



**ADB Working Paper Series**

**TIME TO LOOK EAST: LESSONS  
FROM REVISITING ASIAN  
ECONOMIC INTEGRATION**

---

Upalat Korwatanasakul

No. 1110  
April 2020

**Asian Development Bank Institute**

Upalat Korwatanasakul is an assistant professor at the School of Social Sciences of Waseda University, Tokyo.

The views expressed in this paper are the views of the author and do not necessarily reflect the views or policies of ADBI, ADB, its Board of Directors, or the governments they represent. ADBI does not guarantee the accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.

Working papers are subject to formal revision and correction before they are finalized and considered published.

The Working Paper series is a continuation of the formerly named Discussion Paper series; the numbering of the papers continued without interruption or change. ADBI's working papers reflect initial ideas on a topic and are posted online for discussion. Some working papers may develop into other forms of publication.

Suggested citation:

Korwatanasakul, U. 2020. Time to Look East: Lessons from Revisiting Asian Economic Integration. ADBI Working Paper 1110. Tokyo: Asian Development Bank Institute. Available: <https://www.adb.org/publications/time-look-east-lessons-revisiting-asian-economic-integration>

Please contact the authors for information about this paper.

Email: [upalat@aoni.waseda.jp](mailto:upalat@aoni.waseda.jp), [korwatanasakul.upalat@gmail.com](mailto:korwatanasakul.upalat@gmail.com)

Asian Development Bank Institute  
Kasumigaseki Building, 8th Floor  
3-2-5 Kasumigaseki, Chiyoda-ku  
Tokyo 100-6008, Japan

Tel: +81-3-3593-5500  
Fax: +81-3-3593-5571  
URL: [www.adbi.org](http://www.adbi.org)  
E-mail: [info@adbi.org](mailto:info@adbi.org)

© 2020 Asian Development Bank Institute

**Abstract**

Covering major Asian economic blocs and dialogues, this study comprehensively reviews the true progress of “Asian” economic integration in comparison with the European Union (EU) and examines the factors contributing to the integration. The results show that comprehensive continent-wide economic integration in Asia is unlikely to happen soon, since the integration is confined mainly to East and Southeast Asia, while other regions are much less integrated and globalized. The Association of Southeast Asian Nations and the Regional Comprehensive Economic Partnership perform well in terms of trade and market integration and show high potential in leading other economic blocs in the region. The results also suggest that gradual integration and expansion would help intensify Asian economic integration through capacity-building and technological development from more advanced economic blocs. This would help the less developed blocs to integrate smoothly with the others. This study also argues that the factors or attributes proposed in the previous literature—among others, pooled sovereignty; historical reconciliation; common institutions; and heterogeneity in economic, political, and social factors—are irrelevant in the context of Asian economic integration. Instead, the scope, depth, and sequencing of the integration process largely explain the success of the Asia model. Unlike the experience of the EU, the model is heavily market-driven and private-sector oriented due to the impact of globalization and changes in global trade patterns and production process, such as fragmented trade and production, and regional production. Government and institutional mechanisms are relatively unimportant in the Asia model.

**Keywords:** Asian economic integration, economic integration, regional integration, intraregional trade, European Union, integration policy

**JEL Classification:** F10, F15, F50, F55

## Contents

|     |  |    |
|-----|--|----|
| 1.  | INTRODUCTION .....   | 1  |
| 2.  | LITERATURE REVIEW .....  | 2  |
| 2.1 | Factors Leading to the Success of the EU and the Failure of Economic<br>Integration in Asia..... | 2  |
| 2.2 | Reciprocal Lessons from the Development of ASEAN and the EU.....                                 | 3  |
| 3.  | BRIEF OVERVIEW OF ECONOMIC INTEGRATION IN ASIA AND EUROPE.....                                   | 5  |
| 4.  | EVALUATING POTENTIAL ECONOMIC AND TRADE INTEGRATION.....   | 7  |
| 5.  | LESSONS FROM REVISITING ASIAN ECONOMIC INTEGRATION .....   | 17 |
| 6.  | CONCLUSION AND POLICY RECOMMENDATIONS .....  | 19 |
|     | REFERENCES .....   | 21 |

## 1. INTRODUCTION

The concept of economic integration was introduced almost a century ago, but its progress has never risen as rapidly as in the last decades. On the one hand, the Association of Southeast Asian Nations (ASEAN) usually represents Asian economic integration due to the importance of its fast-growing economy; its central role in connecting powerful nations such as the People's Republic of China (PRC), Japan, and the Republic of Korea; and its promising integration progress. However, ASEAN has been criticized heavily for its ineffectiveness in decision-making and problem-solving owing to its rule-by-consensus and non-interference principles. This has convinced many studies to conclude that ASEAN should follow the European Union (EU) model and abandon the ASEAN way. On the other hand, representing the most comprehensive economic integration, the EU has been regarded as the ultimate success in economic integration by many and used as a yardstick to compare with other regional economic or trade blocs. The EU model seemed well-functioning until the eruption of the European debt crisis in 2009 and, recently, the withdrawal of the United Kingdom (UK), or Brexit, in 2016. These incidents have shaken the credibility of the EU model and called for the attention of other nations which are following the EU model, causing them to think twice.

Against this backdrop, it is more important than ever to revisit economic integration in Asia and Europe to understand the economic and political motivations and implications behind integration. Much research has been conducted on this topic, and what we know so far is the following. (i) Previous literature focuses only on the progress of East Asian integration, or even a narrower economic bloc, ASEAN. (ii) A comprehensive list of economic, political, and social factors leading to different stages of economic integration between Asia and Europe has been given. As Park, Kim, and Park (2015) put it, "Literally, we could extend the list by adding anything that distinguishes Asia from Europe. As the list gets longer, however, economic integration in Europe increasingly seems as a *sui generis* phenomenon, without bearing any theoretical implications". To fill the gap in the literature, this study therefore tries to answer two research questions: (i) what is the current progress of Asian economic integration: and (ii) what are the factors that contribute to integration? First, this study comprehensively, but not exhaustively, reviews the true progress of Asian economic integration, not just ASEAN+n. Thus, the scope of the review covers major Asian economic blocs and dialogues, including the Asia Cooperation Dialogue (ACD), ASEAN, the Economic Cooperation Organization (ECO), the Eurasian Economic Union (EAEU), the Gulf Cooperation Council (GCC), the Regional Comprehensive Economic Partnership (RCEP), and the South Asian Association for Regional Cooperation (SAARC), in comparison with the EU. Second, this study argues that the factors proposed in the previous literature—among others, pooled sovereignty; historical reconciliation; common institutions; and heterogeneity in economic, political, and social factors—are perhaps irrelevant in the context of Asian economic integration. Analysis in this area will aid in greater understanding of the mechanism and role of economic integration, and in predicting the future movement of regional enlargement in both Asia and Europe.

This paper is structured as follows, Section 2 discusses the previous literature regarding economic integration in Asia and Europe. Factors affecting both integration and reciprocal lessons from the integration in Asia and Europe are presented. Section 3 provides a brief overview of the integration in both regions with descriptive statistics and historical background. Section 4 evaluates the market integration and presents an empirical analysis, while lessons from Asian economic integration are discussed in Section 5. Section 6 concludes and offers policy recommendations.

## 2. LITERATURE REVIEW

After the establishment of the European Economic Community (EEC), a customs union stage of the EU, in 1957, research on economic integration in Europe found its place in the international economics and trade literature (among others, Balassa 1975; Bacon, Godley, and McFarquhar 1978; Molle 1980; Owen 1983; Milward 1984). Nevertheless, it was not until the late 1990s and early 2000s that there was a surge of studies on ASEAN, the EU, and comparison of these two economic blocs. This was due largely to the 1997 Asian financial crisis that drove ASEAN countries to actively work together as an economic bloc, and the adoption of the euro currency in 2002 by the EU. With these two historical events, the literature has primarily focused on identifying the impacts and benefits to each bloc, the differences between the blocs, and the lessons learnt, mostly, from the EU by ASEAN, and sometimes the other way around. This section offers a comprehensive literature review of the factors contributing to the different stages of economic and regional integration between Asia and Europe, along with a list of the lessons learnt from the development of the EU and ASEAN.

