

Revisiting the Regional Integration of ASEAN: A Comparison with the EU

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Abstract. This study provides a comparative analysis of regional integration processes in the Association of Southeast Asian Nations (ASEAN) and the European Union (EU) within the framework of Liberal Intergovernmentalism (LI). The formation of state preferences, the role of decision-making regimes, and the selective nature of integration in these two regional blocs are discussed. While both organizations have achieved substantial results in regional cooperation, they differ significantly in the depth and scope of their integration. ASEAN emphasizes the preservation of national sovereignty, resulting in limited progress, while the EU has achieved deep economic and political integration by delegating sovereign powers and empowering supranational institutions. The study also looks into the ongoing ASEAN in the changing global economic landscape, highlighting the increasing influence of economic interests, globalization, and the need for regional unity in the face of external challenges. In conclusion, while ASEAN and the EU have followed divergent paths of regional integration, they continue to evolve in response to internal and external dynamics.

Keywords: ASEAN; EU; regional integration; comparative analysis; Liberal Intergovernmentalism.

1. Introduction

In the wake of a changing global economic landscape, characterized by a retreat from economic globalization and a resurgence of regionalization, the Association of Southeast Asian Nations (ASEAN) and the European Union (EU) stand out as notable examples of regional integration but differ significantly in the depth and scope of their integration where the EU has established the monetary union while ASEAN has not yet evolved from a regional free trade zone to a fully established common market. Many scholars have investigated the evolution of regional integration and Moravcsik proposes a theory of Liberal Intergovernmentalism (LI), combining insights from liberalism and institutionalism, to explain factors that influence European integration [1]. LI posits that states are rational actors seeking collective outcomes in alignment with their national preferences through intergovernmental negotiation and bargaining within supranational institutions [2]. It divides the evolution of European integration into three stages: forming national preferences, reaching a substantive bargain, and creating regional institutions. LI has also been applied to the integration process in ASEAN, indicating that states' preferences and integration choices may differ from those of EU members which ultimately affect the evolution and the selective nature of the regional block [3]. Many scholars suggest that individual states' desires for economic gains dominate the explanation of regional integration in the EU but political and sovereignty concerns come as the priority for ASEAN member states [4,5]. Kim also emphasizes the importance of focusing on the changing influencing factors of ASEAN integration within the contemporary global political and economic landscape [4]. Though extensive research has been conducted on their respective evolution, few have focused on the comparison of their integration processes within LI theory and explained why the two blocks present differently in the outcomes of integration. Therefore, it is of research significance to examine these two regional blocs from a comparative perspective to dig out how different national preferences shape different processes of regional integration. Building upon previous theoretical studies, this research first gives an overview of the research subjects and then delves into the comparison of integration in ASEAN and the EU to investigate the similarities and differences in forming state preferences, creating decision-making regimes, and selecting the nature of integration



in the two regional blocs. It also looks at factors affecting the ongoing ASEAN and attempts to explain ASEAN's development in integration in response to the evolving global order.

2. Overview of ASEAN and the EU

Founded in 1967, ASEAN originally consisted of Indonesia, Malaysia, Philippines, Singapore, and Thailand, and was later expanded to 10 member states. The association primarily aims to promote economic growth, regional stability, and cooperation. ASEAN adheres to the principle of non-interference in the internal affairs of member states. Decision-making is often based on consultation and consensus among member states and follows what is known as the ASEAN Way--A unique diplomatic model developed by ASEAN countries that emphasizes cooperation through informal means such as consultation and dialogue. Settlement of disputes through informal consultations and dialogues is a major feature of ASEAN. Economic integration within ASEAN has progressed through mechanisms such as the ASEAN Free Trade Area (AFTA) and the ASEAN Economic Community (AEC), reducing tariffs and creating a single market within the region. Additionally, ASEAN has initiated cross-regional cooperation, from ASEAN Plus Three (APT) to the Regional Comprehensive Economic Partnership (RCEP), seeking extensive cooperation across the broader Asia-Australia region.

