Indonesia, Thailand and South Korea had to resort to massive bailouts by the IMF, and because of the harsh conditions being imposed, the bailout provoked resentment, particularly in light of IMF's misdiagnosis of the nature of the crisis (which the IMF subsequently acknowledged). In return ASEAN members reached out for financial cooperation with China and Japan which resulted in a much better situation through their aids and assistance. It is against this backdrop that the countries finally came to realize the importance to establish regional financial safety nets like the Chiang Mai Initiative (CMI) in 2000.

The development of the CMI has been a long and difficult path. The first step towards the development of a regional safety net took place back in 1977 where central banks and monetary authorities of the original ASEAN countries agreed to



establish a bilateral currency or swap arrangements to enhance inter-state liquidity. The amount was initially set at US\$100m, which was subsequently increased to US\$200m in 1998. However, the amount turned out to be totally inadequate to withstand the Asian Financial Crisis. The CMI was created in 2000 by expanding the bilateral swaps to include all ASEAN +3 member states. The CMI was intended to be supplemental to the existing financial facilities of the IMF, but with the 2008 global financial crisis experience where Korea and Singapore borrowed from the US Federal Reserve which Indonesia secured financing from the World Bank, the existing CMI framework needs to be enhanced, ASEAN +3 countries being questioning the existing international financial turmoil as agreeing to the *“Declaration of the Summit on Financial Markets and the World Economy”* and therefore decided to strengthen and restructure the existing regional bilateral financial cooperation by transforming the CMI into a multilateral swap agreement to further guarantee the regional financial stability, mitigate risk-averse sentiments and boost regional market investor confidence. And by 2009 in Phuket, that on this special occasion in response to the global economic turmoil, the ASEAN +3 Finance Ministers agreed to transform the bilateral agreements into multilateral agreements, becoming the CMIM, a self- managed reserving pooling arrangement

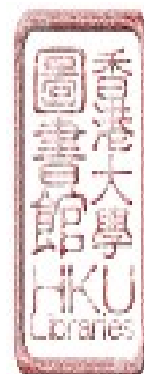


governed by a single contract. The CMIM came into effect with US\$120billion by 2009. In 2012 the amount was doubled to US\$240billion.

To assess the effectiveness of the CMIM, it is necessary to understand the mechanism of how it works: in the event of a balance of payments or liquidity crisis akin to the 1997 and 2008 financial crisis, a member government can swap its local currency for US dollars from this pool. Each individual country's borrowing limit is based on its contribution multiplied by its respective borrowing multiplier. For illustration purposes, the multiplier is 5 for Cambodia, 2.5 for Hong Kong and 0.5 for China. The conditions for securing a swap are a completed review of the economic and financial situation, compliance with covenants, while these decisions are not complex, they are nonetheless time-consuming.

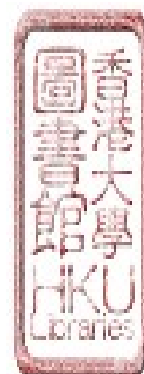
There are a few critical reasons why ASEAN has been able to retain the default centrality role in driving regional financial cooperation; coordinately contents of CMI meetings, and implementing remedial actions required by the CMI.

Firstly, greatly because of the appreciation of roles of China and Japan in the post-crisis recovery period and the gradual realization of regional economic



interdependence and interconnection, the regional cooperation that the CMI attempted to create not merely only by China and Japan, but also the crisis victim countries. Owing to legacies of colonialism endowed with mistrust, neither Japan / South Korea nor China was allowed practically to lead such financial regional cooperation at that time. Therefore, only ASEAN was given this central position in the late 1990s and early 2000s.

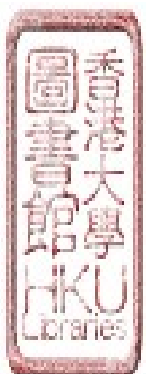
Secondly, after the initial 1997 crisis, both Japan and China had exponential level of foreign exchange reserve, and wished to establish regional financial cooperation. Without the central coordination of ASEAN, these two economic superpowers will find it difficult to financially cooperate with each other to prevent any future crisis. For instance, Japan also held in excess of US\$300billion in its foreign exchange reserve, ranked only behind the entire EU Monetary Union. In total, ASEAN +3 countries had US\$729billion foreign reserve positions. As a result, with just a moderate portion of the foreign exchange reserve holding in the region to maintain stability, ASEAN +3 countries would mobilize more resources than would be available to many of them from global financial institutions and Group of Seven countries, but this financial cooperation could only be achieved with ASEAN in the



middle, maintaining its default centrality.

Thirdly, Japan has from its outset proposed to create the Asian version of the IMF, dubbed the AMF, which was strongly opposed by US, G7 and the IMF itself as it would greatly undermine IMF's existing functions and divided the Asian major powers from the West controlled global economic institutions. It was also suspected by China towards Japan's intention of transforming itself into a regional hegemony. As a result, Japan became less active to bring the AMF to life as the United States continued to exert tremendous amount of pressure. Only the ASEAN led CMI mechanisms regarded as regional financial cooperation could later obtain the support of the United States and the IMF as its nature of regional cooperation to provide quick regional resources is in addition to that provided by the IMF, while ASEAN +3 and the IMF can jointly manage future crisis, and it also serves right into the interests of IMF's regional surveillance activities (Rana, 2002).

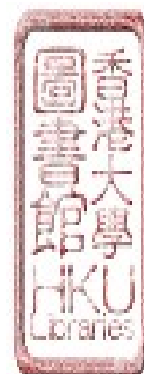
Despite the multi-fold changes in the fine-tuning of the CMIM over the years to bring about cooperation in four main areas, namely (1) monitoring capital flows, (2) regional surveillance, (3) swap networks and (4) training personnel; it is still



debatable and questionable whether it is or can become an effective regional safety net in the event of another financial crisis, even as a supplement to the IMF. It is worth noted that the reserve pool was never called upon since its inception. Several factors may illustrate the potential vulnerability or inadequacy of the reserve pool; although the size of the swap pool has increased substantially to US\$240 billion, the sums involved are still very low. The amount available to large countries are very much lower than what Indonesia and Thailand required from the IMF in 1998. By way of comparison, the equivalent European fund had circa 750 billion euros in 2010, representing 8% of Europe's GDP, while CMIM amounted to only 1.5% of the members' aggregate GDP. Overall, the CMI has a long way to go before it could be of similar level of importance or credible partner to the IMF, the IMF has deeper pockets, more sophisticated systems and methods for dealing with financial crisis, despite past errors.

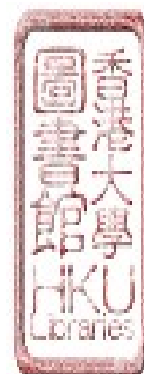
East Asian Free Trade Area

In addition to the CMI successful creation and implementation, ASEAN +3 countries did not pause in its attempt to further move forward to realize the goal of true regional economic and trade cooperation mainly due to the rapid rate of



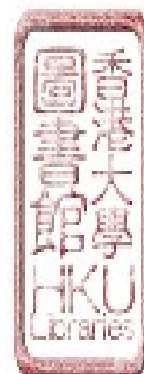
globalization as a catalyst to economic growth, and the opportunity for deepening the economic ties rather than high and uncertain outside economic competitions (Ravenhill, 2008). Since its inception in 1997, ASEAN +3 has not yet been successful in creating the East Asian Free Trade Area (EAFTA), and contrary to other institutions that we have discussed, that albeit most of the meetings of EAFTA were convened in ASEAN countries, ASEAN seem to have less centrality in institutionalizing the EAFTA due to the following reasons:

Firstly, its is due to the growing economic disagreement between China and Japan on Intellectual Property Rights: (1) branding (2) manufacturing process and techniques and (3) lack of transparent and useful legal framework in China. On one hand, Japan wants China to comply strictly with the intellectual property rights based on the rules of law prior to the establishment of a free trade area. On the other hand, China feels reluctant to observer international intellectual property rights law as its economic setbacks will be significant, by lowering Chinese investments. Over this hot issue, ASEAN countries, with its relative lack of economic bargaining power, chose to remain silent, as these smaller ASEAN countries are usually the recipient of generous Chinese economic aid and the single largest foreign investor.



Secondly, the wide gap between the quality of goods produced ASEAN and the China, Japan and South Korea production further widens the economic gaps between the countries. These crucial factors are critical in the discussion and debate in forming a free trade area, and given the disparity, it undermines ASEAN's centrality in EAFTA.

Thirdly and more importantly, ASEAN has concerns on its own Asia Free Trade Area, so it seems to play less core roles in the contemplated formulation of the EAFTA. In the joint statements issued in 2011, the Ministers reiterated the importance and vitality of ASEAN centrality in the expanded regional economic integration process. Although goes without saying that ASEAN so far acted proactively to improve economic cooperation, but mostly limited in a bilateral form, unlike the CMI mentioned above where ASEAN is the core of the multilateral swap agreements. Since 1992, the ASEAN has a 2020 goal of establishing the ASEAN Economic Community (AEC), additionally, although progress is steady as of 2016, the AEC is still largely a work in progress. Similarly, to reinforce the early comment on the bilateral format of collaboration, ASEAN and China has bilaterally created the ASEAN – China Free Trade Area which entered into force on January 2010.

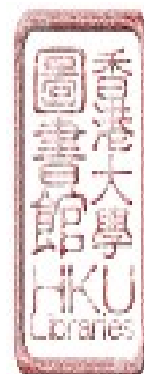


With Japan, ASEAN adopted a “Comprehensive Economic Partnership Agreement” with Japan since 2008, a similar agreement with Korea in 2007, another bilateral agreement with Australasia in 2010, etc. Furthermore, individual ASEAN members have accepted to a wider free trade agreement namely the US drive “Trans-Pacific Partnership” in which Brunei, Malaysia, Singapore, and Vietnam are members preferring to support the TPP. Based on the above reasons, ASEAN has so far been playing limited roles in leading the EAFTA realization albeit its hosting and facilitating of the relevant meetings. ASEAN has not been able to exert as much influence and centrality in the East Asian Free Trade Area.