### 2.1 Factors Leading to the Success of the EU and the Failure of Economic Integration in Asia

**Economic, political, and social heterogeneity.** Great heterogeneity and diversity among countries in ASEAN, or Asia in general, have been argued to be a significant factor hindering the process of their regional integration (e.g., Sakakibara and Yamakawa 2003; Blandy 2005; Fong 2005; Langhammer 2007; Zepter 2008; Murray 2010; Plummer 2010). Compared to Europe, Asia is such a complex entity with a lower level of collective regional identity. Different levels of economic development (e.g., Feng and Genna 2003); a variety of legal and political systems; and diverse cultures, religions, and customs (e.g., Moxon-Browne 2008; Mashodo 2015) can be observed throughout the region. This complexity comes with higher transaction and coordination costs, and therefore determines the nature of Asian regional integration (Mashodo 2015), which is starkly different from the European experience.

**Pooled sovereignty, historical reconciliation, and common institutions.** Baldwin (2011) contends that supranational institutions, usually achieved through sovereignty sharing and historical reconciliation (Cameron 2010; Mashodo 2015), are necessary for deep economic integration. Supranational institutions provide a clear policy framework and legal mechanism. Even though the historical reconciliation between France and Germany granted the success of the EU, Asian regional integration opts to remain shallow and less institutionally designed, but more bilateral and intergovernmental (Berkofsky 2005; Langhammer 2007; Börzel and Risse 2009; Murray 2010; Mashodo 2015). It shows no interest in pooled sovereignty, especially among countries in South and Southeast Asia (Blandy 2005; Fong 2005; Venables, Winters, and Yueh 2007; Cameron 2010; Plummer 2010; Baldwin 2012). It seems that economic and regional integration in Asia is shaped by the political intentions of states mainly to conserve their

national identities (Ravenhill 2009; Plummer 2010). Without genuine reconciliation among Asian countries, regional integration seems far-fetched.

**Regional leader and power balance.** Lack of regional leaders and economic and political power balance also delay the integration process (Baldwin 2007; Venables, Winters, and Yueh 2007; Cameron 2010; Urwin 2014; Mashodo 2015). The driving force behind integration in Europe came largely from France and Germany, which have acted as the regional leaders since the inception of the EU. Along with the EU enlargement, Italy and the UK came to play a significant role in the power balance, especially in terms of economics. Baldwin (2007) argues that this scenario prevents the emergence of a hegemon and helps promote integration. This is unlikely to be the Asian case, however, where there have been no clear leaders in the region (Baldwin 2012).

**Consensus, tolerance, and internal support.** A consensus approach, together with solidarity and tolerance, is an important mechanism behind the success of the EU (Cameron 2010). This approach prompts all member states to support each other and move forward together without leaving anyone behind. For example, in the 1970s, the EU implemented structural and regional funds to address the problems of less developed economies such as Spain and Portugal. Moreover, in the time of financial crisis, the EU provided a bailout program and significant financial transfers to Cyprus, Greece, Ireland, and Portugal to allow those countries catch up with the norm. It seems obvious that economic reform through internal expenditure programs and balanced economies among the member states are prerequisites for the process of economic integration (Ren and Ma 2007; Das 2009; Mashodo 2015). Although Asian integration is based on a consensus approach, there is no mechanism to level economies among member states. Huge economic gaps and unbalanced economic growth are generally observed in Asia, where monetary and financial cooperation remain weak (Feng and Genna 2003; Kang 2009).

**The US's role toward integration and external support.** One factor contributing to the development of the EU was support from the United States in the early stages of European integration (Beeson 2005; Eichengreen 2007; Cameron 2010; Murray 2010; Murray and Orcalli 2012). Apart from the economic benefits created by integration, the EU was a fruit of the exigencies of war-time reconstruction and the Cold War. Therefore, the US played a large role in shaping and supporting the EU. Unlike the experience of the EU, there has been no concrete support from the US in any Asian integration.

## 2.2 Reciprocal Lessons from the Development of ASEAN and the EU

The EU has been characterized as a supranational institution with shared regional sovereignty among its member states. It has clear frameworks and policies for all three pillars, namely economic, political, and social. Together with an enforceable legal system, this strong institution has delivered stability and prosperity for all three pillars. In terms of the economic pillar, the EU's main economic driving forces are its well-developed single market and monetary union that promote free movement of goods, services, capital, and people. These, in turn, help in encouraging competition among member countries and maximizing economic growth and welfare for citizens, while maintaining regional economic and financial stability. To further ensure market efficiency, the EU created regional structural and cohesion funds to support less developed members to close an economic gap among member countries thanks to its principles of solidarity and tolerance. As Asian integration is still in an early stage, it can perhaps benefit from these positive features of the EU model.

Nonetheless, there are shortcomings of the EU model that Asia should be aware of. Its well-established institution came with the cost of losing its flexibility. It has created complex and rigid rules and regulations in several areas, especially in the labor market (Plummer 2006). This has led to economic inefficiencies, as the market cannot quickly adapt to new investment trends and opportunities. Furthermore, additional inefficiencies can be observed in other aspects, including subsidy and expenditure programs such as the Common Agricultural Policy (CAP) that prevents competition in the agricultural sector, and the EU's preference for regionalism over multilateralism (Capannelli and Filippini 2010). The preference for regionalism causes the EU to be overly protected and to narrow its possibilities for being more integrated into global value chains.

In contrast, the EU may be able to learn from the ASEAN integration model. ASEAN is based on the non-interference principle and a consensus decision-making approach. Compared to the EU, ASEAN, or Asia in general, is relatively flexible due to its light and liquid mechanisms (Pascha 2004). It can promptly respond to, and therefore benefit from, the world market. Moreover, economic integration in Asia is market-driven and largely shaped by the private sector. This is evidenced by the complex regional production networks and trade patterns (Capannelli and Filippini 2010). Therefore, intraregional movements of inputs, labor, investment, and technologies have risen significantly over time. These movements further induce less developed economies to catch up with more developed ones through the transmission of technology, industrial development, and economic growth. However, without clear rules and regulations, the progress of the integration can be hindered when member states do not follow agreed commitments and principles. Table 1 summarizes the reciprocal lessons from the development of ASEAN and the EU.

**Table 1: Reciprocal Lessons from the Development of ASEAN and the EU**

| Areas                     | From Europe for ASEAN  | From ASEAN for Europe   |
|---------------------------|--|---|
| Economic governance       | Backbone of economic laws and good market governance (+)<br>Clear definition of powers among institutions (+)<br>Clear rules for budget proportional contributions (+)<br>Rigidities, especially in the labor market (slow change), and overly complex rules and regulations (-)       | Pragmatism, flexibility, and adaptability to changing global and regional economic environment (including labor market flexibility) (+)<br>No clear rules and legal system to control or punish member states (-)             |
| Economic policy           | Regional structural and cohesion funds (+)<br>Regional exchange rate mechanism and the introduction of the euro (+)<br>Subsidies (e.g., CAP) which hinder competition (-)<br>Expenditure programs to buy off opponents of integration (-)  | Transmission of industrial development and economic growth from advanced to developing economies (+)<br>Market-driven economic dynamism and interdependence (open regionalism, focus on productivity and competitiveness) (+) |
| Organizational principles | Sharing regional sovereignty (+/-)<br>Subsidiarity (+/-)<br>Small-country and minority bias in decision-making and voting mechanisms (-)<br>Peer pressure to create healthy competition among members (+)<br>Preferring regionalism to multilateralism when the latter is possible (-) | Light institutions (+/-)<br>Non-interference principle and consensus decision-making (ASEAN Way) (+/-)  |

Note: (+) indicates a good or positive lesson; (-) indicates a bad or negative lesson.

Source: Author's compilation based on Blandy (2005), Plummer (2006), Capannelli and Filippini (2010), and Mashodo (2015).

