

# Economic Integration in the EU and ASEAN: Diverging Paths

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Abstract:

The European Union (EU) stands as a quintessential modern example of regional economic integration. However, while the EU has become a standard to which others are compared, it is not alone in attempting regional market integration. This paper introduces comparative regionalism to study economic integration, focusing specifically on regional economic integration projects in the EU and the Association of Southeast Asian Nations (ASEAN). Excluding the history of colonialism which played a major role in Asian regionalism, the EU and ASEAN have similar roots and goals for economic integration including the desire to create stability and peace in a post war era, cement regional power to gain a stronger collective voice, and foster economic growth and competitiveness. However, from these similar foundations the trajectories of their regional and specifically economic integration projects have diverged dramatically. This paper first identifies the institutional, normative, and regional political and economic differences that have affected how these two polities have integrated markets. Key factors identified consist of institutional structure and capacity to enforce supranational decisions, regional political conditions including internal versus external hegemony and alternative forums for economic integration, and dynamics of regional trade including the presence of alternative trade agreements and internal versus external trade. This paper then analyzes the roles of these elements in defining the respective trajectories of economic integration pursued in the EU and ASEAN. Through this analysis this paper seeks to bridge a gap between literatures analyzing regional integration on a case by case basis, and move away from the use of a static model of regional economic integration. This paper introduces an element of comparative regionalism to gain a deeper understanding of the factors shaping market integration in both regions.

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What dynamics define a region's approach to economic integration? Is setting the goal to integrate sufficient to shape the future of the project, or do other factors play in to direct the course of market integration? This paper will look at two cases of modern regional economic integration, the European Union (EU) and the Association of Southeast Asian Nations (ASEAN), examining their dissimilar approaches towards the same goal: the creation of a single market. Specifically it will analyze three major differentiating factors affecting market integration in these regional blocs which account for their diverging trajectories. These factors are institutionalization, including institutional structure and institutional capacity to enforce supranational decisions, Regional political conditions, such as the

presence of internal versus external hegemony and alternative forums for economic integration, and regional economic conditions, including internal versus external trade and the presence of alternative free trade agreements.

Despite being founded at similar points in history the EU and ASEAN began their market projects at different times. The founding document for the European Communities, the Treaty of Rome, called for the creation of a common market from the outset of the European Project saying “The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.” (Treaty of Rome, Article 2, 1957). ASEAN’s founding document, the Bangkok Declaration, called for similar ends, aiming “To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian Nations”(Bangkok Declaration, 1967). However, using a common market as the means to this end was not addressed in ASEAN until 1992 with the decision to create the ASEAN Free Trade Area (AFTA) with a Common Effective Preferential Tariff (CEPT). The idea was only fully articulated with the ASEAN vision for 2020 where it is stated “We will create a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities.” (ASEAN Vision 2020, 1997)

Excluding the history of colonialism which played a major role in Asian regionalism, the EU and ASEAN have similar roots and initial goals for their economic communities including the desire to create stability and peace in the post war era, cement regional power to gain a stronger collective voice, and

foster economic growth and competitiveness. However, from these similar foundations the trajectories of their economic integration projects have diverged dramatically, and there remains an unexplored opportunity for an in depth analysis of the reasons behind their diverging paths.

## **1. Literature Review:**

In an analysis of modern day regional integration efforts, the EU stands apart as a quintessential example of a group of sovereign states integrating markets. And while academic study of regional integration is rooted in IR theory, there has been a unique set of theories developed specifically to explain the EU integration process. Ernst Haas was one of the earliest theorists to address European integration, introducing neo-functional theory in 1958 suggesting functional and political “spillover” as the motivating factor for integration. Haas was then challenged by the growth of intergovernmentalist theory as introduced by Stanley Hoffman in the 1960s, arguing that there was no self-sustaining cycle of spillover, and that instead the integration process was governed by the interests of national governments who choose to pool sovereignty when it is in their interest to do so.

As these theories developed there were several early attempts to apply the frameworks to regions beyond Europe. Haas worked in conjunction with Phillippe Schmitter during the mid-60s to apply neo-functional theory to regional integration in Latin America (Haas and Schmitter, 1965). At the same time Joseph Nye tried to find applications of EU theory for the Pan-African movement and East African Integration (Nye, 1965). While neither of those regions continued on a path to integration compatible with European integration theories, there was at least a minimum study of possible applications. However, despite the roots of integration movements appearing in Southeast Asia at the

same time, there was no concerted attempt to apply EU-based theoretical frameworks to Asian regionalism.

There was a shift in the 1990s with development of Constructivist theoretical frameworks which were applied to both the EU and ASEAN. In fact, in this case scholars may have given more attention to ASEAN, using Constructivism to analyze the normative development of the 'ASEAN Way'. Despite these developments scholarship addressing the field of comparative regionalism remains sparse when compared with academic attention devoted to regions individually. Comparisons between the EU and ASEAN are particularly few and far between, representing a major dearth in the literature, addressed by only a few key exceptions such as the works of Walter Mattli, Philomena Murray, Jens-Uwe Wunderlich, and Yeo Lay Hwee. (Mattli, 1999; Murray, 2012; Wunderlich, 2012; Lay Hwee, 2003),

This paper will focus on three major theoretical frameworks which have been used to analyze both the EU and ASEAN; specifically theories that address institutional, normative, and regional political differences in the two regions. Widely defined these theoretical frameworks can be broken down into institutionalism, constructivism, and rational choice theory, all of which can contribute to different explanations for divergent market integration processes pursued in these two regional blocs.

### ***1.1 Institutionalism***

A major point of comparison between ASEAN and EU regional integration has been based on their clearly widely disparate institutional structures and capacities. EU institutions were created using a model designed to allow supranational authority to be fostered through EU-level institutions. All together, the EU institutional structure is comprised of the Commission, a neutral supranational institution, the Council a forum where national interests and policies are represented, the Parliament adding an element of democratic representation for citizens, and the Court providing a judicial remedy for constitutional disobedience. Theorists have lauded European Institutions as positive motivating

factors for economic integration, and a key element of EU supranational authority. However, institutions have also been condemned, especially when discussing the links between the depth of the Euro crisis and the adoption of a monetary union without an accompanying fiscal one or by highlighting shortcomings in the supranational democratic process creating what has been termed a democratic deficit at the EU level.

ASEAN on the other hand, has strictly maintained a committee based system of intergovernmental institutions centered around the annual ASEAN Summit. The ASEAN committee structure includes the ASEAN Coordinating Council made up of ASEAN Foreign Ministers which meets twice a year, the ASEAN Community Councils overseeing the three pillars of ASEAN and the Committee of Permanent Representatives (CPR) representing each member state. Not only does the ASEAN supranational institutional structure exclude a court and judicial remedy, but it also makes no effort to integrate the voices of the citizens of its member states through a representative body. Furthermore, ASEAN conscientiously pursues a policy of non-interference in the affairs of its members and as a result has often been accused in the media of being merely a “talk shop”. These divergent institutional structures and their roles in regional integration have been the subject of extensive analysis by scholars focusing individually on both regions.

Despite their widely varying structures and functions, institutional capacity in both blocs has been widely studied in terms of shaping economic integration. To begin with the EU, Jupille works both to integrate different branches of theoretical study focusing on EU institutions and to look at the interaction between EU institutions and actors. He concludes that there is an interactive relationship between institutions and actors visible in the form of procedural politics, and that it is the cycle of interaction between institutions and actors that shapes EU policy and governance (Jupille, 2003 and 2004). McNamara examines the robustness of EU institutions themselves and then their capacity in

terms of ability to foster the *ever closer union* described in the treaties, finding that despite changing burdens and political realities, including several rounds of enlargement, that EU institutions remained adaptable, adjusting to changing circumstances and continuing to play a major role shaping the progress of European integration (McNamara, 2007). Verdun utilizes earlier examples of institutional capacity to illustrate her point, discussing the formation of the Economic and Monetary Union (EMU). She postulates that it was the institutional capacity of early committees, including the monetary committee and the committee of governors, which allowed for the necessary debate and policy coordination for the implementation of the Economic and Monetary Union (EMU) and that without these early institutions, a core element of economic integration would not have been possible. (Verdun, 2007)

Büthe, on the other hand looks to the role of the European Commission (EC) and its use of supranational authority to demonstrate the key role of European institutions in EU economic integration. Specifically he illustrates his point through the examination of the EC's unusual strength in enforcing competition policy to help deepen and safeguard the future of market integration in Europe. Büthe points out that such authority is exercised against not only monopolies, cartels, and mergers, but also governments giving undue private aid that distorts markets, and has been exercised against German, Austrian, and French governments among others. (Büthe, 2007)

ASEAN's institutional capacity has also been the subject of extensive study, with a particular focus on institutional ability to address their respective mandates. According to Severino, the ASEAN Secretariat and Office of the Secretary-General should be one of the driving forces behind regional economic integration. However, Severino suggests that the demands placed on the organization have outstripped even its expanded resources, which must now be largely devoted to immediate tasks such as catering to the more than 700 annual meetings rather than to long term strategy implementation. (Severino, 2007)