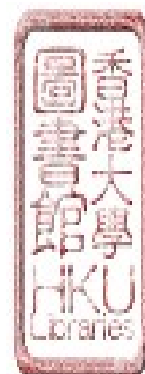
Setbacks of ASEAN

The obstacles towards the success of ASEAN economic regionalism are largely resulted from the lack of mass support, the refusal of states to give in for national interests, socioeconomic heterogeneity and the variance in identity.

Lack of Domestic Support

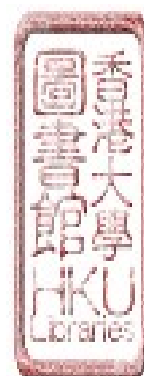


The weak in building a shared identity because state-directed economic cooperation include tiny or no consultation with significant stakeholders, resulting in the absence of the participation of the masses in in the accomplishment of ASEAN decisions as suggested by various regional studies scholars, such as Acharya (Acharya), Sung (S. W. Kim), because the development seems to be both elitist and state-centric with tiny emphasis to consult the opinions of the common people. That means, the notion of “ASEAN Community” lacks one of the vital elements of fundamental achievement in the community building: the dearth of the participation of the masses, because the ASEAN condition is relatively complicated due to the heterogeneity in the historical context, political systems, levels of development, beliefs, norms, identities and values, such as human rights, a social contract, liberal democracy and the rule of law as desired principles of governance, in Southeast Asia, which thwart the formation of ASEAN regionalism (Benny). The mass is considered as one of the main actors in the regionalization and their opinion is regarded as a vital component of regionalization by the main philosophies of regional integration, such as transactionalism, neofunctionalism and democracy, because the support of the general public influences the achievement of regional integration, public feedback and criticism provided crucial response for outlining



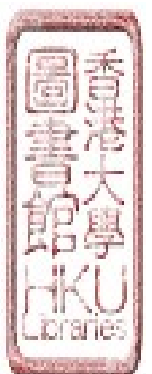
policy (Collins) (Deutsch) (Hewstone). Though ASEAN has succeeded in seizing academic attention on the commitment of elites and states in institutional developments, the findings of civic opinion in ASEAN regionalism is limited because political-economic interactions, the expansion of ASEAN as a regional organization, and socioeconomic obstacles challenge ASEAN over the years (Denise Hew) (Guerrero), leading to a smaller degree of legitimacy for regionalization, the rigidity of simply pomposity in the higher tiers of society for the entire development and the potential danger of fading out in the initiative (Benny).

As pointed out by Vo Tri Thanh, awareness of institution building in Vietnam is inadequate and an overall absence of willingness or planning for the state's active involvement in ASEAN is obvious, although Vietnam has revised main laws and formalized the demand for consultation by modifying these laws in 2008, implying that rising stakeholder consultation is crucial to Vietnam (Das). Nevertheless, the consultation process tends to be ineffective since non-governmental organizations and civil society are rarely involved in public consultation because consultation is limited chiefly to customary stakeholders like government agencies, research and

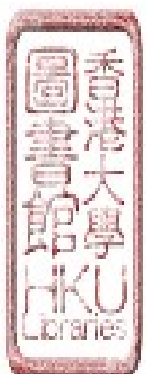


business groups; also, the outcome of the consultative procedure is not open, creating a barrier for the mass to voice out or to plan sufficiently for the application of Vietnam's obligations (Das).

Moreover, regionalization directed solely by states will result in policy divergences since internal policies in the state will clash with these liberalization measures, for instance, case study on the Philippines' automotive segment conducted by Austria visibly demonstrates that the importance of regionalization measures to align with supportive internal policies, like enhancement in governmental competences, because low governmental expenditures and low transaction costs will attract the foreign direct investment which is indispensable for the state's industrial expansion (Das). However, source of policy divergence is obvious between trade policy as advocated by ASEAN and domestic investment policy: since the decrease of duties under ASEAN Free Trade Area attracts more importation of motor vehicles and parts and components, which fails to induce the desired investment for the automotive segment due to high manufacture expenditures and the lack of a solid supplier source, trade policies forbid the import of second-hand automobiles and components and parts are affected (Das).



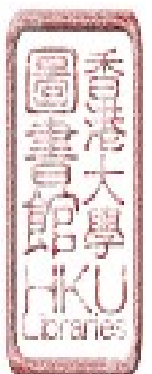
Besides, research on Malaysia shows that policy divergences within the state, for instance, the services sector has become the main focus of the latest front of development since the Third Industrial Master Plan (IMP3: 2006-20) and the services sector shares most supported sectors in the Tenth Malaysia Plan and the Economic Transformation Plan, so the services sector is comparatively more sheltered by equity restrictions and internal rules (Das). On one hand, the government is unilaterally liberalizing by initiating numerous unilateral plans in order to fulfill the need to open the services sector for regionalism; on the other hand, Malaysia is alert about engaging in unalterable obligations under its free trade arrangements, such as the state's pledges under the AEC, causing a discrepancy between obligations at the regional level and practices at domestic level, together with the liberalization of services sector is constrained by the widespread existence of government-connected businesses since these companies will be "protected" from liberalization by local policies, which act as governmental impediments to external investment; thus, by taking a conservative attitude will influence the state's pledges as all sectors in Malaysia's services under liberalization, which will further underpin the position of internal rules in services sector, just like the situation of



the Philippines, liberalization obligations in the ASEAN will be spoiled by internal guidelines which persist to safeguard internal decisions and enterprises from the external force of liberalization (Das).

Socioeconomic Heterogeneity and Wide Gap between Member States

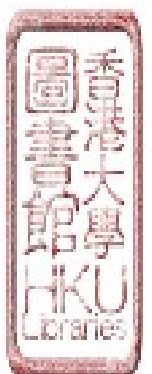
The relative disparity of Southeast Asia states, like the rule of law among member states is weak with variance in application and societal beliefs making the rule of law idea challenging, such as the construction of a single market is limited, though recognized by each member state as a shared goal (Orcalli). Since the economies of most ASEAN members are weak, such as the less developed Indochinese and the Philippines, ASEAN is separated into two levels of economic groups, leading to the difficulty in balancing this economic inequality between the richer founding members and less developed economies of ASEAN members' states (S. P. Kim). ASEAN states not only encounter challenges in huge degree of economic growth, for instance, the disparity between Singapore, and Myanmar and Laos, but also have failed to arrange an improvement in either a harmonized domestic tariff system or a mutual external tariff scheme (Richard Baldwin).



Also, the rule of law in Southeast Asia is weak because the heterogeneity in beliefs, collective norms, social identities and social values hinder the implementation of the idea of the rule of law, leading to the failure in the construction of a single market, even though it is committed by all member states as a shared goal which benefits all members (Orcalli).

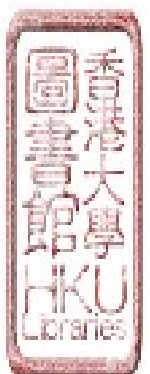
Moreover, regarding intellectual property protection, some of the members in RCEP have noteworthy distinctions in highlighting, some member states, like Singapore and Japan, focus on enlarging the property security measures, while some states like Indonesia and India, emphasize on intellectual property access, such as issues related to manufacture of ‘generic’ pharmaceutical stuffs (Rimmer).

Though progress in the reduction and removal of tariffs in the region can be found, tiny advancement in formulation and abolition of non-tariff policy, which upset both importations and exports, for instance, export licences are required by majority ASEAN member states excluding the Philippines or export levies are inflicted for particular commodities except for Singapore, Brunei and the Philippines, counting commodities within intra-region exchange, worsening intra-ASEAN trade (Das).

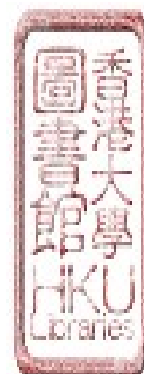


In addition, regarding the ASEAN Single Window, ASEAN states are confronted by a dearth of coordination between states and an absence of suitable human capitals since ASEAN experiences a huge disparity between states' logistics development: according to the World Bank Logistics Performance Index in 2016, which evaluates timeliness in consignments, customs (border control competence), infrastructure quality, capability of logistics facilities, capability to locate and trace deliveries and easiness of organizing reasonable priced freights, Singapore secures 5th position, while Myanmar ranks the 113th out of 160 countries (The World Bank). Hence, due to substantial difference in culture, beliefs, collective norms, and social identities of the region's states, ASEAN member states face noteworthy difficulties in assenting on collective objectives and rules, and are reluctant to collaborate on matters disturbing national sovereignty and interests, resulting in persistent quarrels concerning leadership and territorial disputes among member states, the absence of a political determination to launch compensation policies and the little disposition to foster an ASEAN economic constitution in the future, implying collective objectives and rules are not at the center of such collaboration (Orcalli).

Saliency of National Interest and Divergence of Interests

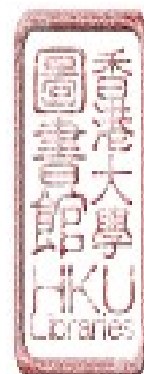


Saliency and deviation of interests among member states fails to facilitate the formation of a competent economic constitution, causing the shortage of profound and rooted institutionalized integration in ASEAN, especially the dearth of wide-ranging appropriate abolition of non-tariff trade obstacles (Orcalli). The insufficient assistance for a successful economic constitution within ASEAN, because ASEAN is deprived from any opportunity of political governing of reparation matters for conditions of clash of interests, leads to the dearth of conversation of compensatory system, so compensatory systems are futile within the economic constitution of ASEAN, partly resulted from the demand for reparation usually occurs once a domestic market is almost to be, or has been, founded (Orcalli). Due to the nonexistence of the concept of equality regarding interconnection rules and the idea of relocation of supplies among ASEAN members, this fundamental element in community building illustrates the challenge of ASEAN in regional development as resolution to diverging interests within ASEAN is missing, that means, no obligation or punishment is incurred for ASEAN members to compete with each other by liberalizing their own market, implying that the direct challenges encountered by ASEAN will be the allocation expenses fail to be resolved and tackled with by intergovernmentalism solely, instead, the establishment of a



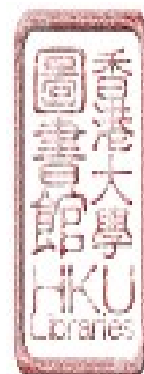
constitutionally grounded regional unit to regulate of distinct economies and to allocate the benefits of the domestic economy is required (Orcalli). Due to a strong variance of national interests and competences among ASEAN states, the prerequisite to illustrate clear interests for every member state offers a precise difficulty, for example, the policy goals of a collective plan advocated by the leading members will be harmful to the interests of the weaker and inferior neighbors (Orcalli).