In conclusion, what we know so far is the following. (i) The previous literature has intensively studied the impacts and benefits of ASEAN and the EU, differences between



these economic blocs, and the reciprocal lessons learnt from the development of ASEAN and the EU. However, studies of other Asian economic blocs and dialogues have been marginalized, and comprehensive studies of the overall Asian integration, not just ASEAN+n, are rarely found. (ii) The reciprocal lessons from ASEAN and the EU suggest that the EU should be more flexible and market-driven, while ASEAN should be more institutionalized and law-based. (iii) Factors including a) economic, political, and social heterogeneity; b) pooled sovereignty, historical reconciliation, and common institutions; c) regional leader and power balance; d) consensus, tolerance, and internal support; and e) the US's role toward integration and external support contribute to the success of the EU and the failure of Asian integration. Nevertheless, these proposed factors may not necessarily hold true under the current economic context, where the credibility of the EU has been shaken but the rise of Asia can be observed. Revisiting economic integration in Asia and Europe may offer different results, interpretations, and policy implications. This study therefore presents a comprehensive analysis of Asian economic integration covering major Asian economic blocs and dialogues, including the ACD, ASEAN, the ECO, the EAEU, the GCC, RCEP, and SAARC, and contrasting them with the EU experience in order to address the aforementioned gaps and limitations in the previous literature.

### 3. BRIEF OVERVIEW OF ECONOMIC INTEGRATION IN ASIA AND EUROPE

A phenomenon known as the “noodle bowl effect” well describes the characteristics of Asian economic integration. As no clear regional leaders and no common economic institutions have been observed in Asia, Asian countries are likely to adopt pro-free trade agreement (FTA) trade policies and create multiple trade blocs within the region. This section gives a brief overview of the major trade blocs and dialogues in Asia, together with the EU. Table 2 shows the stages of economic integration of the EU and selected Asian economic blocs and dialogues. Some of the economic blocs in Asia, such as the GCC and the EAEU, are in the process of transition toward full economic and monetary union equivalent to the EU, while others—namely the ACD, ASEAN, the ECO, RCEP, and SAARC—are aiming for looser economic ties, such as FTAs and common/single markets.

**Asia Cooperation Dialogue (ACD).** The ACD was established in June 2002 with the organization of the first continent-wide forum in which 18 foreign ministers from the founding member states participated. In 2016, Nepal was the last country to join the ACD, making 34 member countries. The aims and purposes of the ACD are mainly concentrated on economic cooperation and facilitation. This continent-wide dialogue makes the ACD the largest economic dialogue in the world in terms of area (46 million square kilometers), population (4.4 billion), economic size (\$29.3 trillion of GDP), and trade volume (\$15.1 trillion). However, its regional cooperation remains rather informal and at a minimal level.

**Table 2: Stages of Economic Integration of the EU and Selected Asian Economic Blocs**

| Stages of Economic Integration                                   | Dialogue | Free Trade Agreement     | Customs Union | Common/ Single Market | Economic Union   |
|--|----------|--------------------------|---------------|-----------------------|--|
| Zero tariffs within trade bloc                                   |          | Yes                      | Yes           | Yes                   | Yes  |
| Common external tariff   |          |                          | Yes           | Yes                   | Yes  |
| Free movement of capital and labor and some policy harmonization |          |                          |               | Yes                   | Yes  |
| Common economic policies and institutions                        |          |                          |               |                       | Yes  |
| Current economic integration                                     | ACD, ECO | SAARC, RCEP <sup>a</sup> |               | ASEAN <sup>b</sup>    | EAEU <sup>c</sup> , GCC <sup>c</sup> , EU <sup>d</sup> |

Note: ACD: Asia Cooperation Dialogue; ASEAN: Association of Southeast Asian Nations; EAEU: Eurasian Economic Union; ECO: Economic Cooperation Organization; EU: European Union; GCC: Gulf Cooperation Council; RCEP: Regional Comprehensive Economic Partnership; SAARC: South Asian Association for Regional Cooperation.

<sup>a</sup> RCEP is expected to be concluded in 2019.

<sup>b</sup> ASEAN does not have the characteristics of a customs union and no common external tariff regime. It is expected to finalize its agreements on a single market by 2025.

<sup>c</sup> The EAEU and the GCC are in the process of transition toward full economic and monetary union.

<sup>d</sup> The EU is both an economic and a monetary union.

Source: Author's compilation.

**Association of Southeast Asian Nations (ASEAN).** ASEAN was inaugurated in 1967, where five founding countries—namely Indonesia, Malaysia, the Philippines, Singapore, and Thailand—met together to sign the ASEAN Declaration (Bangkok Declaration). Currently, ASEAN comprises ten countries: the five founders, plus five newcomers, including Brunei Darussalam, Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam. ASEAN aims to consolidate the three principal pillars of economic, political, and social cooperation among the member states. ASEAN played a central role in economic integration in Asia, especially East Asia. ASEAN has featured major economic dialogues and FTAs, including ASEAN-PRC, ASEAN-Japan, ASEAN-Republic of Korea, ASEAN+3, ASEAN+6, and RCEP. The central role of ASEAN, coupled with its large market (a population of 647 million) and economy (\$2.8 trillion of GDP), has attracted trade and investment attention from countries around the world. By 2025, ASEAN is aiming to launch its single market. This will promote its intraregional trade and attract more foreign direct investment (FDI).

**Economic Cooperation Organization (ECO).** The ECO is an inter-governmental organization to promote sustainable economic development of its member states and the region as a whole. It was formally established in 1985 with three founders, namely Iran, Pakistan, and Turkey, and currently includes ten countries. The ECO focused mostly on bilateral agreements between member countries rather than a regional FTA. Its progress in economic and regional cooperation is quite slow, with a limited market and economy size. Nevertheless, recently the ECO has put more efforts on its regional FTA and aims to conclude it by 2025.

**Eurasian Economic Union (EAEU).** The EAEU was established as an international organization for regional economic integration in 1995 by five countries located in Central Asia, Western Asia, and Northern Asia. Even though the EAEU's market size and economy are rather small compared with those of other Asian economic blocs, it is the most advanced economic integration in Asia. It created a single market in 2000 and is currently in transition to a full economic and monetary union.

**Gulf Cooperation Council (GCC).** The GCC was established with the signing of the GCC Charter in 1981. The GCC comprises six member states located on the Arabian Peninsula in Western Asia. The objective of the GCC is to strengthen regional cooperation in a wide range of perspectives—among others, economic and financial affairs; commerce, customs, and communications; and social and health affairs. Similar to the EAEU, a single market was achieved in 2008, while it aims to establish an economic union in the near future.

**Regional Comprehensive Economic Partnership (RCEP).** RCEP is the most recent FTA initiative in Asia and was proposed by ASEAN countries plus other six countries, being Australia, the PRC, India, Japan, the Republic of Korea, and New Zealand. The negotiation has been ongoing since 2012 and is expected to be concluded by the end of 2020. RCEP will become the world's largest economic bloc, accounting for virtually half of the global economy (\$25.6 trillion) with a market of 3.6 billion people, and total trade worth \$12.5 trillion.

**South Asian Association for Regional Cooperation (SAARC).** SAARC was established in 1985 with the signing of the SAARC Charter by the seven founding members, namely Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan joined in 2005, forming the eight member states of SAARC. As set out in the Charter, the aim of SAARC is to develop economic, political, and social cooperation among member states. The level of economic cooperation is kept to a minimum, comprising an FTA. Nevertheless, there is a large potential market within SAARC, as the region comprises a population of 1.8 billion.

**European Union (EU).** The EU was established as the European Coal and Steel Community (ECSC) in 1951 by Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. It became a common market known as the EEC in 1957. The EU launched its single market in 1993 and reached the highest economic integration, economic and monetary union, in 2002. Currently, the EU comprises 28 member states. The EU's economic integration is believed to have a positive impact on trade flows and economic development, and spillover effects among the member states (Mashodo 2015). The EU is important in terms of its market size (512 million people), covering 7% of the global population; its large economy (\$17.3 trillion) accounting for 25% of global nominal GDP; and its high trade volume (\$15.2 trillion).