Other scholars have spoken to the role of institutional capacity on a domestic level and its effects on regional integration. Bhattacharyay looks at infrastructure and institutions at a national level to analyze if they have the capacity necessary to facilitate, execute, or enforce ASEAN objectives. He discusses both “hard” and “soft” infrastructure, but for the purpose of this paper Bhattacharyay’s work on soft infrastructure is particularly important. Bhattacharyay defines soft-infrastructure as “non-tangible aspects supporting the development and operation of hard infrastructure, such as policy, regulatory, governance, and institutional frameworks and mechanisms” (Bhattacharyay 201) He suggests that one of the issues that is inhibiting ASEAN’s further regional integration is a relatively low level of internal demand for intra-regional trade, which could be addressed if intra-regional trade was made easier through soft-infrastructure and institutional development, as well as regional efforts to develop cross-border hard infrastructure. He concludes that ASEAN is nearing the end of the progress that it can make through de facto market-driven integration and requires stronger regional political institutions to start implementing a more top-down approach. (Bhattacharyay, 2010) Balboa looks at these issues through a case study of institutional capacity in the Philippines. She discusses some areas of successful integration of supranational reforms instituted at the national level, including tariff barriers, which were simplified and reduced to come into compliance with the Common Effective Preferential Tariff (CEPT) Scheme, and monetary and fiscal reform such as fiscal consolidation and the adoption of the ASEAN inflation-targeting framework. However, Balboa concludes that these efforts have been undermined by various issues originating at the national institutional level such as persisting non-tariff barriers, erratic coordination of customs reform and enforcement, and inefficient attempts to coordinate product standards and the intra-ASEAN service trade. (Balboa, 2007) Balboa also touches on “hard” infrastructure issues, highlighting continuing disparities in economic development throughout the region, where a minimum level of development is necessary for the implementation of regional programs.

There are a second set of institutionally based theoretical approaches used to analyze economic integration in the EU. Historical Institutionalism looks not at the capacity of the institutions but their role in framing and shaping issues and identities. McNamara uses a Historical Institutional approach, defining institutions as “both formal organizations (such as the Council and the Commission) and informal shared rules and social institutions (such as the practice of consensus and the informal veto right).” (McNamara, 2007) She attributes the path of European integration to a cyclical interaction or “feedback loop” whereby actors create institutions, but the institutions then go on to shape and change the choices and behaviors of political actors, including their identities and preferences. She concludes by extending this cyclical process to explain the formation of a European identity through institutions. A new supranational concept of identity is created due to the mere existence of supranational institutions, which increase integration, and slowly socialize European citizens in the new conception of identity (McNamara, 2007). Immergut and Anderson further extend the historical Institutional framework to the construction of actor interests, and beyond interests, the role of institutions in shaping behavior. (Immergut and Anderson, 2008)

Cooley and Spruyt propose Contracting Theory as a framework for the analysis of European Integration (Mattli and Stone Sweet, 2012). They look at institutional design, specifically the way treaties are formatted as a major contributing factor for the trajectory of an integration project, describing the Treaty of Rome as an “incomplete contract” that sets out general tenets, objectives, and priorities but leaves the implementation of the details open-ended, creating the Commission and ECJ to ensure the specific implementation of its components. (Cooley and Spruyt, 2009) They underline the major role played by the ECJ in influencing a wide range of policy areas economic and otherwise in moving towards completing the contract, or major ideas set out in the Treaty of Rome. They suggest that the Treaty of Rome was left as an incomplete contract to account for regional political conditions creating differing demand for integration. They conclude that by creating an incomplete contract where

future decisions could be shaped by institutions laid out in the treaty allowed Europe's evolving integration program to adapt to new situations and conditions and create the project that exists today. (Cooley and Spruyt, 2009)

The role of institutions in shaping issues and has also received attention by scholars of both regions. Severino postulates that ASEAN's economic integration has been inhibited by an institutional approach that separates political cohesion and economic integration, pursuing them as separate and essentially independent goals, and that such uneven progress in political and economic spheres without accompanying strong political cohesion has left the future for economic integration in question. (Severino, 2007) This concern about separation of types of integration has also been expressed by Scharpf's constitutional asymmetry theory used to analyze EU integration. Scharpf proposes that because legislative and judicial integration are separate forces in the EU that they effectively drive the EU away from the possibility of forming a social market economy, as judicial integration tends towards liberalization and deregulation which due to high consensus requirements is not corrected on a political level. (Scharpf, 2009)

## ***1.2 Constructivism***

The Constructivist perspective looks at regional integration in terms of the creation of a regional identity and a set of basic norms for inter-state relations in the region. While ASEAN, with its emphasis on the ASEAN way, has been analyzed most heavily by constructivist theorists, the EU has also been the subject of constructivist analysis.

Aalberts uses constructivist theory to explain the seeming paradox of the continuing emphasis on state sovereignty despite ongoing EU integration. She suggests that a constructivist interpretation can explain the centralization of authority in European institutions and simultaneous state-centric regionalization as a consequence of constructed sovereign identities interacting with governance at the

national and supranational level. (Aalberts, 2004) McNamara also takes a constructivist approach to analyze the formation of the EMU, finding that its success was based on a socially constructed ideational shift away from the liberal stance under Bretton Woods and towards a neoliberal economic policy creating consensus on the correct approach and mechanisms to be adopted for a common monetary policy. (McNamara, 2006) Christiansen, Jorgensen, and Wiener suggest that when studying EU integration social constructivism can be used to find a balance between rationalism and reflectivism allowing a deeper analysis of the formation of a European polity through rules and norms and the creation of European identities. (Christiansen, Jorgensen, and Wiener, 1999)

There is a wide range of scholarship united by the study of ASEAN identity. Amitav Acharya laid the foundations for constructivist interpretations of ASEAN's development with his scholarship on how outside norms shaped ASEAN, and how ASEAN's norms have shaped the development of the region. He highlights effective norm diffusion through a dynamic process of localization, or the interaction between transnational norms and local beliefs and practices which, when successful, results in the integration of transnational norms into the local context. Acharya proposes that ASEAN was far from a passive recipient of outside norms but instead went through an active and complex borrowing process that took outside norms regarding authority and legitimacy and reformulated them to mesh with indigenous contexts and practices. (Acharya, 2004) Acharya also espouses the use of an "ideational" approach to analyze how regions are constructed, specifically looking at how ideas shape regions and the causal relationship between existing ideas and specific outcomes resulting from their institutionalization. (Acharya, 2012) Kraft builds upon Acharya's work, proposing that ASEAN identity and consequent integration were based in a self-conscious process of community and identity building and reconstruction, moving from ASEAN's original normative approach geared at regional peace maintenance and free of excessive engagement with outside powers to a new set of norms under which ASEAN began to seek a leadership position in Asia and engage more deeply with other regional powers.

(Kraft, 2011) In terms of economic integration this approach explains ASEAN's increasing engagement with other regional economic powers. On a further note Kraft theorizes that for norms to serve as the successful basis of an organization such as ASEAN, they need to be binding, and goes on to suggest that an increase in institutionalization might be the solution necessary to codify and facilitate enforcement of the norms underpinning ASEAN's regional identity. (Kraft, 2011) This relates back to Severino's point about the important role that ASEAN institutions and the Secretariat could have in shaping the long term goals of the organization if they had sufficient resources and influence.

Alice Ba takes a different approach suggesting institutionalization as a means of constructing regional identity based on a dual definition of institutionalization which includes first the more classic approach of actors committing to a defined framework and set of rules, but also a second approach looking at institutionalization as normalization or habituation, something closer to Acharya's localization process. She suggests that while formal obligations are one way of ensuring a certain behavior set, social norms and conventions are also effective in ensuring desired behavior. Ba applies this to ASEAN's process based approach to integration, which according to her is in fact an outcome in and of itself in terms of the relationship and norm building mechanisms which have been prioritized by ASEAN to create arrangements that encourage mutuality and restraint as a core part of ASEAN's constructed identity. Mutuality then becomes a core value which when combined with consensus based decision making prevents the minority voice from being drowned out. (Ba, 2011) This institutionalization process creates a set of norms that then govern the way ASEAN approaches all key goals, including economic integration.

While some of the most innovative work on ASEAN's integration projects has been based on constructivist ideas, some of its major proponents also cast doubt on the suitability of Constructivism as a model. Acharya's work is based heavily in Constructivist theory, but he also deviates somewhat from

the traditional Constructivist theoretical approach, contradicting the emphasis often placed on the role of a moral entrepreneur who spreads norms transnationally, instead espousing an approach based on insider proponents of norms who work within a region adapting outside norms. (Acharya, 2004) He also questions the scope of traditional constructivist thought in regards to ASEAN, as it is a Western IR theory based on Western models and thus perhaps ill equipped to tackle the complexity and uniqueness of the norms shaping ASEAN. (Acharya, 2010) Alice Ba has a similar approach in that she focuses heavily on the role of norms in construction regional identity and institutions, but she also maintains that Western based Constructivism is not entirely suited to an analysis of norms in ASEAN and the ASEAN Way.