Firstly, overemphasis on own interests will lead to the reluctance of states in establishing an agreed supranational rule or efficient and similar transnational rule, as the vast economic discrepancies amongst the members, such as the development in Laos, Cambodia and Singapore (Orcalli), for instance, member states are opposed to legalized and formal rule, and are conventionally unwilling to establish official obliging obligations on governing matters, leading to a conflict between the dearth of competence to accomplish a constitution built on Common law and the demand not to follow a contractual constitution (Statute Law) (Hamilton-Hart). Although interference rules are targeted overtly at settling diverse domestic and social interests in regional and exchange policies, a strong obligation to equality

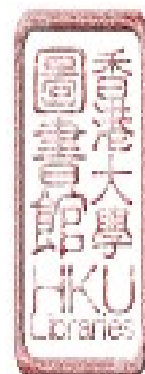


and to the idea of a collective agreement are still absent in the contemporary ASEAN because ASEAN fails to establish redistributive policies, the idea of Own Resources, dialogue of a collective agreement within ASEAN and interference rules in which counterbalance the effect of regional market rule (Orcalli). Hence, defense of national autonomy and the consensus principle remain to serve as an obstacle towards the ASEAN community construction, leading to the failure of ASEAN to place a constraint to the discretionary authority of ASEAN members to the utilization of domestic policies to avoid the organization from restraining states' own autonomy (Pempel).

Also, lacking the political determination among member states to establish an economic constitution built on common aims to create an internal market and interference measures, which will act as the effective ways for implementing an economic constitution guaranteeing economic openness via the free trade of commodities and services, the right of formation of business and the mobility of human and capital, implies that the basic rights will be absent to each member states since domestic policies will supersede ASEAN commitment and no system can be implemented above ASEAN states (Pempel).

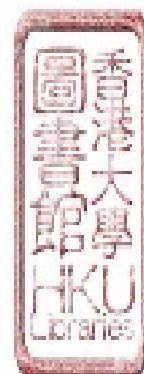


Secondly, variance in interests precludes states from establishing a strong leadership, which may originate from leaders, states or clusters of states, to secure the obligation to regionalism and political determination to tackle the demand for compensation and compromise, which up till now is still not treated as an essential component of an ASEAN unanimity, since the foundation for an economic constitution are ambiguous, albeit certain agreement is initiated, like the ASEAN Charter (Articles 24–26) lays out a dispute settlement (Orcalli), instigating the member states regard each other as independent and rival resulted from the structure of economies and trade orientation of ASEAN, which in turn affects potential benefits from the collaboration in a single-market framework: since many member states are comparatively small or middle scale economies, their external trade focus on wealthier non-member trading partners, like the U.S. and the EU, which influence the scope of economic integration among the Southeast Asia states (Angresano). Hence, saliency of national interests induces negative implication for Southeast states, for instance, although the 1997–1998 economic disaster facilitated a substantial growth of the awareness of closer regionalism, official collaboration is lesser than anticipated because government capability failed to support policy

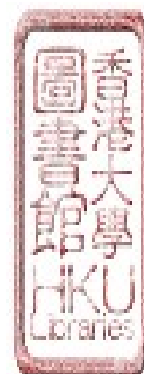


formulation and implementation, resulted in the disparity in crises reaction, particularly after a significant disaster (Hamilton-Hart).

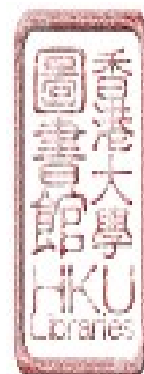
Besides, in spite of the consensus of member states to implement a single market and an united manufacture foundation within AEC, deferments in establishing an internal market for member states place severe barriers to cross-border commercial activities, such as technical and other obstacles remain though mandated by the ASEAN Free Trade Area agreement, levies practices in ASEAN deter firms from engaging in intra-ASEAN trade and investment, the slow progress of regularization of merchandises transacted within ASEAN and the intricacy of executing the ASEAN rules of origin which defines the eligibility benchmarks to the Common Effective Preferential Tariff (Andreosso-O'Callaghan), contributing to the eminence of state-oriented instead of region-oriented aims (Dent), together with ASEAN, being an executive association, is generally not centralized to secure the demand of its member states for their own political independence, resulting in the tiny awareness of member states in any community building which will offer potential Asian superpowers to intervene in their internal matters (Angresano). Thus, with limited progress of a concept of a collective agreement, ASEAN policies



for a market society are inadequate to construct a unique hub of commodities, services, labor and investment (Orcalli). Although integration can contribute to the production of a rule-based regional institute, which facilitates the participating states to fortify and intensify their pledge and involvement to the development of regionalism, for example, by forming a legitimately mandatory conflict mechanism for settlement of trade clashes among the member states in ASEAN together with the formation of an ASEAN Charter, over-concentration on internal interest will heighten the obstacle to ASEAN economic regionalism once more states are involved in the process of policymaking because members keen to secure national interest and are reluctant to give in, for example, states like Myanmar utilize the doctrines of non-interference as a pretext to defend against any political transformation, which are essential in integrating each state in a cohesive portion of a greater unity for realizing a regional economic community, that means, barriers for the mutual effort of building a bigger ASEAN economic community remained as ASEAN member states are unwilling to forgo a slight portion of their internal autonomy for overall interests (S. P. Kim). The commitment of actors in the ASEAN constructions stays at the state level, which involves no transmission or integration of capabilities, because autonomy remains the main concern among

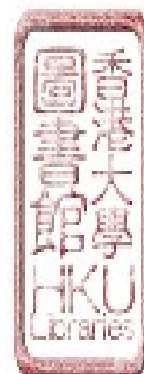


ASEAN members, hindered ASEAN from neither participating in outlining policies for an institutional framework nor founding basic common economic liberties and shared rivalry guidelines, so numerous researchers believe that certain practice of enforceability is mandatory, such as establishment of a notion of conformity with a reliable system to resolve conflicts and tackle problems of non-conformity, in case ASEAN desires to fortify its obligation to intensify its economic regionalism (Caballero-Anthony). Although the notion and discussion of ASEAN reveal an aspiration for a free trade zone, limited concrete measures are developed to expand this desire into a latest form of economic regionalism except its member states to strengthen their commitment to a promised economic constitution, implying that issues of identity, leadership, substantial disparity and an unsound economic constitution inhibit ASEAN from realizing an internal market, while procedure of market guideline is not binding and obligation to mandatory policies is tiny, making ASEAN to persist a lax regional organization and impeding the full execution of the ASEAN Charter over time (Orcalli). The political determination and perception of the leaders of member states and support from Southeast Asia all together affect the progression of crafting an ASEAN Economic Community on taking the gentle or quick path, while the challenging political issue is on in what way the states are



willing to cooperate and balance state main concerns into a mutual regional strategy of economic regionalism, for instance, the political concern for ASEAN Ten Plus Three is in what way the regulatory system can be consistent, so the establishment of a collective regional custom standard is a difficulty for ASEAN Ten Plus Three (Okfen). All these issues imply that the achievement of the objective of an ASEAN Economic Community needs to overcome numerous hurdles and it requires persistent effort.

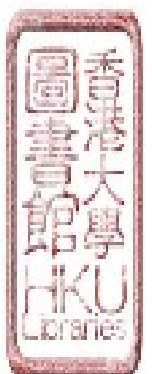
Thirdly, the disputes among member states are caused by contesting desire for resource, for example, due to the lack of resources, Vietnam is unwilling and incapable to utilize resources to apply certain policies of the AEC, like shared acknowledgement and services liberalization, while the majority of state supplies are expended for the outlining of key rules or policies which are contemplated to be cross-cutting matters associated with the state's trade liberalization policies, so tiny participant discussion on the lessening of the policy space regarding Vietnam's obligations in the AEC is resulted (Das). Even though ASEAN-regional business improves, the volume is insignificant since substantial hitches in attaining the unrestricted mobility of experienced labor and a distinct market for commodities,



services and investment, for instance, duties and other constraints on commodities exchange, resulted in limited growth on services, investment, non-tariff obstacles, collective recognition and harmonization of benchmarks (Orcalli).

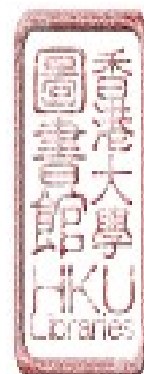
Also, in the circumstance of Vietnam, conflicts are related to the deficiency of competence of stakeholders to comprehend the details of regionalism and collaboration methods, like the agricultural or employed poor which suffer loss from the regionalism activity; in Thailand, small peasants in the Thai rural area are perceived to miss out because the scarcity of the resources limit their competitiveness against large companies and multinational corporation in this segment, so the interests of small local businesses in Vietnam and Thailand will be sacrificed in the process of the ASEAN regionalism (Das).

In Thailand's situation, the logistics sector classifies the scope as an significant element in the competence of a business to react to the viable contests of ASEAN-led regionalism policies, for instance, small domestic logistics companies in Thailand are supposed to marginalize because they have limited access to monetary funding and they fail to contest against the bigger companies and corporations in

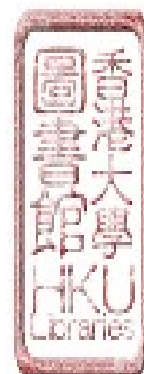


this industry in areas like the advancement in know-how, managing structures and advertising, so the key successes of ASEAN tend to be the large traders, large commodity-processing firms and high-yield peasants in the farming business, while the potential victors of logistics liberalization in Thailand will be the big logistics firms, corporations in the logistics industry and other companies which are clients of these services (Das). Besides, although the case analysis of Thailand on the mobility of natural persons from the medical business states that infirmaries which are involved in medical tourism will receive greatest interest because of a scarcity of health expertise in the state, while another concern will be the capability of Thai health personnel fail to contest against influxes of health workforces from other ASEAN states who tend to possess a better benefit in areas like communication skills to global sufferers and sufferers at neighboring infirmaries (Das).