The EU traces its origins to the European Coal and Steel Community (ECSC) in 1951, which evolved into the European Economic Community (EEC) in 1957. Formally founded in 1993, the EU aims to facilitate post-war economic recovery, promote economic cooperation, and prevent another devastating war in Europe. The fundamental principles of the EU include democracy, the rule of law, human rights, and equality. Well-established supranational institutions, such as the European Commission (EC) and the European Parliament, play significant roles in addressing interstate issues within the EU. Compared to ASEAN, the EU is more advanced in economic integration. In addition to the complete abolition of tariffs and quotas and the introduction of common tariffs vis-à-vis third countries, the EU achieved the free movement of factors of production between members of the common market in the 1990s. Moreover, the EU has transformed into a monetary union, sharing a single currency, the euro, and conforming to a unified monetary policy.

Despite different regional contexts, approaches, and goals, both ASEAN and the EU have achieved substantive outcomes in regional cooperation and integration.

3. Comparative Analysis of the Integration Process of ASEAN and the EU

This section conducts a comparative analysis of economic integration in ASEAN and the EU within the theoretical framework of Liberal Intergovernmentalism (LI) to identify similarities and differences in national preference formations, the role of decision-making regimes, and the selective nature of integration between these two regional blocs.

3.1. National Preference Formations

According to Moravcsik [2], three essential elements are shaping national preferences: national beliefs, national security concerns, and economic interests. In the case of the EU, European integration was initially driven by a cosmopolitan ideal proposed by federalists, and the motivation behind building a European superstate and the sense of a common European identity became prevailing beliefs at that time. The EU's state preferences tend to prioritize deeper integration into a superstate, while ASEAN's state preferences are often driven by a desire to preserve national sovereignty, given the diverse political systems and economic disparities within the region which is mostly composed of less-developing and authoritarian states. The member states in Southeast Asia shared a similar history of colonization and many of them only became independent after World War II. They united for anti-colonial purposes while seeking to maintain independence and self-autonomy. Sovereignty is an extremely sensitive issue to ASEAN states and thus ASEAN states have less

political will to bear the sovereignty costs for deeper integration which is believed to likely threaten their domestic security and the vested interests of the incumbent regime [4].

Both in ASEAN and the EU, state preferences are strongly influenced by economic interests, with member states seeking to maximize their benefits within a liberal economic framework. The gains from the liberalization of trade, goods, capital, human capital, and all factors of production have highly motivated these coalitions toward greater regional integration. Moravcsik points out that European integration was mainly driven by the economic interest of producer sides and geopolitical or ideological motivations ranked behind, whereas political and security concerns play a more significant role than economic interests in shaping ASEAN members' state preferences [6]. Therefore, EU members are more willing to transfer sovereign powers to supranational authorities for deeper political and economic integration, while ASEAN states prioritize preserving their national sovereignties.

3.2. Roles of Decision-Making Regimes

Given the different extent of willingness to surrender their sovereignties in exchange for more collective outcomes, the EU and ASEAN have developed different decision-making regimes to manage interstate affairs. Liberal Intergovernmentalism (LI) proposes a theory of "Two-Level Games", emphasizing that interstate regimes should not only reduce the transaction costs of collective decision-making for each member but also help strengthen their control over domestic affairs and attain national goals otherwise unachievable. This reflects a trade-off between the political risk of uncontrolled sovereign authorities and a more effective decision-making process under supranational institutions. The EU has created the European Commission (EC), and many other powerful supranational institutions, and made them acceptable to national governments by pooling national sovereignty through arrangements for qualified majority voting and delegating sovereign powers to semi-autonomous institutions. While the EU prioritizes efficiency, ASEAN holds a more cautious opinion toward supranational institutions, empowering them with a more advisory and coordinating role, without significant policy-making power. As the so-called ASEAN Way shows, most decision-making processes in ASEAN are consensus- and consultation-based, often resulting in non-binding agreements, reflecting its intergovernmental nature.

3.3. Selective Nature of Integration

These varying state preferences and decision-making regimes influence the nature of integration. As LI theory has recognized integration is not uniform across all policy areas but selective in certain areas where member states perceive direct benefits and where their sovereignty is not significantly compromised. The EU has quickly evolved into a highly integrated political and economic union and has pursued a path of economic integration (customs union, common market, and monetary union) as well as political integration (common foreign policy, legal system, and supranational institutions like the European Parliament). However, the process of ASEAN integration is gradual and selective. It has been relatively stagnant in the development of integration after the establishment of the AEC. It has not yet evolved from a regional free trade zone to a fully established common market and has not pursued monetary union or deeper political integration. As the domestic ruling elites might prefer liberalization in selective areas, member states in ASEAN choose to cooperate in areas where they perceive mutual benefits, such as economic integration and security cooperation, while maintaining sovereignty in other areas.