### ***1.3 Rational Choice Theory***

The final set of theories move away from constructivist foundations to emphasize the regional and political conditions that shaped economic integration in the EU. Mattli uses externality theory to analyze the conditions necessary for successful integration in terms of demand-side and supply-side factors (Mattli, 1999). He identifies demand side conditions to include the demand of economic actors for region wide policies to control cross border trade and economic interactions and to reduce externalities caused by political uncertainty. He complements these with supply side conditions including the presence of political leaders who understand the benefits and are both willing and able to undertake the task of integration. Mattli suggests that it was the confluence of these factors that eventually created appropriate conditions for integration in Europe, and that not all of these factors were present in the case of ASEAN, leading to a slower process of integration. (Mattli and Stone Sweet, 2012)

On a similar note ASEAN scholars have conducted a variety of research looking at the demand for economic integration through ASEAN. ASEAN is somewhat unique, and certainly differs dramatically

from Europe in the number of bilateral trade agreements that are made by its member states. Between 2001 and 2006 alone more than fifty trade agreements between ASEAN members and other countries were being proposed or negotiated, a phenomenon which some call the Asian “noodle bowl” (Sen and Srivastava, 2009). A variety of scholars have expressed concern that the multitude of bilateral agreements will undermine ASEAN’s attempts to deepen economic integration as there will be extensive overlap that will reduce the exclusive benefits countries could derive from deeper regional integration. Sen and Srivastava point to a model viewing regional trade agreements as spokes surrounding a hub, which can be deeply undermined by additional free trade agreements as they would eliminate ASEAN as a sole hub, and by creating many hubs reduce overall impact. They also pose the concern that this proliferation of bilateral agreements will put ASEAN in a position where it will have to compete with other bilateral and multilateral agreements to appeal to member states to deepen economic integration through ASEAN’s frameworks rather than through independently negotiated agreements. (Sen and Srivastava, 2009) Kawai discusses potential issues for businesses and investment, saying that inherent in having a wide variety of agreements, each with differing standards, comes a certain degree of difficulty in rationalizing trade rules for the region. This might serve as a deterrent to business, especially those looking to manufacture in a variety of ASEAN countries or trade across borders. (Kawai, 2011)

Aside from demand for integration, another differentiating factor between the EU and ASEAN is the presence of hegemons in their respective regions and their role in shaping integration. The European Union is widely viewed as having been shaped by its internal hegemons. Mattli suggests that conditions for integration are made more favorable when there is a major internal power taking up a leadership role, specifically highlighting Germany in the role of paymaster to the Union (Mattli, 1999). Many also point to the role of the Franco-German partnership. However, the role of external hegemons has not been neglected in EU studies. Lundestad proposes that the EU was also shaped by relations

with external hegemons in terms of primarily the US and to a lesser degree the Soviet Union (Lundestad, 1986).

Conditions in ASEAN are quite different, not only does it lack the internal “paymaster” identified as key to successful integration in Mattli’s work, but with India, China, Korea, and Japan all remaining outside of the organization ASEAN has been the source of extensive academic discussion regarding the role of external hegemons. Yoshimatsu looks at the influence of external actors on ASEAN in terms of a collective action problem. However, he points out that extra-regional states have also played some positive roles in ASEAN economic integration including providing assistance with the standards harmonization from its dialogue partners. But Yoshimatsu concludes that negative effects on economic integration outweigh positive ones due to the undermining effect on internal policy cohesion. (Yoshimatsu, 2006)

ASEAN also faces another somewhat unique regional political issue in the form of “forum shopping” within the region. Batra does an analysis looking at a variety of possible arrangements for economic agreements between ASEAN and its powerful neighbors including ASEAN + 1, ASEAN +3, or ASEAN+3+1, looking specifically at the most efficient approach for ASEAN. (Batra, 2007) Batra finds that the ASEAN + 1 model is the most efficient arrangement for all scenarios except for relations with Japan, but also raises the issue that any of these arrangements of preferential trade agreements come both with a certain degree of efficiency cost and also with a threat to a deeper multilateral integration process. (Batra, 2007) Park conducts a quantitative analysis looking at the viability and sustainability of the various trade-agreement options within ASEAN, but also provides a comparison to an APEC-level regional trade agreement. Park’s findings show that a variety of different free trade arrangements could all be beneficial to involved countries though with varying levels of benefits, but that an arrangement including East Asian economies might be the most beneficial. (Park, 2009) This type of analysis

highlights a unique political situation in Asia where there is not necessarily a single clear choice for the path of economic integration, leaving ASEAN to essentially compete with other options.

## **2. The Role of Institutions in Integration**

### **2.1 *Institutional Structure***

As noted in the literature, one of the main differences between the EU and ASEAN is their institutional structures. While differing institutions alone is not enough to account fully for the diverging paths of regional integration, it has played an important role. Institutions shape both the decision making process and how those decisions are enforced.

The European Union has a unique institutional setup with supranational institutions empowered to set the agenda for the Union, and in certain cases with authority over the governments of the member states themselves. The EU has three core institutions, the European Commission, the European Parliament, and the Council of the European Union. The Commission is composed of 27 commissioners tasked with representing the interests of the Union as a whole, and originates all legislation for the EU. The European Parliament brings in a unique level of supranational democracy with members of parliament directly elected every five years and seated according to party rather than nationality. Finally there is the Council of the European Union which is representative of the governments of the member states, consisting of meetings of national ministers to discuss relevant policy areas. (TFEU, 2010)

However, beyond these three core institutions, there are two other European Institutions of note in terms of shaping the trajectory of European regional integration. The first is the European

Council which is composed of the heads of states of each EU country, but has no formal law making authority. And second there is the European Court of Justice which oversees the interpretation of EU law, its enforcement, and settles inter-state disputes (TFEU, 2010). These institutions when looked at collectively represent an extensive degree of supranational authority capable of propelling economic integration forward through a variety of approaches.

ASEAN, on the other hand, took a quite different institutional approach, specifically promoting an organizational structure based on informality and minimal institutionalization. The ASEAN institutional structure centers around a set of committee and summit meetings. At the heart of the system is the ASEAN Summit composed of the heads of state of all of the ASEAN governments who make key decisions at bi-annual meetings. The ASEAN Summit is supported by the ASEAN Coordinating Council made up of ASEAN Foreign Ministers, and the ASEAN Community Councils comprising the three pillars of ASEAN. The ASEAN Community Councils also oversee the ASEAN Sectoral Ministerial Bodies: the ASEAN Political-Security Community Council, the ASEAN Economic Community Council, and the ASEAN Socio-Cultural Community Council. (ASEAN Charter, 2007) These committees are supplemented by two permanent ASEAN bodies. The first is the Committee of Permanent Representatives based in Jakarta where appointed ambassadors from each country collaborate to implement the decisions of the Sectoral Ministerial Bodies. Finally there is the ASEAN Secretary General and Secretariat overseeing the administration and day to day work of ASEAN's programs and objectives. (ASEAN Charter, 2007)

There is another important aspect to the effect of the differentiation of institutions on integration. While the European Parliament is seldom referred to as a major player in economic integration in Europe, a role generally attributed to the commission and the court, it does have one very important effect. It is a representative institution, incorporating the will of the citizens of European member states into the decision making process, thus by extension, giving the people a say in the future

of Europe and in the future of economic integration in the EU. This form of legitimization through citizenship is absent in the committee based ASEAN structure where there is no representative body and ministers and permanent representatives are government appointees. Thus the legitimacy necessary to drastically alter national regulations based on supranational authorities would be quite difficult in ASEAN, and almost impossible to portray as the will of the people. Given these widely disparate approaches to institutional structures it is not surprising that they have produced different approaches to economic integration.

## ***2.2 Decision Making Rules***

Decision making rules and norms are particularly important in determining the forward momentum and trajectory of a regional organization. Both the EU and ASEAN began with decision rules based heavily on consensus. For example the Council of the European Union initially required unanimous voting for many of its decisions, especially those relating to the Common Market (Treaty of Rome). However, the EU was confronted with the potential issues of unanimous decision making early on, the clear example being the 1965 Empty Chair Crisis precipitated by Charles De Gaulle's boycott of European institutions. The issue was resolved through the Luxembourg Compromise in 1966 which essentially granted de facto veto power to states on matters that were deemed vital to the national interest effectively handicapping forward progress on integration. Thus, to overcome this deadlock, in 1986 the Single European Act was adopted moving from a system of unanimity to a system of Qualified Majority Voting (QMV)<sup>1</sup> with regards to many common market issues (Single European Act, 1986).