Apart from Vietnam and Thailand, ASEAN is encountering with China on in what way to contend successfully against expanding economic influence of China: the ASEAN participants are unable to contest with China efficiently as singular economic entities since the mainstream of the participants fail to race China to tempt Foreign Direct Investments and know-how from the Western international



corporations (S. P. Kim). Although East and Southeast Asia shared 31% Foreign Direct Investment inflow in the world in 2014, reaching \$381 billion, Foreign Direct Investment inflows to China reached \$129 billion, while Singapore, being the main beneficiary of Foreign Direct Investment in Southeast Asia, reached \$67.5 billion, other ASEAN member states, like Indonesia merely received \$22.6 billion.



EAST & SOUTH-EAST ASIA

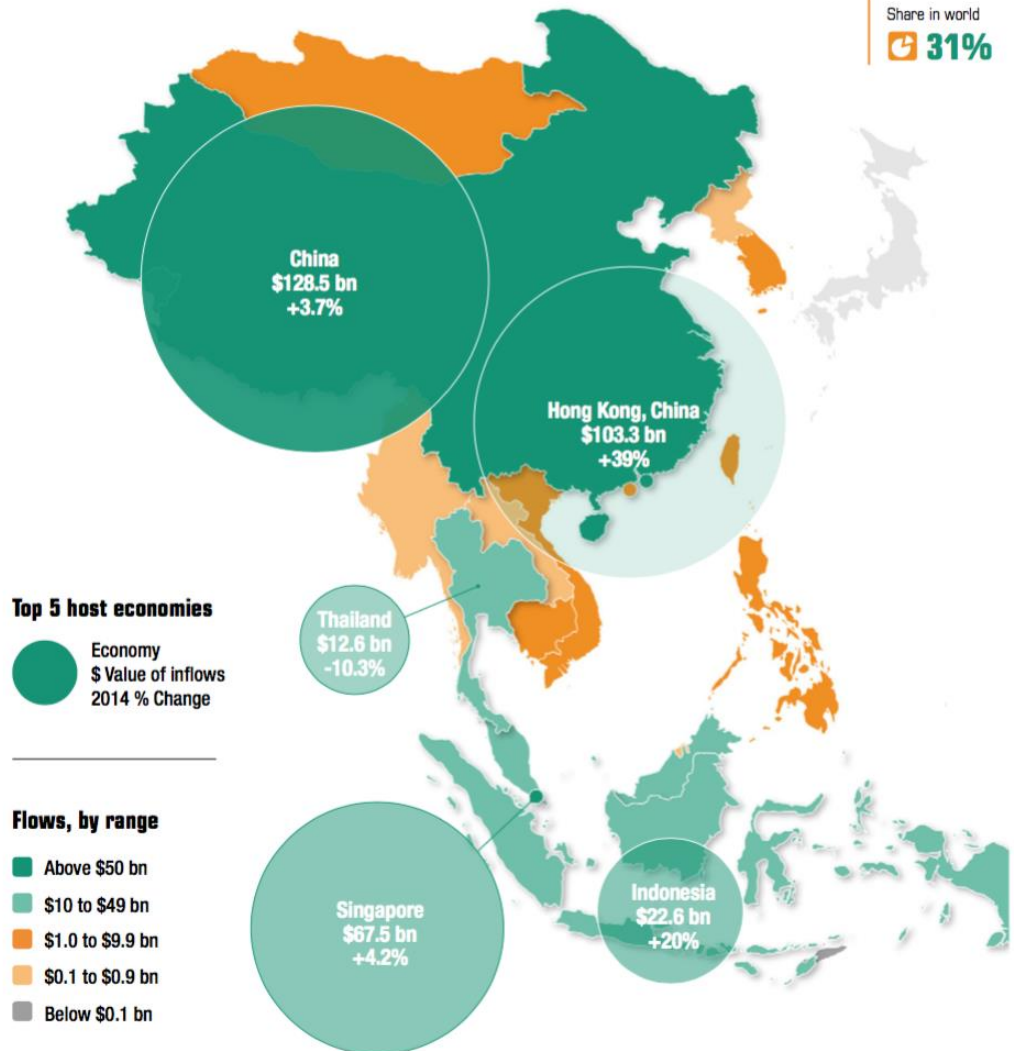
FDI inflows, top 5 host economies, 2014

(Value and change)

2014 Inflows
\$ 381 bn

2014 Increase
+9.6%

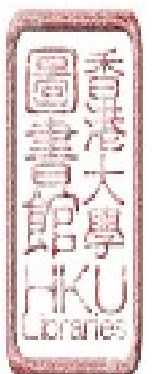
Share in world
31%



Source: World Investment Report 2015: Reforming International Investment

Governance

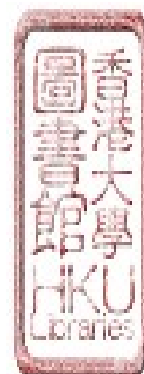
Since the market in East Asia is significantly bigger than in intra-ASEAN and is prone to draw more Foreign Direct Investments to the region, it is necessary for



ASEAN's cooperation with China to implement a mutual policy to induce additional Foreign Direct Investments to ASEAN in the background of a global division of labor, so ASEAN and China can balance their distinct roles to collaborate instead of to contest with each other, implying that the importance of new feasible approach by accelerating the establishment of the ASEAN-China Free Trade Area arrangement so as to induce more Foreign Direct Investments to the ASEAN members and to increase share of Foreign Direct Investments to ASEAN which is lost land to China (S. P. Kim).

Difference in Identity

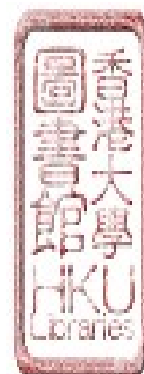
ASEAN states do not recognize each other, posing adverse effects on ASEAN regionalism and regional identity-construction: Indonesia's standing as first among equals, being the biggest state in the region, shown hegemonic inclinations in Mearsheimer's dominance logic since the establishment of ASEAN (Layug); Singapore's self-exceptionalism is related to its extraordinary geographical, economical, and cultural features, fight for national identity, superseding economic necessities for state existence" (Thomson); Thailand's identity is centered on the past circumstance of being the sole state in Southeast Asia, which freed from



Western occupation due chiefly to the skillful governance of their former governments and the positive historical conditions like Western Powers' over-concentration on other Southeast Asia states; the Philippines' identity as the sole Southeast Asia state, which was comparatively unaffected by Indianization and Sinicization during the pre-colonial period, has been identified as the third grouping of political and cultural impact (Layug).

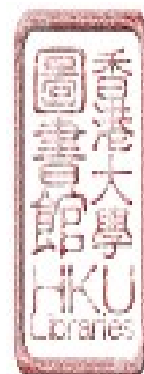
ASEAN-directed socialization will provide a place for mounting the importance of identity in ASEAN interactions by offering a location for the member states to communicate serenely, which allows them to fight for their national interests and visualizes their identities, because certain disputes between and among the member states resulted from their inaccurate perception about the identity and self-esteem which they possess about each member, such as the negative effects of constructing biases and prejudices grounded on "perceived" history and culture (Layug).

The factors will induce an undesirable influence on regional integration, for instance, the identity crises of both China and Japan hold the similar "selective othering" created by historical and cultural factors, causing every state maintaining



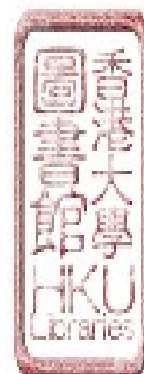
adverse structuring of the other's identity (Wirth), so by offering a normative structure for peaceful co-survival, ASEAN can continue to socialize the member states to assist them in discussing their identities and view the other states positively via social learning and unlearning (Layug).

Besides, the utmost barrier for the success of the economic regionalism is the difference in identities between China and Japan as China adopts Communist rule, while Japan is under capitalist, so by ensuring the joint effort between China and Japan in supporting ASEAN decision is crucial since both states are regarded as one of the main economy power in East Asia, for instance, Japan can take the lead in the economic responsibilities because its "flying geese" ideal has been recognized positive in creating about economic advancement for Asian states, such as Taiwan, Singapore, South Korea, Thailand, Malaysia and Indonesia, but Japan is suspicious in the ability to take the positive obligatory political guidance for ASEAN regionalism since the ASEAN members, especially China, retain mistrust for Japan's leading position to foster ASEAN regionalism (S. P. Kim).



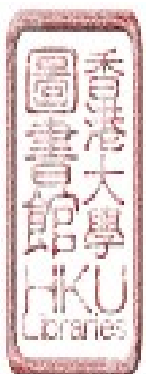
Regarding the economic aspect, although certain economic collaboration and integration between Japan and its adjacent Northeast Asian states are found, the political hitches between China and Japan, and between North Korea and Japan remain unsettled, while regarding the political and psychological aspects, China and South Korea are skeptical about Japan's leadership because of historical context of anti-Japanese resentment of China and South Korea in the interwar period and Abe's ruling, that means, the political impediment will be sustained if China and Japan failed to settle their political disparities and collaborate together to build a trilateral leadership model with ASEAN to realize an ASEAN Economic Community, so deprived of a favorable political atmosphere, economic collaboration will only be maintained in the short term (S. P. Kim).

Therefore, the success of ASEAN regionalism depends on the extent of political determination of ASEAN Ten Plus Three to work out the idea of economic integration for the region because the key element falls on the political will of China and Japan to collaborate with each other in community building in political areas, just like the example of EU model of Germany and France in sharing of power and leadership (S. P. Kim).



Unlike economic issues, which can be settled by applying the win-win solution to the agreement of the desires of both states, political nationalism is a two-edged sword, which can either foster the unification of a nation and nurture the sense of patriotism for the formation of a nation, or implant a destructively influential basis in arguments over a territory or sovereignty, and even armed conflicts and territorial interventionism, for example, this can be visualized by the frequent political ambiguity in Sino-Japanese relationship due to the escalating of nationalism of both states: political matters like sovereignty arguments can be lengthy, which can be illustrated by the Sino-Japanese territorial disputes over the Diaoyu islands in Chinese or Senkaku islands in Japanese, and also the Spratly islands disputes in the South China Sea containing six competing states, so the construction of an ASEAN Economic Community imbeds severe political and security perils (S. P. Kim).

