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Is the European Model Relevant for ASEAN?

by Eleonora Poli

ABSTRACT

Before the 1997 economic crisis in Asia, the institutional evolution of the Association of Southeast Asian Nations (ASEAN) was very different from the European model. The economic downturn in the late 1990s and the global shift toward a neo-liberal economic era urged ASEAN countries to rethink their regional integration strategy and to mimic some of the institutional models in Europe. In light of this, this paper analyses the rationale behind the evolution of ASEAN since the late 1990, evaluating how and why the organization on a surface replicated aspects of the EU model without engaging in meaningful supranational institutionalization.

ASEAN | *Regional integration* | *European Union* | *EU integration*

keywords

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1. A comparison of ASEAN and EU rationales for integration

The Association of Southeast Asian Nations was launched in 1967 in Bangkok, when the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand signed the foundation treaty known as the ASEAN Declaration. The aim of what is today considered as the "most successful inter-governmental organization in the developing world"[1] was to "accelerate the economic growth, social progress and cultural development in the region" and "to strengthen the foundation for a prosperous and peaceful community".[2] In addition to the promotion of economic integration, several domestic and international security considerations were of pivotal concern to the group. Economic integration was indeed perceived by the member states not only as a means for fostering national economic growth but also as an instrument for developing national and regional political stability. This engendered ASEAN's unique security concept, which was mainly based on the promotion of economic welfare. According to Malaysian Foreign Minister Tun Razak: "The key to peace and stability of our respective countries [...] and the success of our resistance to external forces [...] lie in our ability to surmount the backwardness of our people and to promote their welfare and their well-being."[3]

The emphasis on economic integration also became a means to cultivate collective strength against the rise of communism in Southeast Asia and China, to ensure territorial protection from Japan and to overcome local disputes. For instance, the Philippines and Malaysia clashed over the Sabah region in 1962, and in 1963 a violent conflict exploded between Indonesia and the new federation of Malaysia.[4]

[1] See the ASEAN website: *History*, http://www.asean.org/asean/about-asean/history.

[2] Bangkok Declaration, 8 August 1967, http://www.asean.org/news/item/the-asean-declaration-bangkok-declaration.

[3] Quoted in Arnfinn Jorgensen-Dahl, *Regional Organization and Order in South-East Asia*, London, Macmillan, 1982, p. 73.

[4] Paridah Abd. Samad and Darusalam Abu Bakar, "Malaysia-Philippines Relations: The Issue of

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After World War II, European countries also decided to promote security in the region through a series of economic agreements. Still there are a number of differences in how integration was implemented. Both the Coal and Steel Community and then the European Economic Community were based on national compromises to integrate markets and thus transfer part of national sovereignty to a central level. Indeed, the creation of a common market and the harmonization of certain economic and trade rules and practices would have allowed European countries to avoid hazardous political-economic competition between Germany and France, consolidate peace, and block any attempted political, economic and cultural expansion from the Soviet Union. Geo-political stability would have then made the EU a rich market where companies could trade and sell, overcoming the economic and financial downturn caused by World War II.

In the case of ASEAN, there was no room for any binding disposition entailing a transfer of national sovereignty to a supranational level. The desire for regional stability pushed ASEAN to include new members such as the Sultanate of Brunei in 1984 and then Vietnam, Laos, Cambodia and Burma (or Myanmar) between 1995 and 1999. However, the widening of ASEAN did not translate into any deepening of its internal practices.[5] Countries used the regional organization simply as a tool to reaffirm their national sovereignty and to leverage their role in the international arena. Moreover, in order to reinforce and to protect their often fragile sovereignty, ASEAN members avoided any replication of the integrated political structures and the pooling of sovereignty featured in the EU, and opted for a less institutionalized and formalized networked governance system based upon consensus and consultation.[6]

As a consequence, in the first years after its creation, ASEAN achieved very few results in terms of integration. Although economic growth encouraged peaceful and stable relations between members, deeper political and economic integration was not attempted and the organization remained relatively toothless.[7] In fact, several

Sabah", in *Asian Survey*, Vol. 32, No. 6 (June 1992), p. 554-567; Tim Huxley, "Singapore and Malaysia: A precarious balance?", in *The Pacific Review*, Vol. 4, No. 3 (1991), p. 204-213.