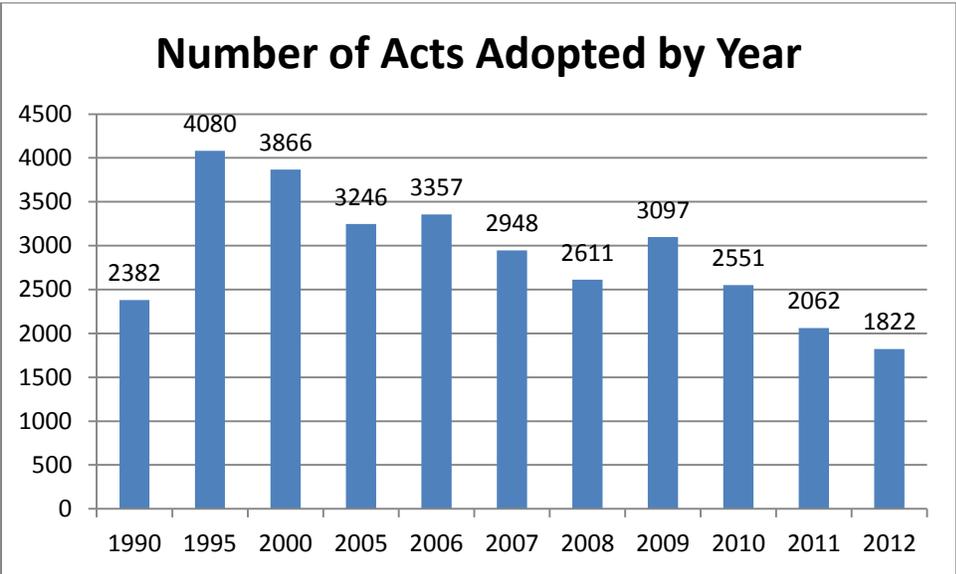
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<sup>1</sup> In the current system defined in the Protocol on Transitional Provision of the Lisbon Treaty the Qualified Majority necessary for a decision in the Council of the European Union is defined as "at least 255 votes in favour representing a majority of the members where, under the Treaties, they must be adopted on a proposal from the Commission. In other cases decisions shall be adopted if there are at least 255 votes in favour representing at least two thirds of the members." These votes are weighted and allocated to members based on population.

Voting procedures have continued to be modified in all areas of EU governance with the Lisbon and Nice Treaties adding additional measures to the list of issues to be determined by QMV. Now there are only a few select areas still requiring unanimity, including social security or social protection, taxation, new member state accession, and foreign and common defense policy.

After the alteration of its decision rules European level institutions have become increasingly activist, now making upwards of 1,000 decisions annually (figure 2.1). Although few of these decisions make drastic changes to the EU, its structure, or markets the sheer number is worth noting. Such high rates of legislation are indicative of an influential supranational institutional structure, with decision making rules that facilitate its activist approach.

**Figure 2.1**



Source: Eurolex

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However, the changes implemented in the treaty of Lisbon will come into effect November 1, 2014 at which point as laid out in Article 238 of the Treaty on the Functioning of the European Union the rule will be “a qualified majority shall be defined as at least 55 % of the members of the Council representing the participating Member States, comprising at least 65 % of the population of these States.” Or if not acting on a decision from the Commission “at least 72 % of the members of the Council, representing Member States comprising at least 65 % of the population of the Union”

ASEAN also began with a unanimity based approach to institutional decision making, referring to its specific methodology as “consultation and consensus.” This system was intended to make certain that any initiative or decision taken by ASEAN has full and complete support of all member states and that at no time will a minority view be subjugated by a majority. However, unlike the EU, ASEAN has not moved radically away from unanimity, continuing to hold it as a core value and essential part of the ASEAN Way. There have been some reforms and clarifications to decision making procedures with the implementation of the 2007 Charter. Chapter VII was devoted to decision making and unanimity in Article 20 stating that “As a basic principle, decision-making in ASEAN shall be based on consultation and consensus.” (ASEAN Charter, 2007) However, the new Charter did make a concession to a possible eventuality requiring decisions to be made via other means adding that “Where consensus cannot be achieved, the ASEAN Summit may decide how a specific decision can be made.” (ASEAN Charter, 2007) The most important deviation was contained in Article 21 paragraph 2 which implemented a new flexible participation procedure specifically for economic commitments via the “ASEAN Minus X” formula, which, if there is consensus to utilize it, allows a portion of ASEAN members to move forward with economic measures while allowing others to implement them more slowly. (ASEAN Charter, 2007) It should be noted that the proposed ASEAN Minus X approach bears striking similarities to some of the differentiated approaches to integration seen in the EU, including proposals for a “two-speed Europe” and the potential for states to choose membership to individual aspects such as the Eurozone, or the Schengen Area. (Dyson and Sepos, 2010)

These differences in decision making procedures are one of the core reasons for the differences in progress towards market integration. With a consensus based system all progress can be brought to a halt by a single participant. As the process of economic integration is by no means an easy or comfortable one for countries involved, requiring extensive and often radical changes of existing policies and economic systems, this is highly risky. If all progress halts as soon as a single participant is faced

with a decision that they do not want to make progress will be slow at best and often non-existent, as was the case with the EU throughout the late 1960s and 70s. By maintaining its core values of consensus based decision making, ASEAN has made the choice to value its normative identity and process based approach adhering to the ASEAN way over more rapid progress towards integration. That is not to say that either method is superior, but consensus based systems necessitate slower progress due to the time necessary to reach agreement on each topic. As a result, when the EU moved away from consensus based decision making it could pursue more rapid integration, thus diverging from the approach maintained by ASEAN.

### ***2.3 Rule of Law and the Judicial Remedy***

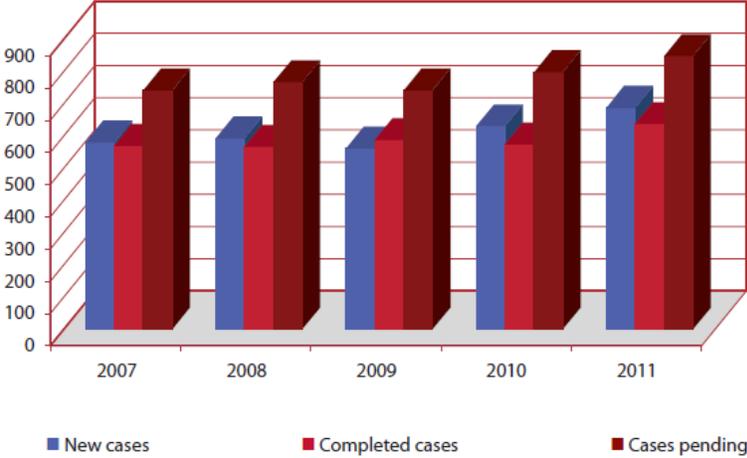
The other key institutional difference between the EU and ASEAN is seen through rule of law and the measures and institutions in place to oversee national implementation of supranational decisions. Through the establishment of the ECJ with its mandate to ensure the implementation of the treaties and directives the EU created a judicial remedy for constitutional disobedience. The very nature of the ASEAN system based on non-interference in the affairs of its member states precludes a judicial remedy that would require states to change their behavior to come into line with supranational regulations.

The European Court of Justice is an influential and historically often overlooked institution, with a wide variety of functions that have played a key role in shaping the economic integration process in the European Union. In addition to interpreting EU law and evaluating their compatibility with the treaties, the ECJ is also tasked with determining whether national governments have fulfilled their obligations under EU Law. When progress stalled in the Council after the Empty Chair Crisis and the addition of the de facto veto with the Luxembourg Compromise the ECJ stepped in to become a major motivating factor for integration, taking a much more activist approach than had been seen in the past.

Specifically the ECJ made three landmark decisions that created the framework for much faster and deeper economic integration. The first was Van Gend en Loos in 1963 which established the principle of direct effect, making it clear that EU law was directly applicable to both citizens and member states. The second was Costa vs. ENEL in 1964 which established EU legal supremacy, meaning that in case of conflict, EU law is to supersede national law. And third, with Cassis de Dijon in 1979 the EU established mutual recognition of national standards allowing for the much smoother creation of the single market. The Court has made over 17,000 rulings since its founding in 1952, and a significant portion of these cases relate to common market issues. In 2011 for example 38% of ECJ decisions were related to the common market. (Appendix 1)

**Figure 2.2**

**1. General activity of the Court of Justice  
New cases, completed cases, cases pending (2007–11) (1)**



	2007	2008	2009	2010	2011
New cases	581	593	562	631	688
Completed cases	570	567	588	574	638
Cases pending	742	768	742	799	849