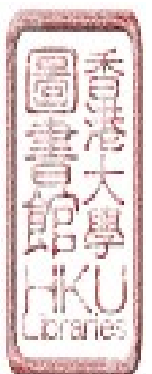
Amongst these perils, the more challenging ones are a potential war over the Taiwan Strait because of the mounting centrifugal independence propensity in Taiwan after the election of the first female president Tsai Ing-wen; proliferation of weapon of mass destruction in North Korean; a breaking point in the Spratly Islands chain in



the South China Sea armed conflict over the scramble of maritime and natural resources, such as oil and gas, implying that each of the above stated possible political and security perils can generate tension among the states and prohibit the achievement of the ASEAN member states to construct a sustainable economic community in the region (S. P. Kim).

Empirically, unlike in the EU, which offered a unique passport or autonomy of mobility as the European Schengen, few rules straightforwardly focus on the residents of ASEAN, excluding the 30-day free visa; fundamentally, states are still influenced by the Westphalia standard of global order, which nation-states are the key international actors, so a greater sense of “nationality” instead of “regionality” is generated among the residents in regional institution, denoting that the formation of regional identity is hampered by the notion of the nation-state in the contemporary global order since the identity of a regional community will persistently outshine the identity of a state (Masaya).

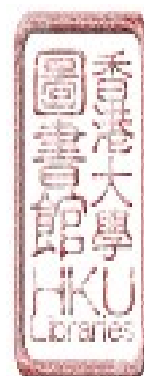
Since the state leaders tend to craft their own domestic belief of all in its terrain, like national history books, national language and national schooling structure,



which in turn formulates national features to shape the identity of a national resident, because a shared state language is regarded as a solid groundwork in forming a community's identity, the effort to establish a common language in ASEAN will be undermined, even though English has normally been utilized in their interactions in ASEAN, the practice is confined to elite groups merely (Masaya). The historical context of Indonesia displays a precise nationalistic perception and tiny information about ASEAN, demonstrating that if the education of the states for the individuals in its terrain concentrates on the past of their own nation, like Indonesia or Cambodia, neglecting the past of Southeast Asia as a whole, the forming of a ASEAN identity will be extremely difficult because an over-nationalistic method will outline their norm, ideas, and their national identity undermines the significance of their regional identity, so the sense of belonging to Southeast Asia will be minimized (Masaya). As a result, merely the eagerness of the state and the residents can change the situation by forgoing over-nationalistic attitudes with a more regional focus, taking ASEAN to the groundwork (Masaya).

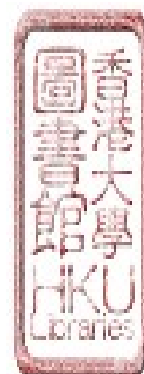
Recommendations for ASEAN to Enhance its Centrality in driving East Asia Regionalism

In order to maintain its centrality in driving regionalism in East Asia, and further

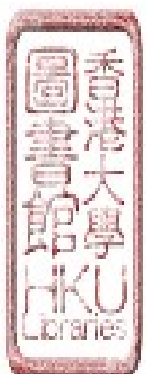


its positions in the financial cooperation, infrastructure investments and initiatives, and political-security cooperation, it is paramount for the ASEAN countries to first stimulate local economic growth as an effort to strengthen its economy, most importantly the upcoming ASEAN Economic Community, which requires that all ASEAN leaders to have the tenacity in committing political willingness to create a single market and production base for manufacturing, to capture the opportunity and the world's manufacturing powerhouse China is striving to move up the value chain by exiting low-value high labor manufacturing. For the time being, ASEAN countries are recommended to invest significantly in combating local corruption that clouds the domestic political stability, while on the economic front aim to eliminate tariffs and trade barriers. These measures will result in some very positive outcome for the ASEAN countries, of equal importance, below are a few of the expected benefits that the recommendations will bring:

- (1) Narrowing the economic gap with the +3 countries will only serve to enhance the credibility of the ASEAN countries in terms of rapid economic resilience and economic growth in tandem of global economic being stagnant.



- (2) Economic developments almost guarantee a steady inflow of foreign direct investments from other countries and thus acts as a prevention against the +3 countries, in particular China from leveraging its economic power and influence to prevent ASEAN countries from true integration. In simple words, this will prevent the ASEAN countries from having to accept harsh economic concessions from the economic big brothers.
- (3) With fast economic growth, as the world has witnessed happened in China in the past two decades, ASEAN countries can increase towards its real GDP growth, and to invest heavily into regional physical infrastructures which will in turn promote trade.
- (4) In addition to focus heavily on economic growth, ASEAN member countries are also recommended to invest into its human capital. At the moment the vast majority of the population are still relatively un-educated and thus are trapped into performing low value-added jobs. To solve this problem, ASEAN should accelerate the investments into education through providing more state sponsored scholarships, mutual exchange of government officials, hosting period conferences etc. Also, they should

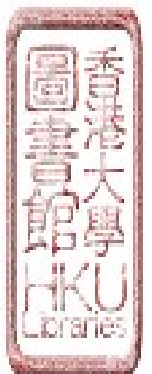


work more closely with Northeast Asia countries to learn from the rich experiences.

Finally, although ASEAN seems to have a lesser role in developing the EAFTA, with the continuous investment in economic capacities and credibility, especially towards the successful implementation of the ASEAN Economic Community, which is regarded as the correct way to maintain relationship and trust between them and Japan and China. By successfully doing so, it is not difficult for ASEAN to further deepen its centrality in driving regionalism in a region that has so many unfilled promises.

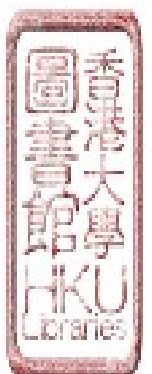
Comparison with the EU

At the above sessions, we have generally agreed that ASEAN only has limited effect in successfully driving regional integration. In order for ASEAN to further facilitate regional integration, it can learn from the EU, which has been considered as one of the largest, most mature and successful regional communities in the world. This section will explore ways in which ASEAN could strengthen its regional cooperation by referring to the cooperation model of EU.



European Union and Regional Integration

The idea of creating a regional community in Europe was first suggested by the British Prime Minister Winston Churchill in 1946, in which he mentioned that only to establish a “kind of United States of Europe” can prevent the continent from further chaos after the Second World War. In 1950, the French foreign minister Robert Schuman proposed to establish the European Coal and Steel Community (ECSC) with Germany to prevent further war between the two countries. On 18 April 1951, Belgium, France, Germany, Italy, Luxembourg and the Netherlands signed Treaty of Paris, the ECSC was formally established. In 1957, the six countries signed the Treaty of Rome to create the European Economic Community (EEC), or ‘Common Market’. In 1965, the Merger Treaty was signed to combine the executive bodies of the ECSC, European Atomic Energy Community (Euratom) and the EEC into a single institutional structure, which is commonly regarded as the beginning of modern EU. Following then, the Single European Act was signed in 1986 to allow the free-flow of trade across EU borders and create the “Single Market”. The “Single Market” has been completed in 1993 with the freedom movement of goods, services, people and money. Member states then signed the Maastricht Treaty in

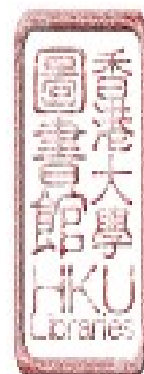


1993, which aimed at creating economic and monetary union for all EU states except the United Kingdom and Denmark by 1999. Euro was virtually born in 1999 and started to circulate in 2002. The terrorist attack in the United States in 2001 and financial crisis in 2008 have brought UN member states closer together to fight crime and cooperate on economic development. (European Union)

There are five key institutions in the EU, include the European Parliament which composed of representative elected by EU member states; the European Council which represents the government of the member states and set the agenda of the EU; the Commission which responsible for launching and executing legislations; the Court of Justice which responsible for law compliance and the Court of Auditors which responsible for account auditing. For economic and monetary policies, there are the European Investment Bank and the European Central Bank to monitor the monetary policy in Euro zone. (European Union)

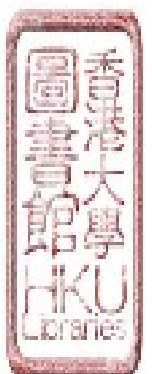
Develop a “Common Identity” to Facilitate Regional Integration

According to constructivists, a common identity is a key factor to a successfully regional integration, this theory can also be applicable to EU. “*Over the years, the*



member states have continued to establish institutions and laws that push for European integration and unity. Norms of cooperation and common identity have driven EU policy.” (Swisa) EU member states signed the "Declaration on European Identity” at the Copenhagen Summit in 1973, where EU member states affirmed their determination to introduce the concept of European identity into their common foreign relations, promote a set of common values and principles, and a common awareness of the Community’s specific interests. According to the Declaration, member states also agreed to define the European Identity which involve *“reviewing the common heritage, interests and special obligations as well as the degree of unity so far achieved within the Community”, “assessing the extent to which member states are already acting together in relation to the rest of the world and the responsibilities which result from this”, and “taking into consideration the dynamic nature of European unification”.* (European Union)

Apart from successful identity building campaign, another factor for the successful building of EU identity is due to member states’ learning experiences from previous favorable outcome from cooperation. From Checkel’s model, an actor’s decision of future interactions depends on how it learnt from prior relations with the institutions,

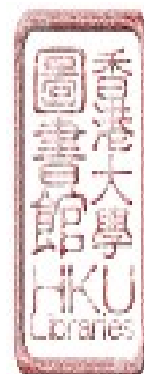


therefore, the outcome from previous interactions resulted in preference change of member states. The “preference change” can indeed reshape the identities and interest of member states. (Checkel, J) This learning and socialization process allows members states to cooperate as they have a common understanding of a problem. (Saurugger, S)

With a common identity, the logic of appropriateness model can explain the success of EU in regional integration. The logic of appropriateness suggests that *“human action as driven by rules of appropriate or exemplary behavior, organized into institutions.”* Actors are embedded in a social collectivity, follow rules which seem expected, legitimate, rightful, and natural to them. They seek to *“fulfill the obligations encapsulated in a role, an identity, a membership in a political community or group, and the ethos, practices and expectations of its institutions.”*

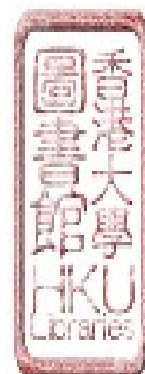
(James G. March and Johan P. Olsen)

The sense and awareness of EU identity in member states has been very strong. As of Spring 2015, over 67% of citizens in EU member states feel that they are citizens of the European Union. (European Commission) In contrast, the awareness of



ASEAN common identity has been relatively weak. According to a survey conducted by the ASEAN Secretariat in 2013, about 3/4 of people in ASEAN member states do not understand what ASEAN really is and its operating structure. Indeed, ASEAN also realized the importance of a regional common identity in the development of regional cooperation. According to the ASEAN Vision 2020 which set out in the ASEAN annual summit in Kuala Lumpur in December 1997, “*we envision the entire Southeast Asia to be, by 2020, an ASEAN community conscious of its ties of history, aware of its cultural heritage and bound by a common regional identity.*”

Building a common identity is a key factor of success in regional integration. EU realized the importance of common identity building in its early stage of development and member states worked to increase the awareness of its citizens on a common European identity. In addition, the long history of cooperation in EU also helped to shape the identity of citizens in member states. However, ASEAN seems lack of a common identity and this hinders the process of regional integration. In order to drive for further regional integration, ASEAN can learn from the successful experience of EU and develop common identity campaigns in the region to promote

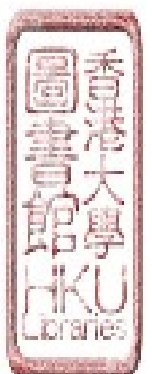


an “ASEAN” common identity.