In summary, under the theoretical framework of Liberal Intergovernmentalism (LI), it is evident that while ASEAN and the EU share some similarities in terms of national preferences and reliance on intergovernmental cooperation, they differ significantly in the role of supranational institutions and the depth and scope of integration, which is determined by different states' preferences. ASEAN's approach reflects a stronger emphasis on national sovereignty, non-binding agreements, and non-interference in the domestic affairs of member states, whereas the EU's integration is characterized by stronger supranational institutions and binding decisions in multiple policy areas.

4. The Ongoing ASEAN in the Changing Global Landscape

As summarized above, ASEAN has been widely recognized to be more influenced by political rights than economic interests and has been cautious about deeper integration through the creation of a single market which might threaten the survival of domestic authoritarian regimes [4]. This has been proved by the relatively low level of economic interdependence within the region even after the establishment of AFTA and AEC, which could be demonstrated by the share of intra-ASEAN export to the total export. As Fig 1 shows, extra-ASEAN export exceeds intra-ASEAN export by three times, and the data has kept constant at a similar level in the last two decades [7,8]. However, according to the data published by the Eurostat(Fig 2), most member states in the EU had a share of intra-EU export between 50 % and 75 % in 2022, showing that the share of extra-EU export was higher than the share of intra-EU export [9]. The relatively low level of trade dependence in ASEAN, to some extent, has reflected that member states have less incentive to promote regional economic integration than their peers do and has also resulted in little progress in regional economic integration [10].

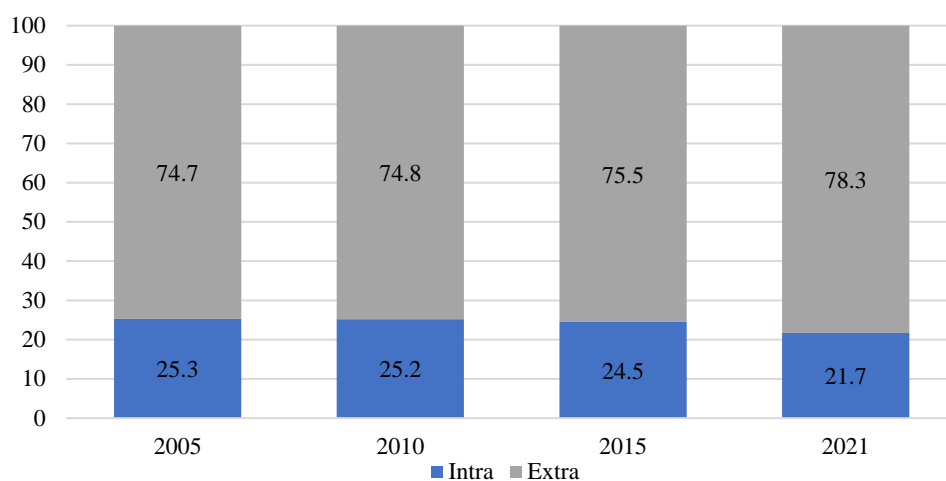


Fig. 1 Share of Intra- and Extra-ASEAN Export, 2005-2021(%) [8]