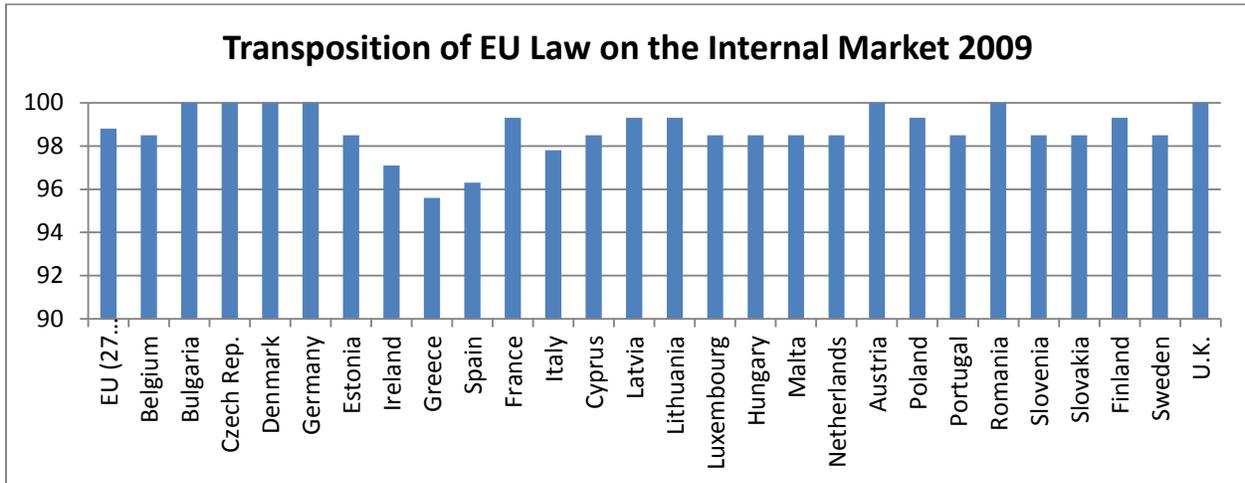
Source: 2010 Annual Report on the Statistics of judicial activity of the Court of Justice

That national governments of EU member states can be sanctioned by a supranational authority for constitutional disobedience is evidence of a level of delegation of authority far beyond what ASEAN has decided to pursue. ASEAN has made a conscious choice to emphasize a normative value set and a process rather than the result while the EU became increasingly result oriented as it progressed (Schmidt, 2012). Some scholars suggest that ASEAN's decision to value non-interference comes out of a history of colonialism which was not present for the EU. As nations that had once lost control of their national decision making processes to a colonial power, they have been reluctant to delegate hard won sovereignty to another supranational power, even one of their own creation. This set of decisions has however, had a major effect on the speed at which economic integration can progress. In Europe the ECJ struck down a variety of national barriers impeding the implementation of the four freedoms. When such measures must be negotiated on a case by case basis the process is accordingly slower.

One indication of the importance of the ECJ is the rate of transposition of EU level law on the national level, which as seen in figure 2.3, is extremely high. Greece, the least compliant of the EU members, has transposed 95.6% of EU level legislation addressing the internal market, while seven of the EU-27 have achieved 100% compliance. A large portion of the EU's success in this area is due to the activist role of the ECJ. For example, in 1990 with *Francovich v Italy* the ECJ established the principle of state liability whereby European Union member states can be required to pay compensation to citizens who have suffered losses due to state failure to implement an EU directive at the national level. ASEAN on the other hand, does not enforce any supranational agreements within its members due to its policy of non-interference, thus there are no mechanisms that would assure compliance or implementation. The results are seen clearly in Balboa's case study of the Philippines, where she found that despite the effort to implement the Common Effective Preferential Tariff (CEPT) Scheme other factors including domestic institutional issues had prevented effective implementation. Situations such as these persist in ASEAN due to the lack of compliance mechanisms or enforcement of supranational decisions.

Figure 2.3

Source: Eurolex



Institutions, their decision making processes, and their ability to implement Rule of Law at the national level have been major differentiating factors in how and at what speed the two blocs have proceeded towards economic integration. ASEAN has placed the emphasis on a decision making process based on consultation and consensus where the voice of the few will never be overruled by the many. As a result the process of economic integration has been slower and more deliberate as each step must have the undivided support of its member states. The EU on the other hand moved away from a process oriented system with the introduction of qualified majority voting making it easier to come to a binding decision and move forward.

There is also the issue of supranational rule of law and its implementation through institutions. The EU empowered the ECJ with a judicial remedy for constitutional disobedience and allowed it to set legal precedent for the EU. As a result when progress towards a single market flagged in other institutions the ECJ was able to act as the impetus for further progress. However, to have this increased impetus required a significant delegation of authority to the supranational level. ASEAN chose to take a different approach adhering to a policy of non-intervention on the national level, thus states cannot be held accountable for the enforcement of supranational decisions. These two approaches to the

formulation of institutions and their capacities is one of the major contributing factors the differences between the paths towards economic integration, and particularly the formulation of a single market, pursued by the EU and ASEAN.

### 3. The Role of Regional Politics

#### 3.1 *The Role of Regional Hegemons*

When looking at the formation of regions, internal dynamics are often the focus, but the external context also plays an important role, and the EU and ASEAN developed in strikingly different regional contexts. The EU developed on the foundation of the Franco-German axis designed to integrate a regional power that had been a past source of contention. ASEAN on the other hand developed as a small set of post-colonial nations gathering together in the face of major external powers. This contrast between internal and external hegemons has been particularly important in shaping the directions of these two regions.

The roots of the European Union lie in the European Coal and Steel Community and the idea of regionalizing factors of production to unite possibly contentious hegemons, thus firmly rooting Germany in a peaceful post-war Europe. These developments were cemented with the 1963 signing of the Élysée Treaty or Treaty of Friendship between France and Germany. Since that time the Franco-German Axis has remained firmly at the heart of the development of the EU. This is typified in the terminology often used in reference to the relationship included calling it an “axis” or the Franco-German “couple”. The terminology extends to the partnership between the leaders of the two nations first called *Merkozy* and now *Merkollande*. Although perhaps hyperbolic, the relationship between the two countries is often referred to as the motor of European Integration. Many claim that in a union where all members are

supposed to be equal that the French and German presence as internal hegemons have given them undue influence on shaping the path of the union, especially in the wake of the crisis where Germany has been pushed increasingly to the forefront. (Paterson, 2011)

While it must be noted that the partnership has certainly had its ups and downs over the decades, close cooperation between German and French leadership has often been found at the heart of major steps forward in the European project. The partnership began with some of the founding fathers of the European project with France represented by Jean Monnet and Robert Schuman and Germany by Konrad Adenauer. The relationship continued through the mid and late 1970s with the close cooperation of President Giscard d'Estaing and Chancellor Schmidt leading to the creation of the European Council in 1974 and the European Monetary System (EMS) in 1979. The next leadership couple asserted itself in the 1980s with President Mitterrand and Chancellor Kohl ushering in the Single European Act in 1986. The relationship, with a few hitches has continued through to the current crisis under the leadership first of Chancellor Merkel and first President Sarkozy and then President Hollande. The partnership has been crucial in EU attempts to address the sovereign debt crisis for example with Merkel and Sarkozy using their 2010 show of public alliance during the Deauville promenade to underlie their joint effort to push through the European Stability Mechanism.

ASEAN on the other hand, since its founding, has seen the rise of several external hegemons who continue to grow in both political power, and especially economic power. As ASEAN was founded in 1967 both Japan and Korea entered periods of explosive economic growth lasting from the early 1960s through the 1980s into the early 1990s before slowing. While both Japan and Korea suffered with the ASEAN countries during the 1997 Asian Financial crisis, it did not diminish their longer term relative economic power in the region. As ASEAN, Japan, and Korea began to recover from the crisis, more competition was introduced to the region. India began to slowly liberalize its markets beginning in the

mid-1980s and then undergoing major reforms in 1991 and then again in the early 2000s. Since that time India has experienced explosive economic growth, adding it to the list of major economic powers external to ASEAN. China also began to liberalize its economy beginning with its 1978 policy of reform and opening under Deng Xiao Ping. However, it was in the 1990s that growth really began to pick up followed by exceptional growth throughout the 2000s.

This development of external economic powers can be seen as affecting ASEAN in two widely different ways. On one hand it reinforces the need for ASEAN countries to band-together and act as a bloc in the face of growing larger external competition. On the other hand, if these external hegemon are viewed as a threat to ASEAN they are problematic both in that actors such as China might not wish to see the successful development of a strong regional economic bloc in its vicinity and perhaps more dangerously they can be seen as potential alternatives to ASEAN in terms of economic cooperation. This has left ASEAN in a regional context quite different from the one faced by the EU. Even with growing euroskepticism, Europe has not seen the growth of a comparable major external hegemon to be viewed as either a real threat or alternative to the EU. As a result ASEAN has not seen the same momentum towards market integration as was provided for the EU by internal hegemon. In fact, to the contrary external hegemon can at worst directly threaten ASEAN and at best have the potential to undermine its efforts.

### ***3.2 Forum Shopping***

This segues into the next difference in regional political context. In Asia there are a variety of regional forums offering progress towards free trade agreements with many of the benefits that could be derived via greater economic integration through ASEAN, thus giving states in the region the option to choose among forums. Perhaps the greatest threat to ASEAN comes from Asia-Pacific Economic Cooperation (APEC) which includes 21 Pacific Rim countries including many of the members of ASEAN.