Table 3 summarizes the basic statistics, historical background, and objectives of the economic blocs and dialogues discussed.

## 4. EVALUATING POTENTIAL ECONOMIC AND TRADE INTEGRATION

This section first summarizes the overall economic trends among economic blocs in Asia compared with those of the EU. Figure 1 shows where the Asian economic blocs stand on the EU's economic development path, measured by GDP per capita (PPP) over time. Except for the GCC, all Asian blocs are far behind the EU and show large variation among blocs. In 2017, SAARC was the least developed bloc with \$6,579 of GDP per capita. Its current economic development is roughly equivalent to that of the EU in 1952. In other words, SAARC's economic development is approximately 65 years behind that of the EU. The other Asian economic blocs need at least 15–40 years to catch up with the EU.

**Table 3: Comprehensive Summary of the Selected Economic Blocs and Dialogues in Asia and Europe**

| <b>Economic Bloc or Dialogue</b>     | <b>Asia Cooperation Dialogue (ACD)</b>  | <b>Association of Southeast Asian Nations (ASEAN)</b>   |
|--------------------------------------|---|---|
| Year of establishment                | 2002  | 1967  |
| Stage of development                 |   |   |
| Dialogue                             | 2002  | 1967  |
| Free trade agreement                 |   | 1992  |
| Customs union                        |   | –   |
| Common market/Single market          |   | 2025  |
| Economic union                       |   |   |
| Member states                        | 34<br>Afghanistan, Bahrain, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, PRC, India, Indonesia, Iran, Japan, Kazakhstan, Republic of Korea, Kuwait, Kyrgyz Republic, Lao PDR, Malaysia, Mongolia, Myanmar, Nepal, Oman, Pakistan, the Philippines, Qatar, Russian Federation, Saudi Arabia, Singapore, Sri Lanka, Tajikistan, Thailand, Turkey, United Arab Emirates (UAE), Uzbekistan, Viet Nam  | 10<br>Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam  |
| Headquarters                         | Kuwait City, Kuwait   | Jakarta, Indonesia  |
| Area (km <sup>2</sup> )              | 46,944,946  | 4,489,194   |
| Population (millions, 2017)          | 4,430   | 647   |
| GDP (PPP) (trillions USD, 2017)      | 62.3  | 7.9   |
| GDP per capita (PPP) (USD, 2017)     | 14,061  | 12,279  |
| GDP (nominal) (trillions USD, 2017)  | 29.3  | 2.8   |
| GDP (nominal) per capita (USD, 2017) | 6,621   | 4,271   |
| Total trade (trillions USD, 2017)    | 15.1  | 3.2   |
| Objectives                           | <ol style="list-style-type: none"> <li>1. To promote interdependence among Asian countries in all areas of cooperation by identifying Asia's common strengths and opportunities which will help reduce poverty and improve the quality of life for Asian people whilst developing a knowledge-based society within Asia and enhancing community and people empowerment.</li> <li>2. To expand the trade and financial market within Asia and increase the bargaining power of Asian countries in lieu of competition and, in turn, enhance Asia's economic competitiveness in the global market.</li> <li>3. To serve as the missing link in Asian cooperation by building upon Asia's potential and strengths through supplementing and complementing existing cooperative frameworks so as to become a viable partner for other regions.</li> <li>4. To ultimately transform the Asian continent into an Asian Community, capable of interacting with the rest of the world on a more equal footing and contributing more positively to mutual peace and prosperity.</li> </ol> | <ol style="list-style-type: none"> <li>1. To accelerate 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 Southeast Asian nations.</li> <li>2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter.</li> <li>3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific, and administrative fields.</li> <li>4. To provide assistance to each other in the form of training and research facilities in the educational, professional, technical, and administrative spheres.</li> <li>5. To collaborate more effectively for greater utilization of agriculture and industries; the expansion of trade, including the study of the problems of international commodity trade; the improvement of transportation and communications facilities; and raising the living standards of their peoples.</li> <li>6. To promote Southeast Asian studies.</li> <li>7. To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all</li> </ol> |

avenues for even closer cooperation among themselves.

*continued on next page*

**Table 3** *continued*

| <b>Economic Bloc or Dialogue</b>     | <b>Eurasian Economic Union (EAEU)</b>  | <b>Economic Cooperation Organization (ECO)</b>  |
|--------------------------------------|--|---|
| Year of establishment                | 1995   | 1985  |
| Stage of development                 |  |   |
| Dialogue                             | –  | 1985  |
| Free trade agreement                 | –  | 2025  |
| Customs union                        | 1995/1999  |   |
| Common market/Single market          | 2000   |   |
| Economic union                       | 2014   |   |
| Member states                        | 5  | 10  |
|                                      | Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Russian Federation  | Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan  |
| Headquarters                         | Moscow, Russian Federation   | Tehran, Iran  |
| Area (km <sup>2</sup> )              | 20,260,442   | 8,067,792   |
| Population (millions, 2017)          | 181  | 476   |
| GDP (PPP) (trillions USD, 2017)      | 4.5  | 6.1   |
| GDP per capita (PPP) (USD, 2017)     | 24,795   | 12,922  |
| GDP (nominal) (trillions USD, 2017)  | 1.8  | 1.9   |
| GDP (nominal) per capita (USD, 2017) | 10,018   | 4,071   |
| Total trade (trillions USD, 2017)    | 0.93   | 0.97  |
| Objectives                           | <ol style="list-style-type: none"> <li>1. To develop a full-scale customs union and common economic space.</li> <li>2. To collaborate their efforts to gain admission to the World Trade Organization.</li> <li>3. To harmonize customs tariffs.</li> <li>4. To develop common guidelines on border security.</li> </ol> | To promote sustainable economic development of its member states and the region as a whole.   |
|                                      |  |   |
|                                      | <b>European Union (EU)</b>   | <b>Gulf Cooperation Council (GCC)</b>   |
| Year of establishment                | 1950   | 1981  |
| Stage of development                 |  |   |
| Dialogue                             | 1950   | 1981  |
| Free trade agreement                 | –  | –   |
| Customs union                        | 1957   | 2003  |
| Common market/ Single market         | 1957/1993  | 2008  |
| Economic union                       | 2002   | 20??  |
| Member states                        | 28   | 6   |
|                                      | Austria, Belgium, Bulgaria, Croatia, 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  | Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE   |
| Headquarters                         | Brussels, Belgium  | Riyadh, Saudi Arabia  |
| Area (km <sup>2</sup> )              | 4,384,318  | 2,572,998   |
| Population (millions, 2017)          | 512  | 55  |
| GDP (PPP) (trillions USD, 2017)      | 21.8   | 3.4   |
| GDP per capita (PPP) (USD, 2017)     | 42,517   | 61,033  |
| GDP (nominal) (trillions USD, 2017)  | 17.3   | 1.5   |
| GDP (nominal) per capita (USD, 2017) | 33,836   | 26,476  |
| Total trade (trillions USD, 2017)    | 15.2   | 1.5   |
| Objectives                           | <ol style="list-style-type: none"> <li>1. To promote peace, its values, and the well-being of its citizens.</li> <li>2. To offer freedom, security, and justice without internal borders.</li> </ol>   | <ol style="list-style-type: none"> <li>1. To effect co-ordination, integration, and inter-connection between member states in all fields in order to achieve unity between them.</li> <li>2. To deepen and strengthen relations, links, and areas of cooperation</li> </ol> |

|   |  |
|---|--|
| <p>3. To promote sustainable development based on balanced economic growth and price stability, a highly competitive market economy with full employment and social progress, and environmental protection.</p> | <p>prevailing between their peoples in various fields.</p> |
|---|--|