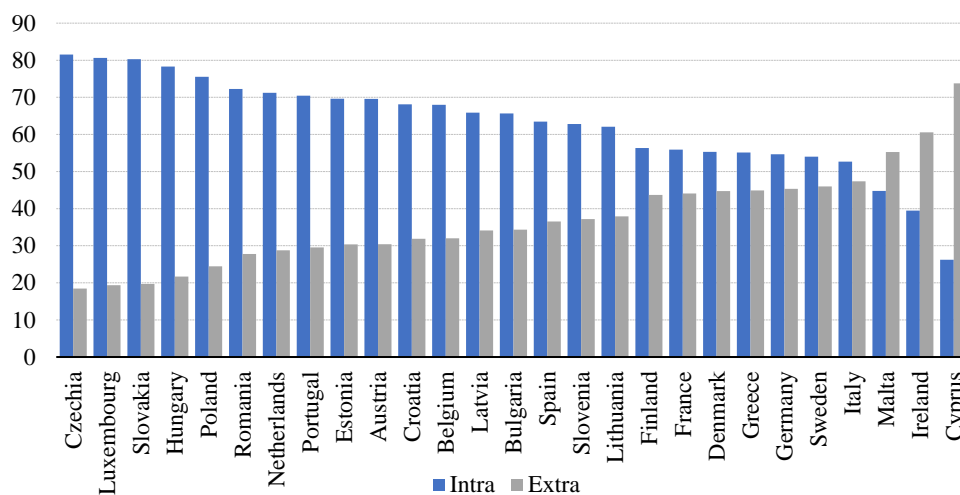


Fig. 2 Share of Intra- and Extra-EU Export by Member State, 2022(%) [9]

While ASEAN maintains a lower level of intra-regional trade compared to the EU, several factors are shaping the ongoing development of ASEAN in the contemporary global landscape. As Kim points out ASEAN members' preferences on regional integration could change over time and their preferences are not only shaped by endogenous factors like economic interdependence and domestic politics but also by external shocks like external economic crises and the changing international political and economic landscape [4]. When economic interests take precedence over political interests, or when external crises threaten domestic economic growth and regime stability, ASEAN

has to deepen regional integration to gain more competitiveness in the global economy and stabilize domestic regimes.

4.1. Strengthening Economic Incentives

Economic interests have increasingly influenced ASEAN's integration efforts, driven by globalization, foreign direct investment flows, and the need to enhance global competitiveness. The process of globalization in the 21st century, with the opening of global markets and increasing flows of foreign direct investment (FDI) worldwide, has induced ASEAN countries to work as a more integrated economic community to enhance their competitiveness on the global stage.

4.2. Awareness of Financial Cooperation

The Southeast Asian financial crisis in the 1990s then highlighted the importance of economic and financial cooperation among its members to withstand the impact of external economic shocks, and reduce its dependence on external support, such as conditional loans from the International Monetary Fund (IMF). Especially these member States with weak financial risk regulatory and prevention capacities have begun to realize that they had to address the financial crisis through enhanced intergovernmental cooperation and more collective action, otherwise, they will need to bear more costs or even more damage to domestic political and economic stability. After that, the Chiang Mai Initiative Multilateralization (CMIM) was set up for financial cooperation, currency swaps, internal funding, and crisis prevention.

4.3. Rivals from Extra-Region

Moreover, with the rise of China, the major trading powers in Asia, and the surge of regional multilateral trade mechanisms in Asia and beyond, ASEAN has recognized the need for a more unified ASEAN to negotiate with external partners from a position of strength [11]. Though ASEAN has maintained a relatively low level of intra-regional trade, it has been actively pursuing external cooperation mechanisms with trading partners outside the region, exemplified by the Regional Comprehensive Economic Partnership (RCEP) and other bilateral agreements, which has also created an impetus for ASEAN to harmonize its internal trade and economic policies for further integration. Unlike the EU's deepening of internal cooperation, ASEAN, based on its different regional conditions and nature, seems to expand its external cooperation with the outside economy and explore its ASEAN-Way of regional cooperation.

5. Conclusions

This comparative analysis of ASEAN and the EU's regional integration processes provides valuable insights into the factors shaping these two regional blocs. Liberal Intergovernmentalism (LI) serves as a useful framework for understanding the dynamics of state preferences, the role of decision-making regimes, and the selective nature of regional integration. While both ASEAN and the EU have demonstrated the importance of regional integration, they have adopted distinct approaches. The EU's willingness to transfer sovereign powers and empower supranational institutions has led to deep economic and political integration. In contrast, ASEAN's emphasis on preserving national sovereignty and consensus-based decision-making has resulted in more gradual and selective integration. However, the ongoing development of ASEAN reflects its response to the changing global landscape. Economic interests have gained prominence, prompting greater regional cooperation and harmonization of economic policies. In conclusion, while ASEAN and the EU have followed divergent paths of regional integration, they continue to evolve in response to internal and external dynamics. Understanding these differences and commonalities might be essential for comprehending the complexities of regional integration in the contemporary world.

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