[5] Thanat Khoman, "ASEAN Conception and Evolution", in Kernial Singh Sandhu et al., *The ASEAN Reader*, Singapore, Institute of Southeast Asian Studies, 1992, http://www.asean.org/news/item/asean-conception-and-evolution-by-thanat-khoman.

[6] Mark Beeson, "Sovereignty Under Siege: Globalisation and the State in Southeast Asia", in *Third World Quarterly*, Vol. 24, No. 2 (April 2003), p. 357-374; Seong Min Lee, *ASEAN: brief history and its problems*, Korean Minjok Leadership Academy International Program, Fall 2006, http://www.zum.de/whkmla/sp/0607/seongmin/seongmin.html.

[7] Helen E.S. Nesadurai, *Globalisation, Domestic Politics, and Regionalism. The ASEAN Free Trade Area*, London and New York, Routledge, 2003; Mely Caballero-Anthony, "Evolving Regional Governance in East Asia: from ASEAN to an East Asian Community", in Nicholas Thomas (ed.), *Governance and Regionalism in Asia*, London and New York, Routledge, 2009, p. 32-65; Lee Jones, "ASEAN's Unchanged Melody? The Theory and Practice of 'Non-interference' in Southeast Asia", in *The Pacific Review*, Vol. 23, No. 4 (September 2010), p. 479-502; Rodolfo C. Severino, *Southeast Asia in Search of an ASEAN Community. Insights from the Former ASEAN Secretary*, Singapore, Institute of Southeast Asian Studies, 2006.

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projects engendering economic cooperation, such as the Preferential Trading Arrangement (PTA), introduced in 1977, the ASEAN Industrial Projects (AIP) plan, the ASEAN Industrial Complementation (AIC) scheme, and the Common Effective Preferential Trade Scheme all proved to have numerous implementation gaps.[8] All these projects were exclusive agreements based on the idea that since domestic markets were too small to allow competitive trade transactions, member countries had to share resources and industrial products and favour market access among each other. Nonetheless, such agreements faced many implementation problems. On the one hand, the PTA did not precisely identify commodities for preferences in line with the comparative advantage of each ASEAN country. On the other hand, ASEAN governments were not ready to fully liberalize markets, which is why several non-tariff barriers were kept.[9] Even the ASEAN Free Trade Area (AFTA) announced in 1991 failed to promote an integrated ASEAN market. Moreover, although the ASEAN-EEC Cooperation Agreement of 1980 institutionalized intra-regional dialogues on a wide range of political economic areas, it did not foster any ASEAN institutional integration comparable to its European counterpart. By the end of the 1980s, it was generally assumed that ASEAN was not planning to pursue any further integration and probably there was no need for this.[10] Yet, rising trade imbalances and fall in commodity prices throughout the 1990s led to a reconsideration of this assumption.

2. Crisis and institutional change: a new path for ASEAN

ASEAN's economic success was challenged by three different factors. By the beginning of the 1990s the enforcement of the Single European Act (1989) deepened European economic and political integration. This was coupled with the global diffusion of neo-liberal policies under the aegis of US President Ronald Reagan and through the successful outcome of the Uruguay Round, and the creation of the World Trade Organization. In this transformed global economic climate, both the North Atlantic Free Trade Agreement (NAFTA, 1994) and the process of EU

[8] Hal Hill, "Challenges in ASEAN Economic Co-operation: An Outsider's Perspective", in Kernial Singh Sandhu et al., *The ASEAN Reader*, Singapore, Institute of Southeast Asian Studies, 1992, p. 197-202; Helen E.S. Nesadurai, *Globalisation, Domestic Politics, and Regionalism*, cit.; John Wong, "The ASEAN Model of Regional Co-operation", in Sharon Siddique and Sree Kumar (eds.), *The 2nd ASEAN Reader*, Singapore, Institute of Southeast Asian Studies, 2003, p. 189-193; David Martin Jones and Michael L.R. Smith, "Making Process, Not Progress: ASEAN and the Evolving East Asian Regional Order", in *International Security*, Vol. 32, No. 1 (Summer 2007), p. 148-184.