*continued on next page*

**Table 3** *continued*

|                                      | <b>European Union (EU)</b>   | <b>Gulf Cooperation Council (GCC)</b>   |
|--------------------------------------|--|---|
|                                      | <p>4. To combat social exclusion and discrimination.</p> <p>5. To promote scientific and technological progress.</p> <p>6. To enhance economic, social, and territorial cohesion and solidarity among EU countries.</p> <p>7. To respect its rich cultural and linguistic diversity.</p> <p>8. To establish an economic and monetary union whose currency is the euro.</p> | <p>3. To formulate similar regulations in various fields including the following:</p> <p>3A. Economic and financial affairs.</p> <p>3B. Commerce, customs, and communications. 3C. Education and culture.</p> <p>3D. Social and health affairs.</p> <p>3E. Information and tourism.</p> <p>3F. Legislative and administrative affairs.</p> <p>4. To stimulate scientific and technological progress in the fields of industry, mining, agriculture, water, and animal resources: to establish scientific research: to establish joint ventures and encourage cooperation by the private sector for the good of their peoples.</p> |
|                                      | <b>Regional Comprehensive Economic Partnership (RCEP)</b>  | <b>South Asian Association for Regional Cooperation (SAARC)</b>   |
| Year of establishment                | 2012   | 1985  |
| Stage of development                 |  |   |
| Dialogue                             | -  | -   |
| Free trade agreement                 | 2019/2020  | 1985  |
| Customs union                        |  |   |
| Common market/ Single market         |  |   |
| Economic union                       |  |   |
| Member states                        | 16   | 8   |
|                                      | <p>Australia, Brunei Darussalam, Cambodia, PRC, India, Indonesia, Japan, Republic of Korea, Lao PDR, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, Viet Nam</p>  | <p>Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka</p>   |
| Headquarters                         | N/A  | Kathmandu, Nepal  |
| Area (km <sup>2</sup> )              | 25,826,602   | 5,135,333   |
| Population (millions, 2017)          | 3,581  | 1,788   |
| GDP (PPP) (trillions USD, 2017)      | 49.6   | 11.8  |
| GDP per capita (PPP) (USD, 2017)     | 13,863   | 6,579   |
| GDP (nominal) (trillions USD, 2017)  | 25.6   | 3.3   |
| GDP (nominal) per capita (USD, 2017) | 7,145  | 1,870   |
| Total trade (trillions USD, 2017)    | 12.5   | 1.3   |
| Objectives                           | <p>To achieve a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement among the ASEAN member states and ASEAN's FTA partners.</p>  | <p>1. To promote the welfare of the peoples of South Asia and improve their quality of life.</p> <p>2. To accelerate economic growth, social progress, and cultural development in the region by providing all individuals the opportunity to live in dignity and realize their full potential.</p> <p>3. To promote and strengthen collective self-reliance among the countries of South Asia.</p> <p>4. To contribute to mutual trust, understanding, and appreciation of one another's problems.</p>   |

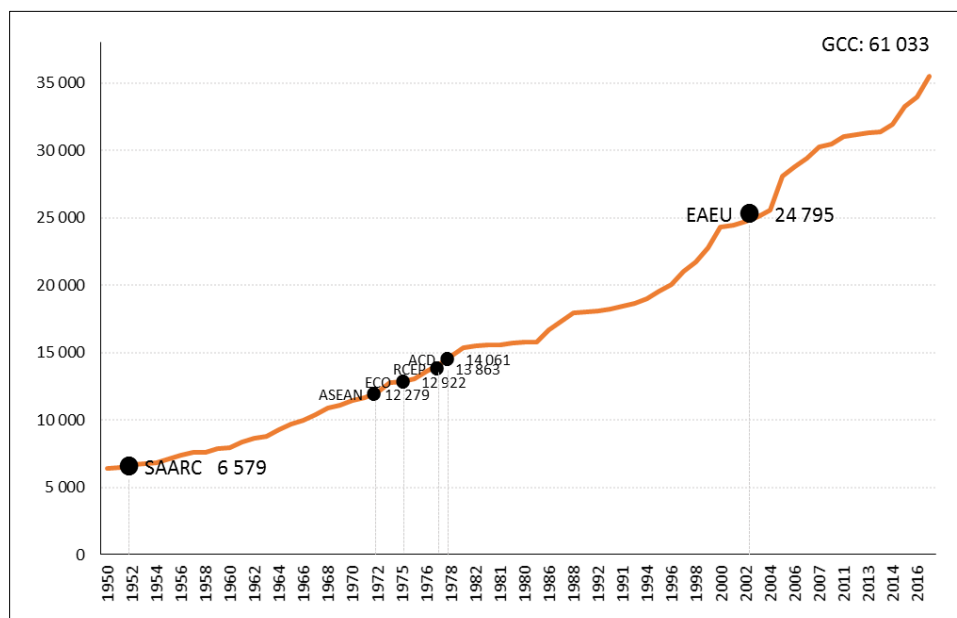
5. To promote active collaboration and mutual assistance in the economic, social, cultural, technical, and scientific fields.
6. To strengthen cooperation with other developing countries.
7. To strengthen cooperation among themselves in international forums on matters of common interest.
8. To cooperate with international and regional organizations with similar aims and purposes.

Note: The countries in bold represent founding member states.

Source: Author’s compilation based on World Bank Open Data (<https://data.worldbank.org/>) and the official websites of each economic bloc and dialogue.

However, the integration timeframe of each bloc differs considerably. While some blocs, such as the EU and ASEAN, have a much longer history, some—the ACD, the EAEU, among others—are relatively new. Table 4 displays the average GDP per capita (PPP) by different time periods constructed from each bloc’s year of establishment or year of major change. There are four time periods: 1957–1966, 1967–1985, 1986–1997, and 1998–2017. Depending on the economic bloc, these time periods correspond to different integration periods. For example, the first integration period (Period 1) of the EU corresponds to the time period 1967–1985, whereas Period 1 for the ACD corresponds to 1998–2017. Figure 2 presents the average GDP per capita (PPP) by integration period (Periods 1–4). The EAEU and the GCC showed greater performance than the EU in Period 1, while ASEAN, the ECO, SAARC, and the ACD lagged behind. In Period 2, economic development in the Asian blocs gradually converged toward that in the EU. With a slow pace of economic development, it is difficult for ASEAN and the other blocs to follow the EU in the next period of their integration. ASEAN’s growth miracle has slowed down and the Asian financial crisis has shaken confidence not just in ASEAN, but also in the other Asian blocs. Currently, ASEAN is making its fullest efforts to realize its single market and RCEP, with the hope of boosting the regional economy through trade and financial intensification.

**Figure 1: GDP per Capita (PPP) in 2017 of Asian Economic Blocs on the EU’s Economic Development Path, 1960–2017 (USD)**



Note: ACD = Asia Cooperation Dialogue; ASEAN = Association of Southeast Asian Nations; EAEU = Eurasian Economic Union; ECO = Economic Cooperation Organization; EU = European Union; GCC = Gulf Cooperation Council; RCEP = Regional Comprehensive Economic Partnership; SAARC = South Asian Association for Regional Cooperation.

Source: Author's calculation and compilation based on Penn World Table 9.1 and World Bank Open Data (<https://data.worldbank.org/>).

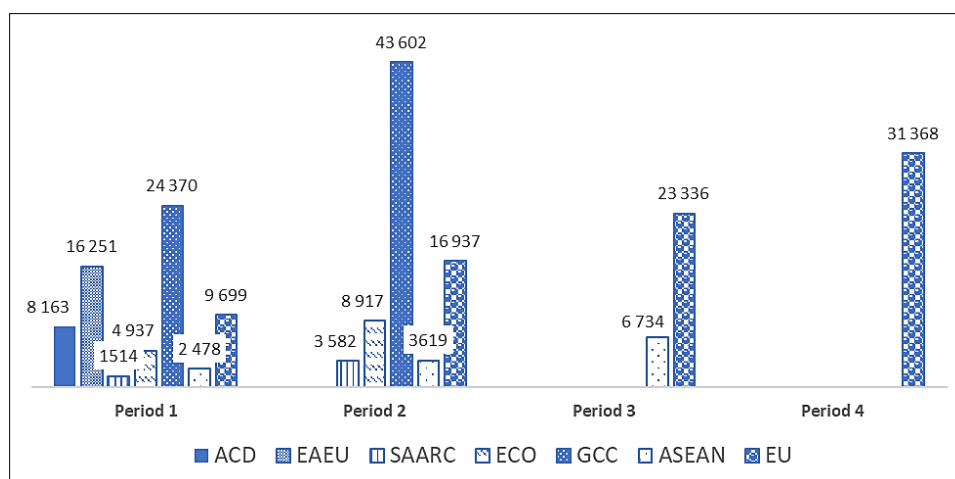


**Table 4: Average GDP per Capita (PPP) of the Selected Economic Blocs and Dialogues in Asia and Europe, 1957–2017 (USD)**