However the new Trans-Pacific Partnership being negotiated between Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States, again including several ASEAN members, is also a growing viable alternative to ASEAN in terms of routes for economic integration. Added to that are additional choices including the Comprehensive Economic Partnership for East Asia (CEPEA) proposed by The East Asia Summit (EAS) and the 2005 Trans-Pacific Strategic Economic Partnership Agreement (TPSEP or P4) between Brunei, Chile, New Zealand, and Singapore. Essentially nations can forum shop for the best deal on economic integration. Figure 3.1 contains a list of trade agreements that can serve as alternatives to integration through ASEAN.

**Figure 3.1**

<b>Abbreviation</b>	<b>Name</b>	<b>Members</b>
APEC	Asia Pacific Economic Cooperation	Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russian Federation, Singapore, Taiwan, Thailand, United States, Vietnam
ACD	Asia Cooperation Dialogue	China, Japan, South Korea, Brunei, Cambodia, Indonesia, Laos, Philippines, Singapore, Thailand, Vietnam, India, Pakistan
ACMECS	Ayeywady-Chao Phraya-Mekong Economic Strategy	Cambodia, Laos, Thailand, Vietnam, Myanmar
BIMP-EAGA	BIMP-East ASEAN Growth Area	Brunei, Indonesia, Malaysia, Philippines
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	Thailand, Bangladesh, Bhutan, India, Nepal, Sri Lanka, Myanmar
EAS	East Asia Summit	China, Japan, South Korea, Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam, India, Australia, New Zealand

SAARC	South Asian Association for Regional Cooperation	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
TPSEP or P4	Trans-Pacific Strategic Economic Partnership Agreement	Brunei, Chile, New Zealand, and Singapore
TPP (under negotiation)	Trans-Pacific Partnership	Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States
CEPEA (Proposed)	Comprehensive Economic Partnership for East Asia	Australia, New Zealand, Japan, China, Korea, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam

This multitude of alternatives leaves ASEAN in a position where it needs to compete with other regional organizations to prove itself as a worthwhile channel for economic integration. In Europe, the EU is the only viable regional organization for future economic integration, and in times where EU progress has been slow EU members have not looked to alternative integration schemes. However, that does not mean that it is entirely without competition (figure 3.2). There are two similarities to the situation seen in ASEAN. The first is in the area of security. NATO remains at the core of European security and OSCE also plays a key role, so in this vein there is competition for the EU's security policy. However, it should be noted that they do not compete directly with the EU in terms of economic integration. Where there are some similarities to the competition over economic integration present in ASEAN is in the varied types of economic integration offered within the European structure. The EU provides levels of institutional belonging, and even non-members in the region are tied to the EU through some of these organizational levels. There is the EU itself, and within that the Eurozone. Including non-members there is the Schengen Area and European Economic Area (figure 3.2). These levels offer opportunities for non-members to join, and also exclude some EU members who have opted-out. But essentially, the available choices are to join the EU or one of its derivatives or to remain

outside of the organization. There is not a non-EU alternative viable scheme for regional economic integration available within Europe. Nations in Asia on the other hand have the very real option of forum shopping.

**Figure 3.2**

<b>Abbreviation</b>	<b>Organization</b>	<b>Membership</b>
EU	European Union	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
	Eurozone	Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain
EEA	European Economic Area	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
	Schengen Agreement	Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland
OSCE	Organization for Security and Co-operation in Europe	Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Holy See, Hungary, Iceland, Ireland, Italy, Kazakhstan, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, former Yugoslav Republic of Macedonia, Malta, Moldova, Monaco, Mongolia, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, United States, United Kingdom, Uzbekistan

NATO	North Atlantic Treaty Organization	Albania, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey, United Kingdom, United States
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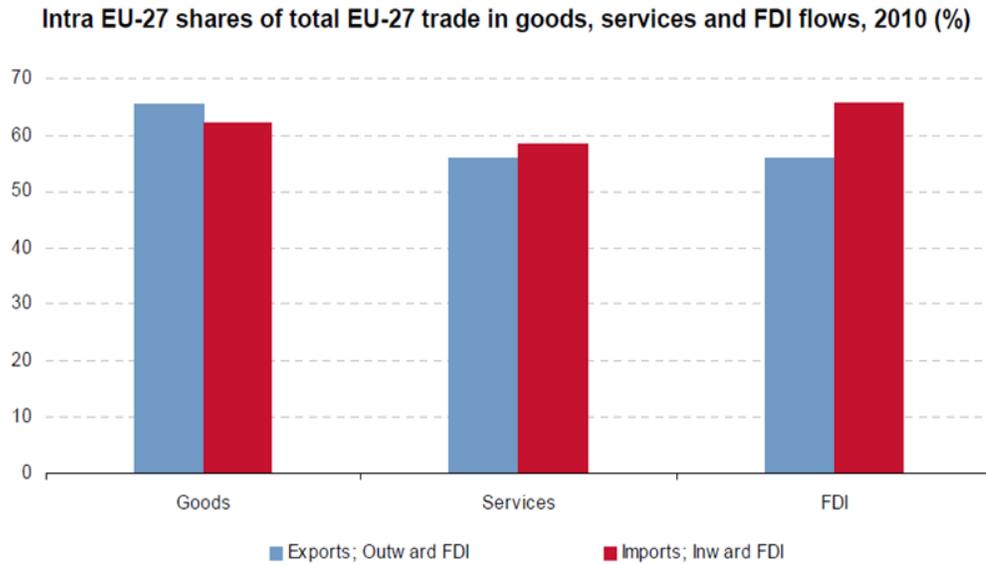
## 4. The Dynamics of Regional Trade

### 4.1 *Inter versus Intra-Regional Trade*

In addition to widely variable regional political dynamics, regional trade flows are another differentiating factor that has contributed to the direction of economic integration in the two regions. The first effect stems from patterns of intra-regional versus inter-regional trade.

The European Union has quite extensive intra-regional trade, accounting for more than half of all EU trade. Intra-EU-27 trade in services made up 56.1% of all exported services and 58.4% of imported services in 2010, while internal trade in goods was 63.7% of total EU trade in goods. (Eurostat, 2012) Within the EU this trend also includes foreign direct investment (FDI). Of FDI by EU member states in 2010 56.1% of total EU-27 outward FDI was to other member states. (Eurostat, 2012) This heavy concentration of internal trade has had an unavoidable effect on EU market integration in two ways. First, it is easier to integrate markets where the goods being produced are in demand within the internal market. This creates a type of cycle, because as markets integrate it become easier and cheaper to trade internally increasing incentives to trade internally, thus increasing incentives to deepen integration making trade even easier.

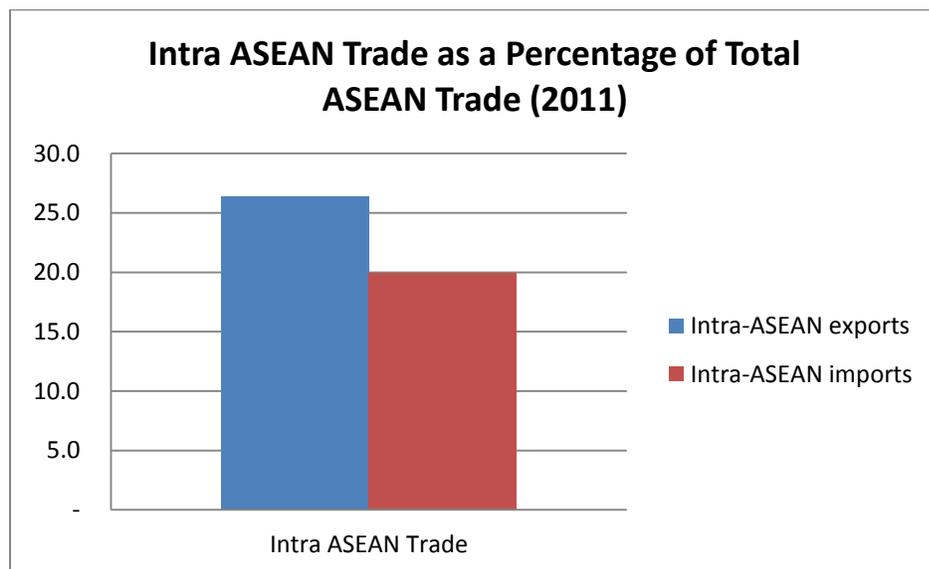
Figure 4.1



Source: Eurostat

ASEAN on the other hand, rather than having markets with heavy internal trade, is instead made up of countries with markets geared towards exports to other regions. As a result Intra-ASEAN trade statistics are much lower than those observed in the EU. In 2010 Intra-ASEAN trade made up only 25.4% of total trade as compared to above 50% for both goods and services in the EU. (ASEAN, 2011) Given these conditions, remaining barriers to trade in ASEAN have less negative externalities affecting overall ASEAN trade than similar barriers would have in the EU at this point, leaving ASEAN with less incentive to pursue deeper integration.