Enhance the cooperation and operation model of ASEAN

ASEAN, in order to operate more efficiently, can consider adopting some of the operating model in EU. EU has a well-developed and mature way of cooperation. Both intergovernmental and supranational cooperation exist in the institution. However, ASEAN, although has the intention to push for further regional integration and cooperation, its cooperation model is still only at the stage of intergovernmental cooperation.

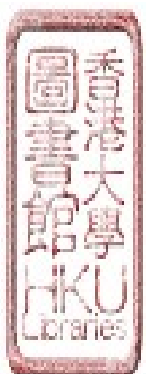
Intergovernmentalism refers to situation where states cooperate in a platform that does not hurt the sovereignty of each individual states. There is still an institution to maintain such community, however, the function of the institution is only assisting and facilitating member states’ discussion and responsible for daily operation. The institution does not have the authority to set rules and policies for member states and member states are not obligated to comply with the policies made by such institution. Member states in such institution cooperate in commonly



interested topics. In general, participating member states can exercise control to decide the scope and nature of the cooperation.

Intergovernmental cooperation can be found in EU. Although the European Council set the agenda for EU as a whole, each individual member states are still in control and have their system of law. ASEAN is still at the intergovernmental stage, decisions made by member states are based on consultation and consensus, rather than authority; and decisions made by ASEAN are also not binding. According to Article 20 of the ASEAN Charter, “decision making in ASEAN shall be based on consultation and consensus; where consensus cannot be achieved, the ASEAN Summit may decide how a specific decision can be make; in the case of a serious breach of the Charter or non-compliance, the matter shall be referred to the ASEAN Summit for decision.” (ASEAN)

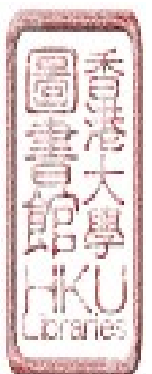
Supranationalism suggests the community exists above the states level and have power above its member states. The community can make policies and laws for the benefits of its member states and impose to all states members. Member states worked together, and individual states do not have power to have complete control



on project developments. In some cases member states would have to act against their actual preferences as they do not have power to hinder decisions. This supranational institution structure led member states from the stage of inter-state cooperation to integration. This process may result in reduce in national sovereignty in certain extents.

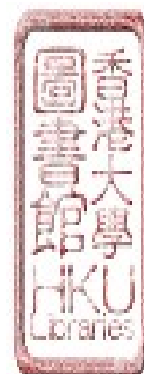
Some of the institutions in EU, such as the European Parliament and the European Council are examples of supranational institutions. The European Council set the agenda for the whole EU, and the European Parliament has partial legislative power in which laws and policies agreed by the representatives at the European Parliament have to be implemented on all EU member states. The supranational nature of these institutions in the EU is one of the key factors driving regional integration and regionalism in EU, as these institutions can ensure that all EU member states act in the same direction.

Unlike EU, supranational institutions do not exist in ASEAN; the cooperation of ASEAN still remains at the intergovernmental stage. The initial design of ASEAN is not to develop into a supranational institution but mainly serve as a discussion

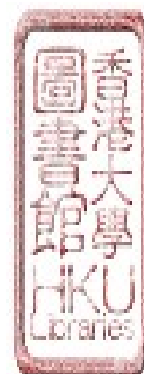


forum for member states to discuss on mutually concerned issues. (DOSCH) As stated in the Bangkok Declaration in 1967, ASEAN member states “*are determined to ensure their stability and security from external interference in any form or manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their peoples*” (ASEAN) According to Article two of the Treaty of Amity and Cooperation in Southeast Asia in 1976, “*the right of every State to lead its national existence free from external interference, subversion or coercion*”, and ; “*non-interference in the internal affairs of one another*” are two of the fundamental principles of ASEAN. (ASEAN) As suggested by Bellamy and Drummond, “*Despite the fact that the Association has made no attempt to define what it means by ‘interference’, regional practice prior to the mid 1990s suggests that it was construed as a continuum of involvement in the domestic affairs of states that ranged from the mildest of political commentary through to coercive military intervention*”. (BELLAMY, A. J. and C. DRUMMOND)

The non-interference principle of the ASEAN would hinder the organization from further integration as it would stop the kind of cooperation which would upset domestic governance of the member states. As the Former Prime Minister of



Malaysia, Abdullah bin Haji Ahmad Badawi stated in a sub-forum “ASEAN Community: A Major Milestone for Asian Integration” of the Boao Forum for Asia 2015 that the ASEAN Community is different from the European Union. EU adopted further unity, while ASEAN has been working closely to strengthen regionalism, rather than weaken the sovereignty of Member States. It is not expected that ASEAN will be a centralized bureaucracy and this framework will not be changed in the short term. (Phoneix Finance) However, recently, the non-interference policy in ASEAN seems to be vacillated due to several regional affairs in the area. For example, in the issue of Myanmar’s abysmal treatment of its Rohingya population, there has been international pressure demanding that ASEAN should help in resolving the issue, which resulted in Thailand handing over suspected leaders of several human-trafficking syndicates to Malaysia. Former Malaysian Prime Minister, Mahathir Mohamad also argued that “*the ASEAN policy of non-interference should be put aside when it involved mass killing*”. Singapore Prime Minister, Lee Hsien Loong said “*ASEAN countries could work together, influence and encourage each other – but old arguments still die hard. He stressed the group could not solve all the problems nor compel any member to act in a certain way.*” (Luke Hunt) The recent development of the issue in Myanmar

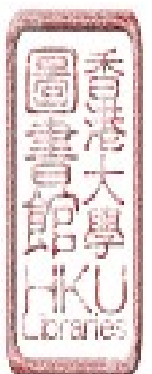


shown that indeed there are possibility in which ASEAN countries can work together and influence each other on important issues and developments.

In comparison, EU is far more politically integrated as ASEAN. EU has supranational bodies with set the agenda for the whole region. Due to the non-interference principle of the ASEAN, supranational bodies do not exist in the institution; there is no formal mechanism or channels for political integration. Regional cooperation relies heavily on inter-state cooperation and communication between member states. Referring to the example of the Myanmar issue, ASEAN countries could consider working more closely and influence each other on important regional issues and developments.

Explore a new model of economic cooperation

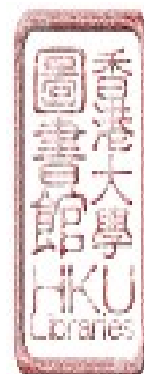
Although both EU and ASEAN seek to further integrate their economy, the cooperation model of the two institutions varies. Since the establishment of Euro in 1999, 19 of the 28 member states have adopted the Euro as of 2016. The European Central Bank has been responsible for the interest rate setting and money supply



control for Euro. The Economic and Monetary Union of the European Commission has been responsible for the coordination of economic and fiscal policies, a common monetary policy, and a common currency in the EU. The coordination of fiscal and monetary policy include three aspects, first, the coordination of fiscal and tax policies between EU and member states; second, the coordination of EU monetary policies; and third, the coordination between fiscal and monetary policies.

(European Commission)

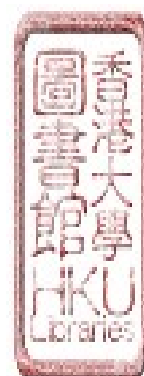
The coordination of fiscal policy mainly reflected in the fiscal convergence, and to meet EU fiscal discipline, which is to control the deficit rate at below 3% and debt burden rate at below 60%. EU member states have achieved tax convergence in tariff, added-value tax, consumption tax, company tax, social security tax and coordination in financial tax system and tax evasion. The coordination of EU monetary policies has been mainly operated by the European Central Bank. There are Governing Council, which participated by Presidents of Euro Zone central banks; General Council, which also involve Presidents of non-euro zone central banks; and Executive Board, which responsible for daily operation. The European Central Bank responsible for setting monetary and financial policies of the Euro



Zone, and the Central Banks of individual states will implement these policies. The coordination between fiscal and monetary policies refers to the match in fiscal and monetary policies to maintain a stable exchange rate and price in member states, and also to promote full employment and economic growth. (European Commission)

To a large extent that the economic integration of the EU enables the region to operate as a single market with common economic policies.

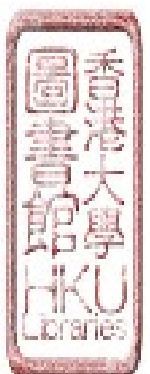
The cooperation in the ASEAN Economic Community has not been as highly integrated as EU. ASEAN has established the ASEAN Free Trade Area, in which member states have lowered the intra-regional tariffs through the Common Effective Preferential Tariff Scheme. Tariff of more than 99% of the product in the Common Effective Preferential Tariff Scheme Inclusion List have been lowered to 0-5%. (ASEAN) ASEAN also seeks to continue on regional economic integration, as stated in the develop plan of the ASEAN Economic Community, ASEAN member states aim to develop capital markets, financial services, capital accounts and the potential of currency cooperation. There is the ASEAN Economic Ministers, which held annually for member states to discuss and plan for regional economic cooperation.