|  | 1957–1966 | 1967–1985 | 1986–1997 | 1998–2017 |
|--|-----------|-----------|-----------|-----------|
| Asia Cooperation Dialogue (ACD)                          |           |           |           | 8,163     |
| Eurasian Economic Union (EAEU)                           |           |           |           | 16,251    |
| Economic Cooperation Organization (ECO)                  |           |           | 4,937     | 8,917     |
| Gulf Cooperation Council (GCC)                           |           |           | 24,370    | 43,602    |
| South Asian Association for Regional Cooperation (SAARC) |           |           | 1,514     | 3,582     |
| Association of Southeast Asian Nations (ASEAN)           |           | 2,478     | 3,619     | 6,734     |
| European Union (EU)                                      | 9,699     | 16,937    | 23,336    | 31,368    |

Source: Author’s calculation and compilation based on Penn World Table 9.1.

**Figure 2: Average GDP per Capita (PPP) by Economic Integration Period (USD)**



Note: ACD = Asia Cooperation Dialogue; ASEAN = Association of Southeast Asian Nations; EAEU = Eurasian Economic Union; ECO = Economic Cooperation Organization; EU = European Union; GCC = Gulf Cooperation Council; RCEP = Regional Comprehensive Economic Partnership; SAARC = South Asian Association for Regional Cooperation.

Period 1: 1998–2017 for ACD and the EAEU; 1986–1997 for the ECO, the GCC, and SAARC; 1967–1985 for ASEAN; 1957–1966 for the EU.

Period 2: 1998–2017 for the ECO, the GCC, and SAARC; 1986–1997 for ASEAN; 1967–1985 for the EU.

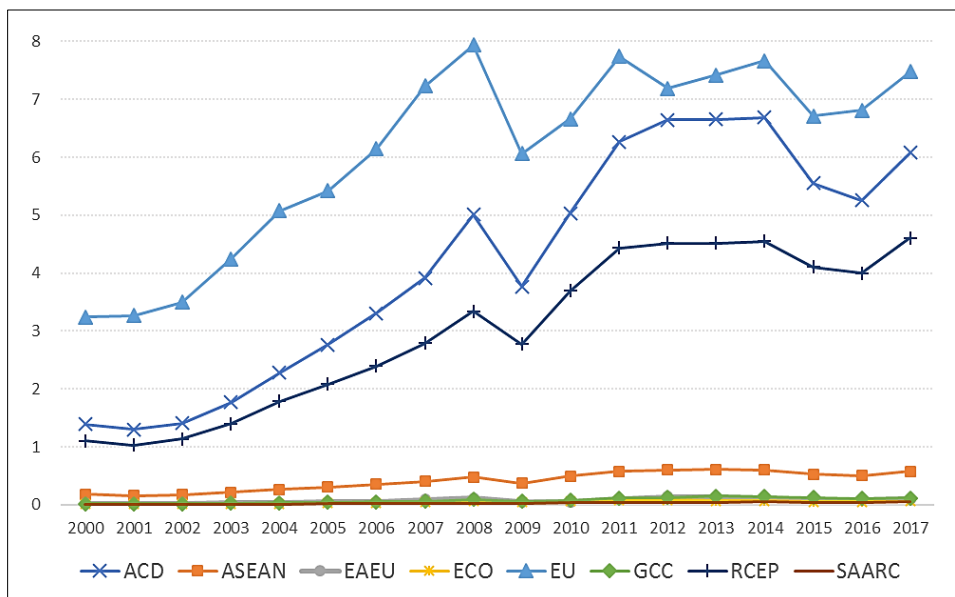
Period 3: 1998–2017 for ASEAN; 1986–1997 for the EU.

Period 4: 1998–2017 for the EU.

Source: Author’s calculation and compilation based on Penn World Table 9.1.

Figure 3 shows the total intraregional trade volume of economic blocs and dialogues in Asia and Europe. The overall intraregional trade volume has increased over time, and reached its peak in 2008. The drop observed in the trade volume is systemic due to the global financial crisis in 2007. Nonetheless, it seems the EU was hit harder than other economic blocs, as a relatively large drop in the intraregional trade volume of the EU can be observed. Thanks to a well-developed intraregional production network, ASEAN has higher intraregional trade volume than the other blocs with a similar number of member countries.

**Figure 3: Total Intra-regional Trade Volume**  
(trillions of USD)



Note: ACD = Asia Cooperation Dialogue; ASEAN = Association of Southeast Asian Nations; EAEU = Eurasian Economic Union; ECO = Economic Cooperation Organization; EU = European Union; GCC = Gulf Cooperation Council; RCEP = Regional Comprehensive Economic Partnership; SAARC = South Asian Association for Regional Cooperation.

Source: Author’s calculation and compilation based on International Monetary Fund, Direction of Trade Statistics.

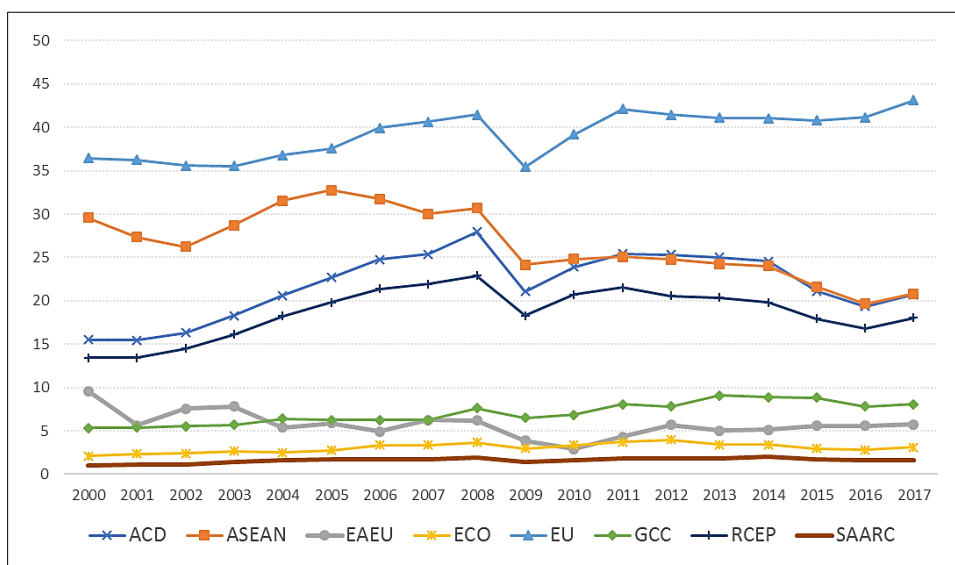
Furthermore, to succinctly measure trade and market integration, three main indicators—namely intraregional trade openness (IT Openness), intraregional trade share (IT Share), and intraregional trade intensity (IT Intensity)—are presented in this section, along with a discussion of each indicator. IT Openness is an indicator of the relative importance of intraregional trade in the economy of an economic bloc. The IT Openness of region “i” is defined as

$$IT\ Openness_i = (X_{ii} + M_{ii}) / (GDP_i) \tag{1}$$

where  $X_{ii}$  is intraregional exports of region  $i$ ,  $M_{ii}$  refers to intraregional imports of region  $i$ , and  $GDP_i$  represents total gross domestic product (GDP) of region  $i$ .

As shown in Figure 4, overall IT Openness increased before the global financial crisis (before 2008). The IT Openness of ASEAN outperforms that of the ACD and RCEP, and is second only to the EU (on average, 8% lower). With the much larger EU, ACD, and RCEP blocs being around 39%, 22%, and 19% respectively, the IT Openness for ASEAN of 27% suggests a comparatively very high level of intraregional integration. In contrast, the IT Openness of the EAEU, the ECO, the GCC, and SAARC remains at a very low level over time, both before and after the crisis. After the crisis, ASEAN’s IT Openness dropped sharply and levelled off thereafter. However, its IT Openness remains at a high level relative to other blocs (approximately 25%).