[9] Mohamed Ariff, "Open Regionalism á la ASEAN", in *Journal of Asian Economics*, Vol. 5, No. 1 (Spring 1994), p. 99-117; Ross Garnaut and Peter Drysdale, "Asia-Pacific Regionalism: The Issues", in Ross Garnaut and Peter Drysdale (eds.), *Asia-Pacific Regionalism. Readings in International Economic Relations*, Sydney, HarperEducational, 1994, p. 1-7; Gerald Tan, "ASEAN Preferential Trading Arrangements: An Overview", in Kernial Singh Sandhu et al., *The ASEAN Reader*, Singapore, Institute of Southeast Asian Studies, 1992, p. 237-241.

[10] Anja Jetschke and Philomena Murray, "Diffusing Regional Integration: The EU and Southeast Asia", in *West European Politics*, Vol. 35, No. 1 (January 2012), p. 174-191, http://dx.doi.org/10.1080/01402382.2012.631320.

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enlargement to Central and Eastern Europe became major concerns for ASEAN.[11] Since the US and the EU markets were crucial in sustaining ASEAN countries' economic growth, ASEAN countries feared that the creation of NAFTA together with the widening of the EU would negatively affect ASEAN exports.[12]

Furthermore, the 1997 Asian crisis badly affected ASEAN members' economies by soon spreading from Thailand to the Philippines, Indonesia, Malaysia and South Korea.[13] The crisis, which began with a massive speculative attack on the Thai baht on 14-15 May 1997, was linked to the exchange rate of several Asian countries being fixed to the US dollar.[14] As a result, ASEAN member states suffered significant structural and financial difficulties, currency depreciations, capital outflows and an average GDP contraction of 8%.[15] In 1998, Indonesia's GDP moved from a growth rate of 4.9% registered in 1997 and a financial account surplus of 10.8 billion dollars in 1996 to -13.7% and -10.3 billion dollars respectively. Similarly, Thailand experienced an economic and financial downturn, passing from a GDP growth rate of 5.5% in 1996 to -10.2% in 1998 and a financial account surplus of 19.5 billion dollars in 1996 to -16.9 billion dollars in 1998.

Although ASEAN recovered from the crisis even too readily – in the two years following the outbreak of the crisis, ASEAN stock markets improved, exchange rates were stabilized and level of exports grew again[16] – it took 6 years to bring annual growth back to about 6%.[17] The need to counter economic uncertainty pushed ASEAN countries to seek closer regional economic ties and on 17 December 1997, ASEAN leaders adopted "Vision 2020", with the aim of building a community of nations and fostering "dynamic development", peace and stability.[18]

Once again, security concerns were also pivotal in highlighting the need for stringent economic integration. Indeed, in the absence of closer cooperation, the

[11] Michael G. Plummer and Pearl Imada Iboshi, "Economic Implications of NAFTA for ASEAN Members: A Disaggregated Approach", in *ASEAN Economic Bulletin*, Vol. 11, No. 2 (November 1997), p. 158-175.

[12] Prema-Chandra Athukorala and Jayant Menon, "AFTA and the Investment-Trade Nexus in ASEAN", in *The World Economy*, Vol. 20, No. 2 (March 1997), p. 159-174.

[13] World Bank, *East Asia: The Road to Recovery*, Washington, The World Bank , 1998, http://documents.worldbank.org/curated/en/1998/09/442597/east-asia-road-recovery.

[14] Petr Blizkovsky, "Economic Governance. What Can the EU and ASEAN Learn From Each Other After the Economic Crises?", in *Journal of Southeast Asian Economies*, Vol. 30, No. 1 (April 2013), p. 1-18.

[15] Asian Development Bank Institute (ADBI), *Asean 2030. Toward a Borderless Economic Community*, Tokyo, ADBI, July 2014, p. 7, http://shar.es/10iIKS.

[16] "Asia's Astonishing Bounce-back", in *The Economist*, 21-27 August 1999, http://www.economist.com/printedition/1999-08-21.

[17] ADBI, *Asean 2030. Toward a Borderless Economic Community*, cit., p. 7-8.

[18] ASEAN, *ASEAN Vision 2020*, Kuala Lumpur, 15 December 1997, http://www.asean.org/news/item/asean-vision-2020. See also Robert J.R. Elliott and Kengo Ikemoto, "AFTA and the Asian Crisis: Help or Hindrance to ASEAN Intra-Regional Trade?", in *Asian Economic Journal*, Vol. 18, No. 1 (March 2004), p. 1-23.