In comparing the model of economic cooperation between EU and ASEAN, EU has a hierarchical approach through supranational institutions, the European Central Bank and the Economic and Monetary Union of the European Commission to set the agenda for economic policies in EU. While in ASEAN, economic policies are decided by each individual member states, ASEAN only serve as a platform for member states to discuss and get general consensus on regional cooperation.

To be inclusive to various policies model in ASEAN member states

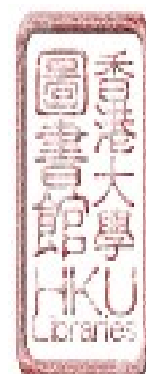
Differences between ASEAN and EU also exist in the variance in cultural, policies, economic and ethnic identities of its member states. Due to the cultural diversity in Asia in terms of living standards, level of economic development and moral values, it is difficult for ASEAN to achieve the high level of regional cooperation and integration as the EU. For example, 90% of Indonesian is Muslim, while 80% of Philippines are Roman Catholic and 95% of Thai are Buddhist. (Vinayak HV, Fraser Thompson and Oliver Tonby) Apart from this, the differences in population, geographic location and area, education level of citizens in ASEAN member states



also hinders the regional integration. In addition, ASEAN member states have long history of territorial dispute. Brunei, Malaysia, the Philippines, and Vietnam all claims to have sovereignty over the South China Sea. In contrast, EU member states have similar level of economic development, geographic location and cultural values, which facilitate the cooperation between member states and reduce conflicts posed from cooperation.

Political Systems in ASEAN member states

County	Government System
Singapore	Unitary, parliamentary, constitutional republic
Philippines	Unitary presidential constitutional republic
Indonesia	Unitary presidential constitutional republic
Myanmar	Unitary parliamentary republic
Malaysia	Federal parliamentary democracy under an elective constitutional monarchy
Thailand	Constitutional monarchy under military junta
Cambodia	Unitary parliamentary constitutional monarchy



Brunei	Unitary Islamic absolute monarchy
Laos	Marxist-Leninist one-party state
Vietnam	Socialist one-party state

Source: ASEAN Secretariat

Unlike most EU member states are under the democratic political system, the political system of ASEAN member states varies. Singapore, Philippines and Indonesia have a democratic or constitutional government system, while Malaysia, Brunei, Cambodia and Thailand have a system of monarchy, besides, Laos and Vietnam have a communism system. (Jon Lunn and Gavin Thompson) In order to cooperate smoothly in ASEAN, ASEAN member states should be inclusive to the different political systems, religious and cultural value of each member.

To have consensus on regional economic development goals

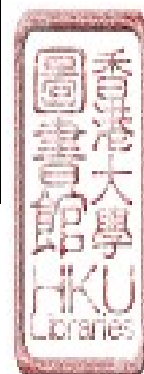
Unlike ASEAN, EU member states have compatible level of economic development, 26 out of 28 member states are countries with very high level of human development, and the other two member states are countries with high level



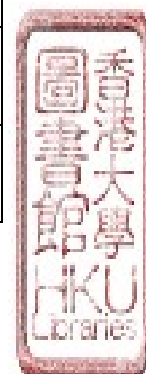
of human development. (United Nations) The largest single expansion of the EU took place in 2004 when the “A10” countries, including Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia joined the EU. However, most of these “A10” countries had huge differences in economic development with the existing EU members, the EU utilized the Cohesion Fund to reduce economic and social disparities and to stabilize the economies of EU member states. (European Union) The compatible level of economic development enables EU member states to have a common interest in economic cooperation and development, and thus strengthening their motivation for regional cooperation.

Gross domestic product per capita (GDP per capita), at current prices (nominal), in US dollars and United Nations Human Development Index in EU

Country	GDP per capita in 2014	HDI in 2014
Luxembourg	116,752	0.892 (Very high human development)
Denmark	61,885	0.923 (Very high human development)



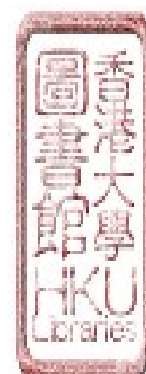
Sweden	57,557	0.907 (Very high human development)
Ireland	54,374	0.916 (Very high human development)
Netherlands	52,249	0.922 (Very high human development)
Austria	51,183	0.885 (Very high human development)
Finland	50,451	0.883 (Very high human development)
Germany	47,201	0.916 (Very high human development)
Belgium	47,164	0.890 (Very high human development)
France	45,384	0.888 (Very high human development)
Italy	35,512	0.873 (Very high human development)
Spain	30,113	0.876 (Very high human development)
Malta	24,314	0.839 (Very high human development)
Slovenia	24,211	0.880 (Very high human development)
Cyprus	23,955	0.850 (Very high human development)
Greece	22,318	0.865 (Very high human development)
Portugal	21,748	0.830 (Very high human development)
Estonia	19,777	0.861 (Very high human development)
Czech Republic	18,985	0.870 (Very high human development)



Slovak Republic	18,480	0.844 (Very high human development)
Lithuania	16,476	0.839 (Very high human development)
Latvia	16,145	0.819 (Very high human development)
Poland	14,330	0.843 (Very high human development)
Croatia	13,624	0.818 (Very high human development)
Hungary	13,154	0.828 (Very high human development)
Romania	10,161	0.793 (High human development)
Bulgaria	7,648	0.782 (High human development)

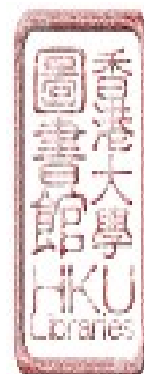
Source: International Monetary Fund Database and United Nations Human Development Index

In contrast, the economic environment of ASEAN member states varies; ASEAN contains economically advanced countries, such as Singapore, Brunei and Malaysia, and developing countries, such as Myanmar, Lao and Vietnam. According to the table below, the GDP per capita of ASEAN member states varies. The International Monetary Fund states that Singapore ranked 6 in terms of Nominal GDP per capita worldwide in 2015. (International Monetary Fund) The GDP per capita of Singapore is about 44 times higher than that of Myanmar. The GDP per capita in



Singapore even surpasses some of the advanced economies such as the United States and Canada. (Vinayak HV, Fraser Thompson and Oliver Tonby) ASEAN contains member states with very high human development, such as Singapore and Brunei; high human development such as Malaysia and Thailand, medium human development such as Philippines, Vietnam and Lao; and low human development such as Myanmar. (United Nations) The standard deviation in average incomes among ASEAN countries is more than seven times that of EU member states. (Vinayak HV, Fraser Thompson and Oliver Tonby) Due to the huge variance on economic development between member states, there is a lack of common interests and census between member states. Economically advanced countries such as Singapore and Brunei are more interested to develop trade and service sector industries, while less economically developed countries such as Lao and Myanmar are more eager to develop their manufacturing sector and infrastructure development.

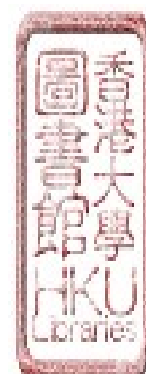
Gross domestic product per capita (GDP per capita), at current prices (nominal), in US dollars and United Nations Human Development Index in ASEAN



Country	GDP per capita in 2014	HDI in 2014
Singapore	56,287	0.912 (Very high human development)
Brunei Darussalam	41,424	0.856 (Very high human development)
Malaysia	10,784	0.779 (High human development)
Thailand	5,436	0.726 (High human development)
Indonesia	3,901	0.684 (Medium human development)
Philippines	2,816	0.668 (Medium human development)
Viet Nam	2,055	0.666 (Medium human development)
Lao PDR	1,730	0.575 (Medium human development)
Myanmar	1,278	0.536 (Low human development)

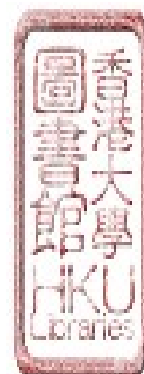
Source: ASEAN Macroeconomic Database and United Nations Human Development Index

Apart from the huge difference in economic development among member states, the Trans-Pacific Partnership agreement may pose a further threat to regional integration brought by the ASEAN Economic Community. 12 Asia Pacific countries signed the Trans-Pacific Partnership (TPP) trade agreement on 4 February



2016 in Auckland, New Zealand. Four ASEAN member states, including Brunei, Malaysia, Singapore and Vietnam also joined the TPP. Features of the TPP include providing a comprehensive market access, facilitating cross-border integration, addressing new trade challenges, and providing a platform for regional integration. With the new and high standards for trade and investment in Asia Pacific brought by the TPP, the ultimate goal for the TTP is to “bring open trade and regional integration across the region.” (United States Trade Representative)

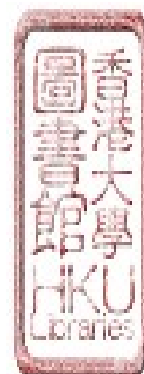
The inclusion of only part of the ASEAN member states into the TPP will increase the economic development gaps among member states and result in growing negative sentiment among ASEAN leaders. As the trade and investment opportunities will move away from non-participating TPP states to member states joined the TPP. This occurs as TPP offers participating states a comprehensive market access, such as lower barriers for foreign investment. As a result, the TPP is expected to boost the economic development of participating ASEAN member states and widen the gap of economic development among ASEAN member states. Moreover, as only part of ASEAN member states have been invited to join the TPP, it will increase the negative sentiment among ASEAN leaders, For example,



Philippines' Finance Secretary Cesar Purisima stated that *"If there's a lag between the joining of the others in a high-quality agreement such as TPP, there can be resentment, especially as we continue to integrate."* (Pennington)

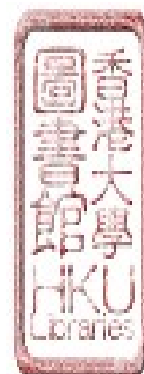
As EU member states have similar level on economic development, it is easier for them to come to consensus on economic issues and have common directions in economic development. Apart from that, the Cohesion Fund of the EU is an effective measure to reduce economic and social disparities and to stabilize the economies of EU member states. ASEAN member states, due to their huge variance on economic development, member states usually have varies set of economic priorities and agendas. ASEAN could learn from EU to have a Cohesion Fund measure to boost the economy of less-developed economies in ASEAN. Without a similar level of economic development, it is difficult for ASEAN member states to have a common interest in regional economic development, and therefore, it is difficult for ASEAN member states to be highly integrated.

