

## The Political Economy of ASEAN's Evolution Executive Summary



The question of how to foster greater economic integration among the member countries of the Association of South East Asian States (ASEAN) generates lively discussions. Given the rapid success of China and India in attracting foreign direct investment, the collapse of the Doha Round of the World Trade Organization, and the turn to bilateral trade agreements by ASEAN Member Countries and other states, ASEAN must think about ways to ensure its continued economic success. Many studies assert that the only obstacle to cooperation is “political will” but do not elaborate a strategy necessary for creating such will.



This study introduces an analytical approach that characterizes the political and economic forces that lead to the creation of international regimes such as ASEAN. This approach illuminates how the specific principles, norms, rules, procedures, and policies of ASEAN Member Countries were created and have changed over time, and the effect of national actions on regional economic interactions. The study also examines the forces that influence ASEAN's decisions and the effect of those decisions on intra- and extra-regional transactions. In a speculative vein, the study examines economic and political scenarios for the international trading system within which ASEAN and its members operate.



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The analysis underscores the urgency for ASEAN of moving forward with economic integration. A vibrant, large ASEAN regional production center would bring economic benefits to member countries and provide leverage and economic clout to negotiate favorable economic agreements with the region's major trading partners. The study stresses the importance of developing and building political support for changes in principles and norms, rules and procedures, as well as organization and national policies to strengthen the ASEAN regimes. These changes would generate “political will” to drive economic integration and be fully consistent with the evolving “ASEAN Way” of cooperating. Without political will based on broad political support, the ASEAN project will remain a top-down project of the political elite and will founder.

Greater commitment to ASEAN's principles and norms could be pursued by:

- Fostering domestic political coalitions to support forward movement by increasing interchange between political elites and societal groups, particularly in the consideration of new initiatives (expert groups).

- Publicizing the economic benefits of closer economic integration widely through a variety of media and outreach efforts.
- Linking the ASEAN Socio-Cultural Community (ASCC) and ASEAN Economic Community (AEC) in education and research.
- Expanding programs, such as the National University of Singapore's ASEAN research scholar program, into an ASEAN-wide initiative.

Changes that could help strengthen the ASEAN regime include:

- Discussing openly different types of dispute settlement mechanisms and initiatives to show that the WTO mechanism already constrains states.
- Setting clear target dates for compliance with commitment to reduce barriers to the free movement of goods and services.
- Devising clear mechanisms that allow the Secretariat to monitor compliance and issue reports that name Member Countries that have not met their agreed goals.
- Granting aid to recent entrants to help them meet target goals.
- Increasing financial commitment to strengthen the Secretariat's capacity.
- Expanding programs such as the ASEAN Single Window initiative to create incentives for business groups to participate and see the benefits of ASEAN integration.

Creating national political coalitions that sustain integration could involve ASEAN:

- Specifying criteria for the negotiation of individual member state bilateral accords.
- Creating region-wide adjustment assistance programs for those adversely affected by market-opening measures.
- Offering policy advice on domestic policies supportive of liberalization and integration.
- Conducting open debates about the efficacy of infant industry promotion.
- Linking the ASCC to AEC to promote awareness of possible losses and compensation policies to cope with regional and global liberalization