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consequences of the crisis could have fuelled nationalism and territorial disputes.[19] For instance, the political crisis in East Timor (1999) and the challenges posed by Myanmar underlined a high risk for confrontation.[20] The fear of losing legitimacy, financial and economic uncertainty and regional security issues resulted in the creation of ASEAN+3, with the intent of intensifying regional political dialogue and closer economic cooperation between ASEAN and other east Asian countries, such as China, Japan and South Korea.[21] With regards to ASEAN's internal institutional setting, many ASEAN officials and scholars argued in favour of the organization's institutional reform aimed at countering the effects of the financial crisis. Hence from 1997 onwards, ASEAN deepened its regionalism by adopting a set of institutional reforms, which appeared to be inspired by the European Union.[22]

3. Integration *à la EU*?

As the EU is ASEAN's third largest trading partner after China and Japan, accounting for around 13% of ASEAN's trade, policy-makers in ASEAN countries had long been aware of the characteristics which made the EU a success story, making the Union a natural regional integration model for ASEAN.[23] However, since the 1997-1998 crisis, economic uncertainty has pushed ASEAN member states to look more closely at EU integration. For instance, the "New Partnership with Southeast Asia" programme, launched in July 2003 to enhance regional trade and investment relations between the EU and ASEAN, became an important platform for ASEAN policy makers to get an intensive training on regional economic integration.[24] Moreover, during the Bali Convention of 2003, a High Level Task Force on economic integration recommended the establishment of an integrated ASEAN Community by 2020 based on "experience of other regional trading arrangements" such as the European one.[25] In this vein, the Vientiane Action Programme of 2004 organized

[19] Hal Hill, "An Overview of the Issues", in H.W. Arndt and Hal Hill (eds.), *Southeast Asia's Economic Crisis. Origins, Lessons, and the Way Forward*, Singapore, Institute of Southeast Asian Studies, 1999, p. 1-15.

[20] Jürgen Haacke, "ASEAN's Diplomatic and Security Culture: A Constructivist Assessment", in *International Relations of the Asia-Pacific*, Vol. 3, No. 1 (February 2003), p. 57-87.

[21] ADBI, *Asean 2030. Toward a Borderless Economic Community*, cit., p. 7.

[22] Anja Jetschke and Philomena Murray, "Diffusing Regional Integration...", cit.; Jürgen Rüland, "ASEAN and the Asian Crisis: Theoretical Implications and Practical Consequences for Southeast Asian Regionalism", in *The Pacific Review*, Vol. 13, No. 3 (2000), p. 421-451; Anja Jetschke, "Diffusing the EU Model of Regional Integration in Asia: Integration 'à la carte'?", in *E-International Relations*, 23 July 2013, http://www.e-ir.info/?p=40909.

[23] See the European Commission website: *Trade: Association of South East Asian Nations (ASEAN)*, updated 9 September 2014, http://ec.europa.eu/trade/policy/countries-and-regions/regions/asean.

[24] Mary Farrell, "EU Policy Towards Other Regions: Policy Learning in the External Promotion of Regional Integration", in *Journal of European Public Policy*, Vol. 16, No. 8 (December 2009), p. 1165-1184; Mary Farrell, "EU External Relations: Exporting the EU Model of Governance?", in *European Foreign Affairs Review*, Vol. 10, No. 4 (Winter 2005), p. 451-462; Philippe De Lombaerde and Michael Schulz, *The EU and World Regionalism. The Makability of Regions in the 21st Century*, Farnham and Burlington, Ashgate, 2009.

[25] Recommendations of the High-Level Task Force on ASEAN Economic Integration, Annex to the

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ASEAN regional cooperation in three main areas – the Economic Community (AEC), the Political and Security Community (APSC) and a Socio-Cultural Community (ASCC) –, reflecting, if not the content, at least the structure of the European pre-Lisbon pillars.