To have a Leading Role in ASEAN



German and France have served a leading role in EU, to strive for both long term and short term stable development of the regional, while also maintain their own competitive advantages at the same time. Apart from German and France as leading countries in the EU, other EU member states can also negotiate and discuss on mutually concerned topics. In contrast with the EU, there are no leading countries or axis in ASEAN. As the leadership role is absent in ASEAN, none of the member states can coordinate settlement of disputes and handling problems when conflicts or problems raised in the community. In addition, as a leadership role is absent in ASEAN, common goals and agenda are not very clear during discussions and negotiations.

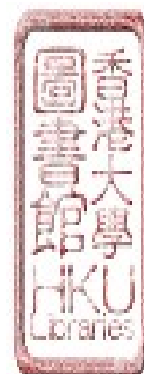
Although Periodical leadership sometimes exists in ASEAN, it lacks a potential leader. Periodical leadership refers to leadership is attached to individuality or charisma. Some notable leaders of ASEAN, such as Indonesia's President Suharto, Singapore's Prime Minister Lee Kuan Yew and Malaysia's Prime Minister Mahathir Mohammad once demonstrated periodical leadership in ASEAN. (Rattanasevee) However, ASEAN is lacking a potential leader, Singapore, although has the highest economic level (GDP per capita of \$56, 287 in 2014) among ASEAN member states,



consist a population of only 5.5 million and geographic area of 278 sq mi. It is difficult for Singapore to take the leading role in ASEAN as such a small country. Indonesia, as a big country in ASEAN, has a population of 255 million and geographic area of 735,358 sq mi. However, its economic development (GDP per capita of \$3,901 in 2014) ranks only the 5th among ASEAN member states. Thailand, with a population of 68 million, geographic area of 198, 115 sq mi and GDP per capita of \$5,436 in 2014, has weak national power and seems incapable to take up a leading role in ASEAN. (The World Bank) Without a leading role, it is very difficult to get the consensus from all member states on important regional issues and set the agenda for regional development, therefore, ASEAN should set up a system to establish a leading role in the institution.

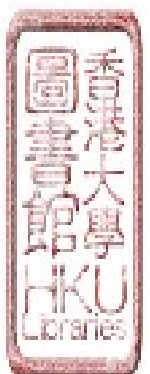
Areas that ASEAN could refer to EU

EU and ASEAN share similar idea of promoting regional cooperation and boosting regional growth. In order for ASEAN to further facilitate regional integration, it can learn from the European Union (EU), which has been considered as one of the largest, most mature and successful regional communities in the world.



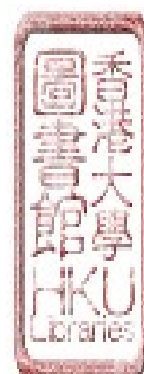
ASEAN could learn from EU to develop a common identity in the region in order to promote regional integration. According to constructivist, a common identity of EU is a key to the successful regional integration of EU. EU has identity building campaign at the early stage of development, 67% of EU member states citizen feel that they are “EU citizens” while over 3/4 of ASEAN member states citizen do not know what ASEAN is about. The long history of cooperation in EU also helped to shape the identity of citizens in member states. However, ASEAN seems lack of a common identity and it hinders the process of regional integration.

Despite the non-interference principle in ASEAN, ASEAN member states could still explore the possibility to work more closely and influence each other on import issues. In view of EU, it is highly politically integrated, it has supranational bodies like the European Parliament to set the agenda for the whole region. While due to the non-interference principle of the ASEAN, a supranational body is absent in the institution, there is no formal mechanism or channels for political integration. Regional cooperation relies heavily on inter-state cooperation and communication between member states. In terms of model of economic cooperation, EU has a



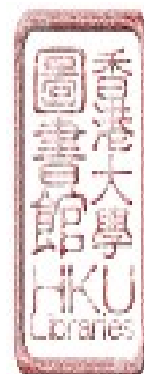
common currency and also has supranational institutions, such as the European Central Bank and the Economic and Monetary Union of the European Commission, to set the agenda for economic policies and integration in EU. While economic cooperation in ASEAN were still at the intergovernmental level, there is no alignment in economic policies and ASEAN only serve as a platform for member states to discuss and get general consensus on regional cooperation. Referring to the incident in Myanmar, there are possibilities in which countries could work closely together on critical issues, ASEAN should further explore the possibility of influencing each other on setting important regional agendas.

The economic, political, cultural between member states are also essential elements for the success of regional cooperation. In view of the huge variance on economic development, political system and cultural ideologies in ASEAN member states, ASEAN members should be inclusive to different culture and ideologies to cooperate closely. Singapore, Philippines and Indonesia have a democratic or constitutional government system, while Malaysia, Brunei, Cambodia and Thailand have a system of monarchy, besides, Laos and Vietnam have a communism system. Economically, ASEAN has highly developed economy like Singapore and Brunei



and developing states like Laos and Myanmar. Due to their huge difference in the levels and stages of development, ASEAN member states usually have varies set of economic priorities and agendas. Therefore, without a common interest, it is difficult for ASEAN member states to be highly integrated. ASEAN could learn from EU to have a Cohesion Fund measure to boost the economy of less-developed economies in ASEAN, with similar level of economic development, it would be easier for member states to have common interests in setting the regional developmental agenda. Moreover, lacking a leading role in ASEAN also hinders its developmental agenda. German and France have served a leading role in EU, to strive for both long term and short term stable development of the regional.

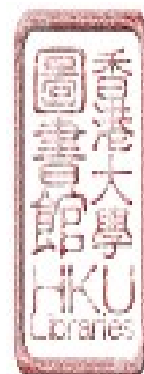
Referring to the EU, an alignment in economic policies is one of the key factors in promoting regional integration. With the European Central Bank and the Economic and Monetary Union of the European Commission, the economic policies of EU member states are moving in the same direction. With the same economic policies and system, it is much easier for member states to cooperate. ASEAN does not have such hierarchical approach through supranational institutions regarding its economic policies. Due to the non-interference principle of ASEAN, the



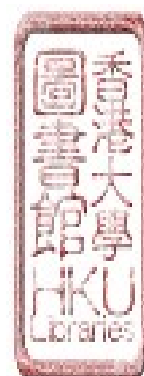
cooperation between member states should not affect the sovereignty of each individual members, therefore, it is hard for ASEAN to have any supranational bodies to set economic agenda. However, ASEAN can allow a free flow of capital account, which will further enhance the economic integration of member states. As most ASEAN member states are still developing countries, there is strong demand for infrastructure developments. Further relaxation on intra-regional flow of trade, service and capital can boost ASEAN economic growth, promote employment opportunities and regional integration. Further to the ASEAN Free Trade Agreement which has been established at an aim to lower the tariff on intra-regional trade, ASEAN should consider relaxing the flow of service, human capital and capital accounts for the next stage of cooperation.

Conclusion

To sum up, to a smaller extent ASEAN has succeeded in driving economic regionalism because the fundamental barriers, such as the lack of mass support, the saliency of national interests, socioeconomic heterogeneity and the variance in identity, cannot be removed.

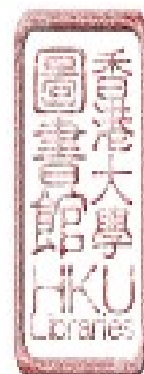


Albeit it's long tradition as an established regional institution, it is mostly because of historical animosities, mutual distrust and fierce economic competition amongst Northeast Asian countries, that ASEAN has found a niche to survive and acted as a major balance of power, while being influential in the formation of other regional infrastructure such as the East Asian Summit; however, its economic achievements fail far short of its intended goals, indeed as of today, ASEAN countries' economy, with the exception of Singapore and Indonesia, remained to be amongst lowest in the region and to a certain extent one of the lowest in the global economy. Myanmar only recently adopted a more open economy; Vietnam is still engaged in lower value economic activity (e.g. low cost manufacturing) Laos, Thailand and other member states are largely being by-passed by other regional and global hegemony when East Asian regional interests are at stake. With deep cultural differences, vastly different political systems and varying stages of economic development, the ASEAN was not able to achieve or drive regionalism to the level experienced by the EU. Although not without its merits and indeed in the driver's seat in a lot of issues, there are certain recommendations made by this research team to further strengthen ASEAN's centrality.



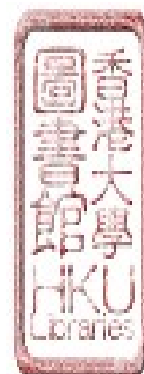
In some areas, ASEAN can learn from EU for further promoting regional integration. EU and ASEAN share similar idea of promoting regional cooperation and boosting regional growth. EU has its unique governance structure and cooperation model. When referring to EU to develop its regional integration, ASEAN can try to develop supranational institutions, get consensus on regional economic direction and increase the level of economic cooperation among countries.

In the area of economic integration and cooperation, ASEAN could refer to the EU model of an alignment in economic policies. While we understand that due to the non-interference principle of ASEAN, it is hard for ASEAN to have any supranational bodies to set economic agenda. However, ASEAN can still consider allowing a free flow of capital account, further relaxation on intra-regional flow of trade, service and capital, human capital and capital accounts for the next stage of cooperation and economic integration.



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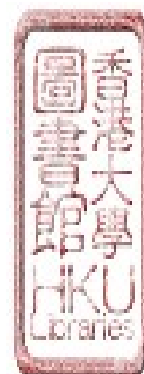
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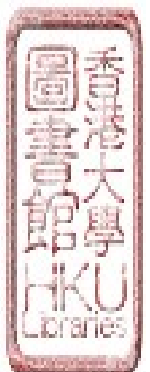
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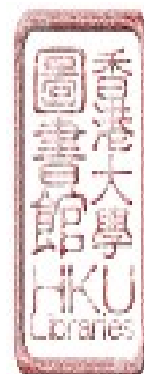
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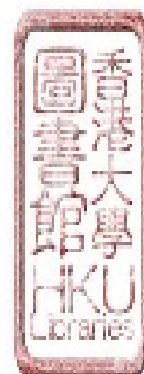
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