**Figure 4.2**



Source: ASEAN Merchandise Trade Statistics Database

**Figure 4.3**

Indicator	2006	2007	2008	2009	2010	2011
Intra-regional Trade Intensity Index	4.6	4.6	4.5	4.2	4.0	3.9
Intra-regional Trade Share (%)	27.1%	26.9%	26.7%	25.9%	26.3%	25.9%

Source: ASEAN Free Trade Agreement Database

## ***4.2 The Role of Regional Trade Agreements***

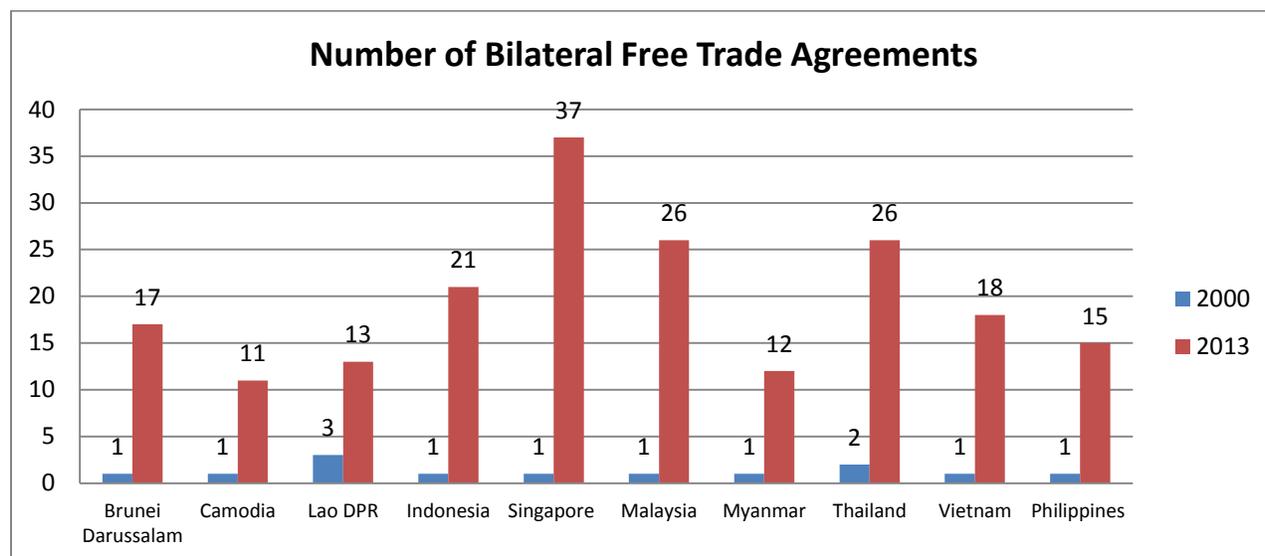
The second key difference between regional trade dynamics in the EU and ASEAN has to do with the type and quantity of trade agreements made by the two organizations and their member states.

The EU is party to a wide variety of trade agreements with different countries and regional blocs around the world, but all of these agreements are structured so as to be between the EU as a bloc including all member states and the other negotiating party. Individual EU member states are not party to

agreements made separately from the Union as under EU law such agreements would be considered discriminatory and anti-competitive. Any agreements between individual member states and other states would provide an unfair advantage in trade to those states involved, which would be contrary to the tenets of the single market. As a result all new free trade agreements effect trade for the whole bloc equally and all members share the benefits. (Appendix 2)

However, there are no such prohibitions against individual bilateral agreements in ASEAN, in fact over the last decade the number of bilateral trade agreements entered into by Asian nations, both inside and outside of ASEAN, has exploded. The complex system of bilateral trade negotiations that have resulted has led to the region being referred to as the “noodle bowl”. Between 2001 and 2006 alone more than fifty trade agreements between ASEAN members and other countries were being proposed or negotiated (Sen and Srivastava, 2009). Figure four illustrates this rapid growth of FTAs from the low levels seen in 2000 to the wide complex web that had been created by 2013. Interestingly there has not been a corresponding increase in intra-regional trade. In fact the region has recently seen a decrease in intra-regional trade year over year. Thus the freedom for individual governments to enter into bilateral trade agreements has not fostered increased regional trade or economic integration in Southeast Asia. However, these alternative FTAs cannot be looked at without considering potential effects on economic integration through ASEAN. With such a wide variety of alternative paths for addressing trade issues and economic integration, it cannot have failed to effect the motivation for member states to pursue deeper integration exclusively through the channels offered by ASEAN. When the persistently low levels of intra-regional trade are added into the equation, the regional trade environment faced by ASEAN is markedly different from the environment fostering deeper integration in Europe.

Figure 4.4



Source: ASEAN Free Trade Agreement Database

## 5. Conclusions

The European Union and ASEAN both set out to create a single regional bloc with markedly similar goals. Both organizations were formed in the wake of the extended violence of WWII, and in ASEAN's case colonialism as well, and were aimed at creating peace in their respective regions through fostering deeper regional interconnectedness. Both blocs also chose to pursue integration, and more specifically market integration, to improve economic competitiveness vis-à-vis their neighbors and other regional and global hegemony. They also set out the same long term goals for their single market projects, including freedom of movement for goods, services, capital and labor. However, they pursued these similar goals in extremely different contexts, which served to shape their individual efforts. As a result of a variety of factors, we now find these two blocs in very different stages of their market integration projects moving towards very different final products. The goal of this paper is not to pass

judgment upon either region, or to rank their efforts or successes, but rather to analyze the factors that affect how regional market integration is achieved and consider their effects in shaping the trajectories of these two cases.

Clearly, how regional and market integration projects are Institutionalized is a core factor shaping their long term prospects. In this area the EU and ASEAN made vastly different choices. The driving impetus behind the shape of EU institutions at the outset was to ensure that its member states were firmly embedded within the European system, united by trade and joint control of factors of production, to ensure that no war on the scale of WWII could ever sweep the continent again. Thus, while regional and economic integration was by no means a given for the EU, over time EU institutions took on real supranational authority. Decision making rules were adjusted to allow EU institutions to push forward without complete consensus, or the resulting implied veto power. Institutions were given the power to bring sanctions against EU member states for not implementing supranational directives and the ECJ provided a judicial remedy for constitutional disobedience. The combination of these institutional choices allowed a number of institutions to provide the momentum for integration in the case of other institutions or national enthusiasm wavering. While the road to economic integration in Europe was a bumpy one with no clear certainty of success, these institutional structures provided the foundation for progress.

ASEAN chose a different set of priorities than did the EU when constructing their institutions. Many of ASEAN's member states had emerged recently from colonialism at the time that they joined, and as a result were deeply cautious and disinclined to enter into any agreements that might result in the degradation or cession of recent and hard won national sovereignty. Thus when shaping the norms and decision making rules that would be the foundation for the future of the organization they favored consensus and the assurance that no voice would ever be drowned out by the majority. In the same

vein they selected a policy of non-interference in national affairs, by nature precluding anything to the effect of a judicial remedy that would enforce the removal of barriers to trade on the national level. Thus ASEAN chose a normative approach that was essential to the identity that they wanted to cultivate over an expediency that might have resulted in a faster integration process.

The regional context in which these two blocs exist is also radically different and has had a formative effect on their processes of integration. The EU, from the outset, had two strong internal hegemonies whose partnership served as a major motivator for economic integration, despite occasional disagreements. The EU also faced little competition in its region in terms of other avenues for economic integration. While there had been other attempts that came before it, once the European Communities were codified with the Treaty of Rome no other major opportunity for regional integration presented itself. It was certainly possible for countries not to join the growing regional bloc or to join in part, but there was not a viable alternative body with which to pursue regional economic integration. As a result the EU was able to go through periods of strong and then flagging progress without losing ground to a competitor. Thus, as the region expanded, especially after the fall of the Soviet Union, all countries in the region wishing to participate in a regional economic integration project applied for membership to the EC and then the EU.

ASEAN on the other hand began specifically as a project to integrate Southeast Asian nations, knowingly in the face of other powers and groupings in other parts of Asia. To begin with they faced several growing external economic hegemonies first with the economic expansion of Japan and Korea, and then China and India as they grew and overtook their predecessors. This had several effects on ASEAN, on one hand the need to unite as a bloc to be competitive became more apparent, but at the same time many more opportunities for economic alliance presented themselves, both bilaterally and multilaterally. Thus for the members of ASEAN and for nations throughout Asia the option to forum

shop through economic agreements became real, forcing ASEAN to compete against other growing possibilities, a process made more difficult by the relatively slow progress towards integration produced by its normative foundations.

Finally the realities of regional trade faced by each bloc had an important effect on how the two regions progressed. As Europe began its integration project it almost simultaneously went through the GATT tariff cuts. Thus, in 1962 intra-regional trade between the original members already accounted for 62% of total trade, a figure which despite some fluctuation has remained steadily above 50% since then within the expanding trade bloc (Frankel, 1998). This degree of intra-regional trade can be a strong motivating factor to increase and enforce free trade as by reducing transaction costs all members derive benefits affecting a large proportion of their total trade. Also, a core part of the body of EU law in place to protect the common market is designed to create an environment free of discrimination. Thus, any bilateral trade agreement entered by an individual state would be by definition discriminatory to other member states. So as a result all EU trade agreements are negotiated as a bloc, further incentivizing closer economic integration. Finally, EU laws have strong associated compliance mechanisms to ensure implementation on the national level, including the direct liability of states for non-implementation established by the Francovich case.