In particular, the idea of deepening regional integration by developing an ASEAN Economic Community (AEC) by 2015 where all goods, services, capital and labour are flown freely across the region, appears to strongly reflect the sense of the European Economic Community (EC). Indeed, along the lines of the EC, the AEC aims to establish "a single market [...] making ASEAN more dynamic and competitive [...] accelerating regional integration [...]; facilitating movement of business persons, skilled labour and talents; and strengthening the institutional mechanisms of ASEAN".[26]

In the intent of boosting a community-building process inspired by the EU structure, the 2008 ASEAN Charter established the post of Secretary-General to represent ASEAN's regional interests and a Committee of Permanent Representatives.[27] Informally described as the "Guardian of the Treaties", the Secretary General certainly reminds one of the European Commission. Similarly, the structure of the Committee of Permanent Representatives, responsible for coordinating the national ASEAN secretariats, for supporting the ASEAN Community Councils and for liaising with the Secretary-General, found its inspiration in the EU's Council of Permanent Representatives.[28]

4. Making sense of ASEAN

ASEAN's new institutional framework entailing major economic and institutional cooperation certainly contributed to foster growth in south east Asia. In 2013, ASEAN GDP amounted to 2.3 trillion dollars and counted for 3.3% of global trade growth (1,6% in 1990).[29] Moreover, between 2000 and 2013, ASEAN promoted 40 free trade agreements (FTAs) with international partners, including five ASEAN+1 agreements with key East Asian partners, namely Australia, New Zealand, China, India, Japan and Korea.[30]

2003 Declaration of ASEAN Concord II, Bali, 7 October 2003, http://www.asean.org/news/item/recommendations-of-the-high-level-task-force-on-asean-economic-integration. See also Anja Jetschke and Philomena Murray, "Diffusing Regional Integration...", cit.

[26] ASEAN, *ASEAN Economic Community Blueprint*, Jakarta, ASEAN Secretariat, January 2008, p. 5, http://www.asean.org/archive/5187-10.pdf.

[27] Charter of the Association of Southeast Asian Nations, Singapore, 20 November 2007, http://www.asean.org/asean/asean-charter/asean-charter.

[28] Anja Jetschke, "Diffusing the EU Model of Regional Integration in Asia...", cit.

[29] ADBI, *Asean 2030. Toward a Borderless Economic Community*, cit., p. 11.

[30] Ibidem.

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Yet, closer economic cooperation has not resulted in full regional integration *à la EU*. In other words, although the EU might have inspired some institutional changes in Asia, ASEAN's regional core is still based on intergovernmental cooperation and not supranational integration. For instance, the uneven levels of development characterizing ASEAN member states together with their dependency on foreign direct investments have resulted in the proliferation of national bilateral free trade agreements with third countries.[31] Unlike the EU, where tariffs are fixed and negotiation of free trade agreements with third countries falls within the exclusive competence of the Common Commercial Policy (CCP),[32] ASEAN does not have a real customs union. Indeed, the Common Effective Preferential Tariff (CEPT), enforced in 2010 under the ASEAN Trade in Goods Agreement (ATIGA), has not set up a common external tariff on goods but only one for intra-regional products.[33] Since ASEAN's growth is largely due to external trade (73.6%) rather than intra-regional trade (26.4% of exports), the absence of a common external tariff has resulted in rising competition in order to promote their market internationally.[34] To date, all ASEAN member states, apart from Laos and Cambodia, have enforced bilateral free trade agreements or are encouraging them, and have done so in an uncoordinated manner.[35] Such a lack of coordination becomes even more evident considering that ASEAN countries are not obliged to communicate the extent of their use of non-tariff barriers to the ASEAN Secretariat.[36]

To reach the a level playing field for effective regional economic integration, ASEAN countries need to implement deep structural reforms in their domestic systems and overcome economic, political, and cultural divides. ASEAN, however, is far from any such form of integration even from an institutional standpoint. Indeed, although the Secretariat has "to provide for greater efficiency in the coordination [and implementation] of ASEAN organs [...] projects and activities,"[37] differently from the European Commission, it has to respect the principle of non-intervention in national affairs. For instance, the monitoring of Member States' compliance with the AEC requirements has had limited effectiveness, since neither the Secretariat nor the Committee of Permanent Representatives can offer or enforce remedies when integration targets are missed.