**Figure 4: Intraregional Trade Openness (Percentage)**



Note: ACD = Asia Cooperation Dialogue; ASEAN = Association of Southeast Asian Nations; EAEU = Eurasian Economic Union; ECO = Economic Cooperation Organization; EU = European Union; GCC = Gulf Cooperation Council; RCEP = Regional Comprehensive Economic Partnership; SAARC = South Asian Association for Regional Cooperation.

Source: Author's calculation and compilation based on International Monetary Fund, Direction of Trade Statistics and World Bank Open Data (<https://data.worldbank.org/>).

IT Share is commonly used to measure regional interdependence. By comparing the relative importance of intraregional and external trade dependence, the IT Share comes with one caveat, that a higher IT share implies a lower extra-regional trade share (less global integration). This may not be a desirable property; therefore, the IT Share should be interpreted cautiously. The IT share of region “*i*” is defined as

$$IT\ Share_i = (X_{ii} + M_{ii}) / (X_{i*} + M_{i*}) \tag{2}$$

where  $X_{ii}$  refers to intraregional exports of region  $i$ , while  $M_{ii}$  refers to intraregional imports of region  $i$ .  $X_{i*}$  represents total exports of region  $i$ , whereas  $M_{i*}$  represents total imports of region  $i$ .

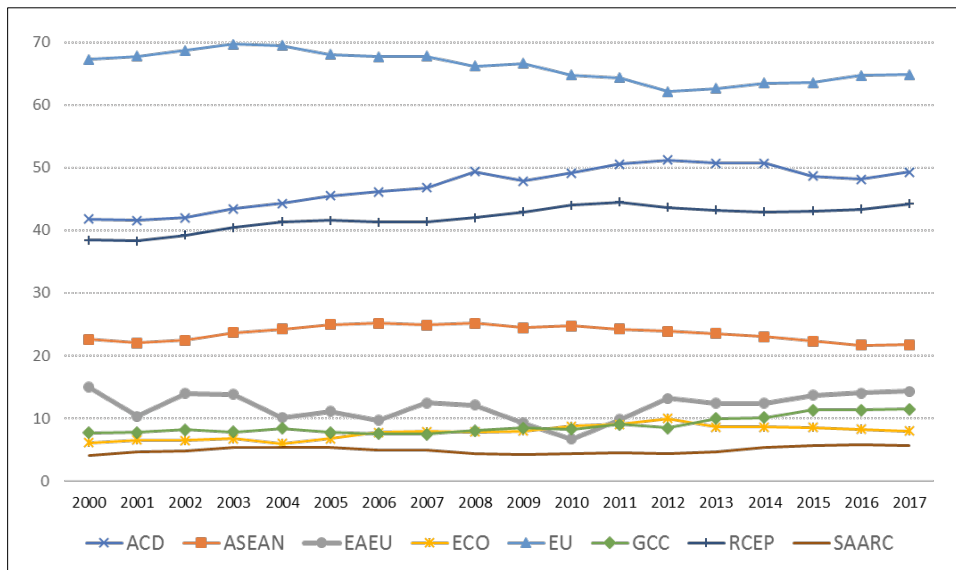
In general, the IT Share of several trade blocs remains constant overtime (Figure 5). ASEAN and the World Bank (2013) explain that this stagnation in IT Share comes from the contrasting trends of imports, exports, and overall trade at the country and sectoral levels. The EAEU, the ECO, the GCC, and SAARC indicate a low level of intraregional interdependence, roughly only 10%. While ASEAN's IT Share is moderate at 24%, the shares for the ACD and RCEP have gradually increased and account for almost half of the total trade of the regions. However, the shares are still lower than that of the EU by approximately 20%.

Figure 6 presents the long-term trend of IT Intensity. This index measures a degree of intraregional interdependence, given the region's importance in world trade. Therefore, the index is less size-dependent and more internationally comparable than IT Share (ASEAN and the World Bank 2013). The IT Intensity of region “*i*” is defined as

$$IT\ Intensity_i = \frac{(X_{ii} + M_{ii}) / (X_{i*} + M_{i*})}{(X_{*i} + M_{*i}) / (X_{**} + M_{**})} = \frac{IT\ Share_i}{(X_{*i} + M_{*i}) / (X_{**} + M_{**})} \tag{3}$$

where  $X_{*i}$  refers to total exports of region  $i$  to the world, while  $M_{*i}$  refers to total imports of region  $i$  from the world.  $X_{**}$  represents total world exports, whereas  $M_{**}$  represents total world imports.

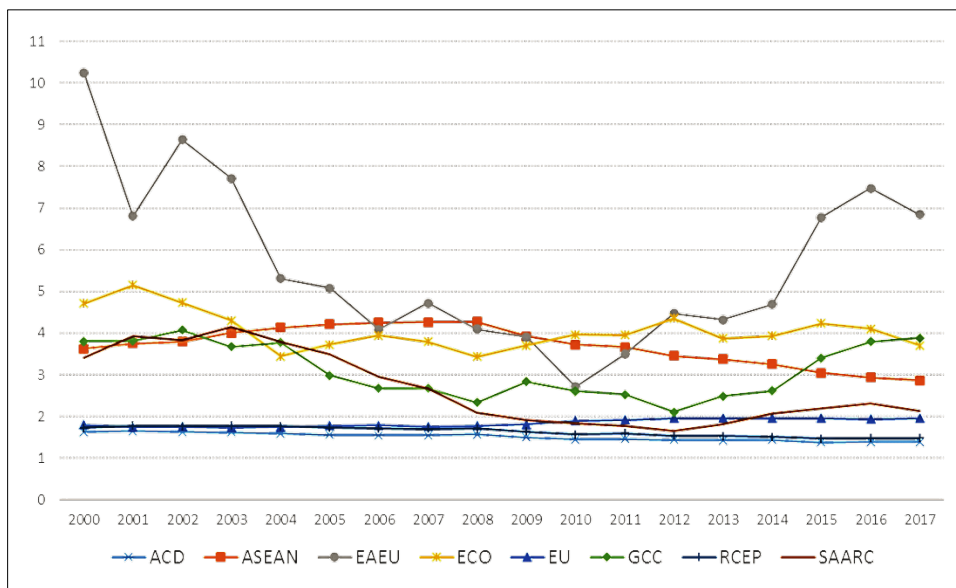
**Figure 5: Intraregional Trade Share (Percentage)**



Note: ACD = Asia Cooperation Dialogue; ASEAN = Association of Southeast Asian Nations; EAEU = Eurasian Economic Union; ECO = Economic Cooperation Organization; EU = European Union; GCC = Gulf Cooperation Council; RCEP = Regional Comprehensive Economic Partnership; SAARC = South Asian Association for Regional Cooperation.

Source: Author's calculation and compilation based on International Monetary Fund, Direction of Trade Statistics.

**Figure 6: Intraregional Trade Intensity (Percentage)**



Note: ACD = Asia Cooperation Dialogue; ASEAN = Association of Southeast Asian Nations; EAEU = Eurasian Economic Union; ECO = Economic Cooperation Organization; EU = European Union; GCC = Gulf Cooperation Council; RCEP = Regional Comprehensive Economic Partnership; SAARC = South Asian Association for Regional Cooperation.

Source: Author's calculation and compilation based on International Monetary Fund, Direction of Trade Statistics.