ASEAN again faced a quite different set of conditions. The ASEAN economies are largely either agrarian aimed at domestic consumption or producers of goods for export outside of the region. Thus actual intra-regional trade remains quite small. It was 31% at ASEAN's inception in 1962 and dipped dramatically in the 1980s down to 14% and has since returned to hover in the vicinity of 25%, but even at this level it is a small portion of total trade for the countries involved. Thus incentives to lower trade barriers in the region are lower than in the EU where twice the proportion of trade is affected by intra-regional trade policies. ASEAN also, as part of its decision to pursue a policy of non-interference has not

implemented binding measures preventing individual nations from entering into individual bilateral and multilateral trade agreements separate from the bloc. ASEAN's members have taken advantage of this freedom. However despite the explosion of bilateral-agreements the overall level of intra-regional trade has not shown a corresponding increase. Thus incentives to pursue dramatic and further integration through ASEAN could be perceived as being relatively low.

Thus, based on the different contexts and normative approaches taken by these two blocs, initially similar market integration projects took two very divergent paths. Some have called ASEAN a slow moving talk shop; however this is at least partially the result of a deliberate set of choices regarding the values and identity of the bloc. Europe on the other hand moved much faster and is now in the throes of an economic crisis as it tries to address topics, such as the lack of a fiscal union, that were neglected during its rapid integration from the 1980s onward. Clearly, the similar goals created at the outset of these projects were not alone in shaping the outcomes.

The 'Community Model' for economic integration based on the development of the European Union has long been the model to which other such projects have been compared. However, in the wake of the Euro-crisis and waves of enlargement not even the EU strictly conforms to this model anymore. With the additions of opt-outs and discussions of a multi-speed Europe, the classic model for regional economic integration no longer fits with quite the degree of accuracy that it once did. Given these changes, there is something important to be offered by moving away from using a static model to evaluate regional integration projects, and moving to look at integration comparatively across regions. Neither the EU nor ASEAN represents a "correct" model for economic integration that all projects should be compared to. Rather, a comparative regional model offers an analysis that can lead to a clearer picture of what factors accelerate or slow economic integration, and what helps or hinders it across integration projects.

What shapes economic integration on the regional level? This question among others can be illuminated much more clearly through a comparative analysis than by looking at a single example. Analyzing the development of economic integration in the EU and ASEAN is the first of a number of possible comparisons of different regional integration efforts across the globe. The introduction of comparative regionalism to the study of economic integration opens the way for a deeper level of understanding of what dynamics define a region's approach to economic integration and, beyond its stated goals and intentions, the factors that truly direct the course of market integration projects internationally.

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## Appendices:

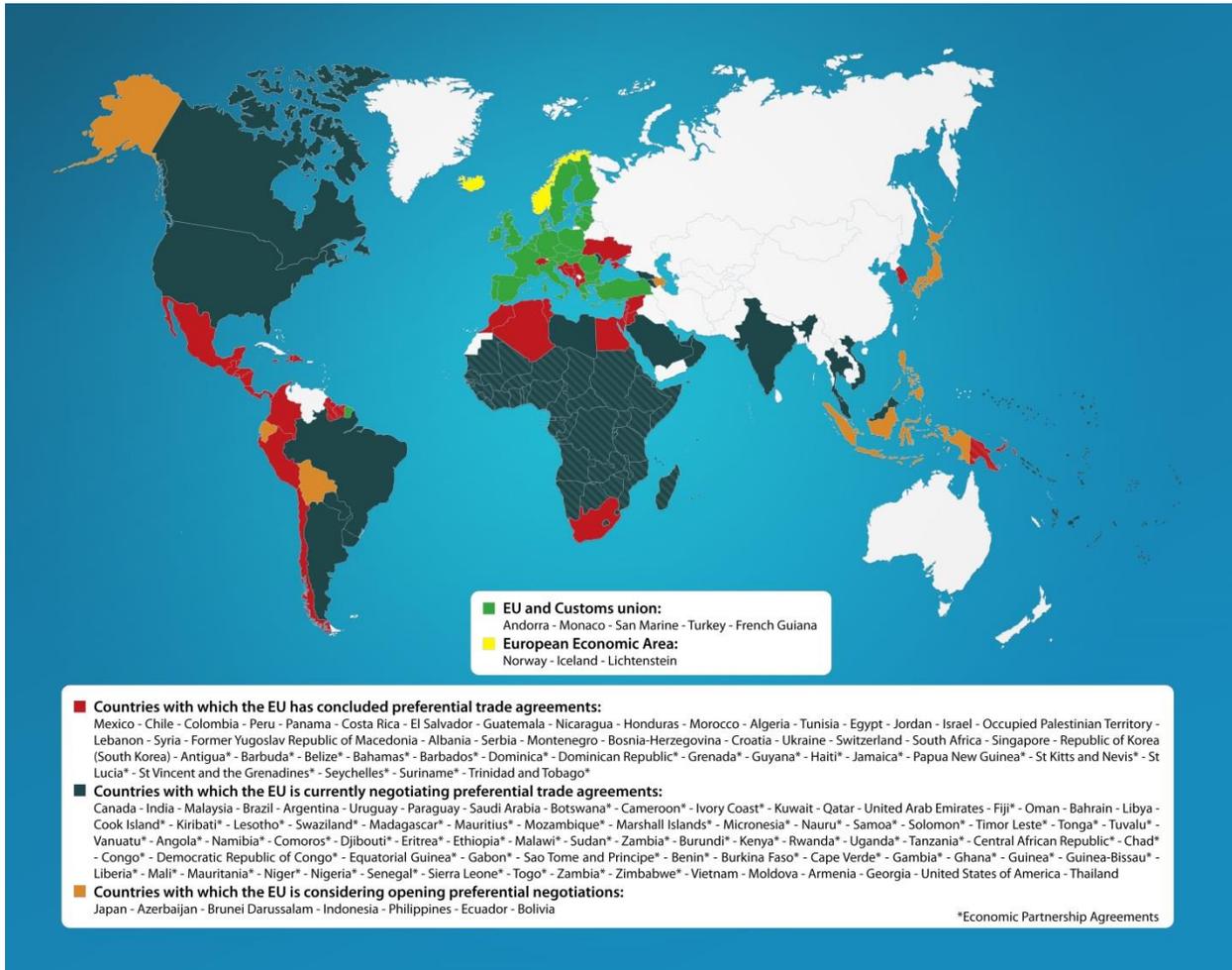
### Appendix 1: Subject Matter of EJC Cases

#### 3. New cases — Subject-matter of the action (2011) <sup>(1)</sup>

	Direct actions	References for a preliminary ruling	Appeals	Appeals concerning interim measures or interventions	Total	Special forms of procedure
Access to documents			6		6	
Accession of new States		2			2	
Agriculture	3	23	5		31	
Approximation of laws		15			15	
Area of freedom, security and justice		44			44	
Citizenship of the Union	1	12			13	
Commercial policy		2	2		4	
Common foreign and security policy	1	9	6	1	17	
Company law	2	1			3	
Competition		7	52	1	60	
Consumer protection	2	21			23	
Customs union and Common Customs Tariff		19			19	
Economic and monetary policy			1		1	
Economic, social and territorial cohesion		2	4		6	
Education, vocational training, youth and sport		1			1	
Environment	20	19	3		42	
External action by the European Union	1	5	1		7	
Financial provisions (budget, financial framework, own resources, combatting fraud and so forth)	1	3			4	
Free movement of capital	3	19			22	
Free movement of goods	3	2			5	
Freedom of establishment	4	11			15	
Freedom of movement for persons	1	11	2		14	
Freedom to provide services	1	12	3		16	
Industrial policy	3	7			10	
Intellectual and industrial property	2	17	39		58	
Law governing the institutions	7	2	17	10	36	1
Principles of European Union law		9	2		11	
Public health		2			2	
Public procurement		9	3		12	
Social policy	3	37	1		41	
Social security for migrant workers		11			11	
State aid	2	3	14		19	
Taxation	19	66			85	
Tourism		1			1	
Transport	2	19			21	
<b>TFEU</b>	<b>81</b>	<b>423</b>	<b>161</b>	<b>12</b>	<b>677</b>	<b>1</b>
Law governing the institutions				1	1	
Privileges and immunities						1
Procedure						7
Staff Regulations			1		1	
<b>Others</b>			<b>1</b>	<b>1</b>	<b>2</b>	<b>8</b>
<b>OVERALL TOTAL</b>	<b>81</b>	<b>423</b>	<b>162</b>	<b>13</b>	<b>679</b>	<b>9</b>

Source: 2010 Annual Report on the Statistics of judicial activity of the Court of Justice

## Appendix 2: European Union Trade Agreement Map



Source: European Commission