[31] Bernadette Andréosso-O'Callaghan and Françoise Nicolas, "Are the Economies of ASEAN and the EU Complementary?", in *ASEAN Economic Bulletin*, Vol. 24, No. 2 (August 2007), p. 205-224; Paul Vandoren, "Regional Economic Integration in South East Asia", in *Asia Europe Journal*, Vol. 3, No. 4 (December 2005), p. 517-535; Heribert Dieter, "Bilateral Trade Agreements in the Asia Pacific: Wise or Foolish Policies?", in *CSGR Working Paper Series*, No. 183/05 (December 2005), http://wrap.warwick.ac.uk/1920.

[32] Article 3 TFEU, http://europa.eu/legislation_summaries/glossary/commercial_policy_en.htm.

[33] ADBI, *Asean 2030. Toward a Borderless Economic Community*, cit., p. 30.

[34] See ASEAN, *External Trade Statistics*, updated 14 January 2013, http://www.asean.org/news/item/external-trade-statistics.

[35] See Asia Regional Integration Center (ARIC), *Free Trade Agreements*, http://www.aric.adb.org/fta-country.

[36] Venessa Parekh, "Assessing the ASEAN Community Project: Constructivism and the Problem of Inflexible Norms", in *E-International Relations*, 8 January 2014, http://www.e-ir.info/?p=45413.

[37] ASEAN, *ASEAN Secretariat*, http://www.asean.org/asean/asean-secretariat.

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The lack of decision-making power of ASEAN's main institutions is mostly due to the fact that the organization per se does not have supranational identity. While European laws have primacy over national ones, ASEAN treaties and agreements have to be understood as international arrangements among members. Yet, the EU's supranationalism has been always strictly linked to the need to foster economic development and national economic interests. In other words, EU member states have in principle accepted to partially lose their national sovereignty not because of affection to the European ideals, but because their membership could guarantee them a certain level of welfare. This is also one of the reasons behind the recent rise of euroscepticism in Europe. Indeed, the current crisis in Europe has downgraded the positive economic outputs that once shielded EU institutions from criticism. In this respect, the underlying logics driving both the EU and ASEAN forward are similarly utilitarian. Countries agreed upon the creation of ASEAN because, standing as single nations, they could not reach specific economic and security objectives. However, ASEAN has so far pursued selective regional cooperation, unlike the EU's choice for far deeper integration.

This fundamental difference can mostly be explained by the cultural-political and behavioural substratum that characterized ASEAN and EU countries' models of capitalism.[38] Although European countries economic systems are very different, all central governments are generally responsible for coordinating the promotion of social welfare alongside the imperative of promoting free markets. In this respect, European institutions have reproduced at a higher level the same model, which has resulted in the implementation of mechanisms of European social solidarity coupled with the imperative of securing liberal market economies. In this frame, public interventionism over national economies is tolerated in the form of state aids, which are strictly controlled by the Commission. The same model does not apply to ASEAN, where national governments play a prominent role in boosting national economies. Indeed, unlike the EU, liberal markets are not considered efficient per se in ASEAN countries, and ASEAN governments use industrial policies, interest or exchange rates to adjust economic trends and foster development. In other words, institutional settings, interests, culture and traditional behaviours underpinning ASEAN's regional institutional model are inherently unique. It follows that, although ASEAN is likely to move towards close cooperation, the ASEAN way is likely to remain such.

Although the EU's regional integration model has always represented a source of inspiration for ASEAN's regional development, differences between the political and economic structures of the two entities are conspicuous and will likely persist in future. To date, while selective cooperation might well allow ASEAN countries

[38] David Lane, "Emerging Varieties of Capitalism in Former State Socialist Societies", in *Competition & Change*, Vol. 9, No. 3 (September 2005), p. 227-247; Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, London, Allen & Unwin, 1930; Karl Marx, *Capital* [preface to the first German edition], Vol. 1, Moscow, Foreign Languages Publishing House, 1956.

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to economically grow in an independent but coordinated manner, the lack of deeper institutional coordination, uneven economic development paths and intra-regional trade competition is unlikely to lead to a borderless economic community let alone a political union.[39] The ASEAN way will continue driving Asian integration.

Updated 7 November 2014

[39] Xavier Nuttin, "EU-ASEAN Relations in the 21st Century: In Search for Common Values to Forge a Partnership", in Daniel Novotny and Clara Portela (eds.), *EU-ASEAN Relations in the 21st Century. Strategic Partnership in the Making*, Basingstoke and New York, Palgrave Macmillan, 2012, p. 170-171.

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