Regarding IT Intensity, there are mixed trends among different economic blocs. First, the IT Intensity of the ACD, the EU, and RCEP is constant at 2% over time. This indicates that intraregional trade and the region's importance in world trade are well balanced, since the IT Share and the share in world trade increase proportionally. These blocs have not sacrificed their intraregional trade to increase their share in world trade, or vice versa. According to Kunimoto (1977), these blocs are close to geographical neutrality, or the absence of trading bias. The second trend is the declining IT Intensity of ASEAN and SAARC. However, the trend of ASEAN's IT Intensity is different from that of SAARC. The IT Intensity in ASEAN had been rising until 2008. This can be explained by trade from the development of an intensive regional production network in ASEAN. Thus, its IT Share has outpaced the growth of its share of world markets. However, the growth in fragmented trade and production further induces ASEAN's higher share of total world trade. This results in the declining trend of ASEAN's IT Intensity after 2008. In contrast, the IT Share of SAARC is considerably low. The declining trend of SAARC's IT Intensity was the result of higher dependency on world trade rather than intraregional trade. Since 2008, SAARC's IT Share and IT Intensity have remained stable, which indicates that there is also no change in its share of world trade. In other words, there are no improvements in terms of intraregional and extra-regional trades. This trend is also observed in the ECO. Last, a rise in IT Intensity, with a moderate increase in IT Share, can be observed in the EAEU and the GCC. While their IT intensity is increasing, their share in world trade is diminishing. This implies that these economic blocs are trading off their share in world trade for larger intraregional trade.

In conclusion, three main findings can be drawn from the trend over the last decades in economic development and intraregional trade in the Asian economic blocs. First, in terms of economic development and living standard, most Asian economic blocs still lag behind the EU. However, a rapid convergence of economic development of the Asian blocs, especially ASEAN, towards that of the EU can be observed. Therefore, large economic and market potential is still emerging in Asia. Second, the high volume of intraregional trade of the ACD, ASEAN, and RCEP signals tight economic integration among Asian countries. Third, in contrast with the experience of the EU, all indicators show that the ACD, ASEAN, and RCEP maintain a good balance between intraregional and extra-regional trade. In other words, the Asian economic integration model (Asia model or East Asia model) is following a pattern of "open regionalism" (Capannelli, Lee, and Petri 2009)—that is, an economic bloc does not sacrifice extra-regional trade for intraregional, or vice versa. Nevertheless, the EAEU, the ECO, the GCC, and SAARC have not fully developed or utilized their economic blocs, as their intraregional and overall trade remain low and constant over time. Interestingly, even though the stages of economic integration of the EAEU and the GCC are more advanced than those of the ACD, ASEAN, and RCEP, their intraregional trade has not intensified. This implies that the role of the private sector in expanding fragmented trade and production and building regional production networks is crucial.

## **5. LESSONS FROM REVISITING ASIAN ECONOMIC INTEGRATION**

Revisiting the economic integration in Asia has yielded important findings and policy implications. A comprehensive continent-wide economic integration in Asia is unlikely to happen soon. Asian economic integration is confined mainly to East and Southeast Asia, while other parts of Asia are much less integrated and globalized (Feng and Genna 2003). The ACD, ASEAN, and RCEP perform well in terms of trade and market integration and show high potential in leading other blocs in the region. Even though the EAEU and GCC

have not efficiently and effectively utilized their economic blocs, they are in the process of transition toward a full economic and monetary union equivalent to the EU. Hence, their stage of economic integration is the most advanced among all economic blocs in Asia. The EAEU and the GCC are, to some extent, ready and have capabilities necessary to further integrate with other Asian blocs, such as ASEAN and RCEP. Gradual integration and expansion of an economic bloc would help intensify Asian integration through capacity-building and technological development from more advanced economic blocs. This would also help the least developed blocs such as the ECO and SAARC to smoothly integrate with the rest. The Asian economic integration is analogous to the World Trade Organization experience. When multilateral trade agreements among a large pool of members, such as all Asian countries, cannot be realized, it is better to form smaller, parallel, regional trade agreements resort, such as ASEAN, the ECO, or the GCC. Through much trial and error, Asian countries would be able to develop their own integration model.

Central to the literature is that the EU is the most advanced form of integration, while other forms are usually regarded as inferior (Murray 2010). However, Ruffini (2006) contends that each economic bloc must develop its own model, since the scope, depth, and sequencing of the integration process vary across different economic blocs. This study argues that the EU should not be regarded as the sole model for economic and regional integration, and that Asian economic integration is another integration model, which may take time to prove its success. It is also worth remembering that, unlike the EU, the intention behind the economic integration of several Asian blocs is to develop a single market, not an economic and monetary union. The ACD, ASEAN, the ECO, RCEP and SAARC are aiming for loose economic ties, while keeping their economic and political cooperation at a minimal level. Hence, it is unproductive to use the EU experience to critique Asia for lagging behind the EU (Pempel 2005; Langhammer 2007).

The success of ASEAN and RCEP would imply the success of the Asia model to some extent. Given that ASEAN became properly active after the 1997 financial crisis and aims to establish its single market by 2025, ASEAN may take only 28 years to realize its single market, while the EU took 43 years. Furthermore, RCEP, if on schedule (by 2020), would take only eight years to establish the world's largest FTA, whereas the EU took seven years to conclude its FTA. These successes would be the obvious counterarguments to the factors that were claimed to contribute to the success of the EU but the failure of the Asian economic integration. First, although there is great heterogeneity and diversity among countries in ASEAN and RCEP, this does not seem to hinder the process of the integration. Second, in contrast with the EU experience, pooled sovereignty, historical reconciliation, and common institutions have not been observed among member countries that have deep historical conflicts, such as the PRC, India, Japan, and the Republic of Korea, among others. These countries have been working closely together in order to realize the RCEP by the end of 2020. Third, without clear regional leaders, ASEAN and RCEP are well-functioning. However, instead of a leader, ASEAN is often placed as the main facilitator in major economic dialogues and FTAs, including ASEAN+3, ASEAN+6, or RCEP, to name a few. Fourth, regarding consensus, tolerance, and internal support, these attributes seem partly to apply to ASEAN and RCEP. Even though ASEAN is based on the non-interference principle and a consensus decision-making approach, there is no concrete mechanism to level economies among member states. Huge economic gaps and unbalanced economic growth are generally observed among ASEAN and RCEP member countries. Fifth, unlike the experience of the EU, there has been no support from the US in facilitating ASEAN or RCEP. The US even showed no interest in the region, as the US decided to withdraw from the Trans-Pacific Partnership in 2017. Moreover, a

permanent ambassador of the US to ASEAN has not been appointed since 2017. Nonetheless, external support from Australia, the EU, the PRC, and Japan, among others, can be observed.

The proposed factors or attributes in the previous literature play a very limited role in determining the success of the Asia model, while the scope, depth, and sequencing of the integration process largely explains the success. This is mainly because the integration timeframes of the EU and Asia models differ considerably. As Asian integration emerged during the era of globalization with a proliferation of global value chains, fragmented trade and production, and regional production, the Asia model is heavily market-driven and private sector-oriented (Urata 2004). The government acts as a facilitator by providing support and policy cooperation; therefore, the absence of the institutional mechanisms used in the EU is relatively unimportant (Venables, Winters, and Yueh 2007).

## 6. CONCLUSION AND POLICY RECOMMENDATIONS

Covering major Asian economic blocs and dialogues, this study comprehensively reviews the true progress of Asian economic integration in comparison with the EU. The results show that comprehensive continent-wide economic integration in Asia is unlikely to happen soon, since the integration is confined mainly to East and Southeast Asia, while other regions are much less integrated and globalized. ASEAN and RCEP perform well in terms of trade and market integration, and show a high potential to lead other economic blocs in the region. The results also suggest that gradual integration and expansion would help intensify Asian economic integration through capacity-building and technological development from more advanced economic blocs. This would help the less developed blocs to integrate smoothly with the others. This study also argues that the factors or attributes proposed in the previous literature—among others, pooled sovereignty; historical reconciliation; common institutions; heterogeneity in economic, political, and social factors—are irrelevant in the context of Asian economic integration. Instead, the scope, depth, and sequencing of the integration process largely explain the success of the Asia model. Unlike the experience of the EU, the model is heavily market-driven and private sector-oriented due to the impact of globalization and changes in global trade patterns and production processes—e.g., fragmented trade and production, and regional production. The government and institutional mechanisms are relatively unimportant in the Asia model.

According to the findings, policy recommendations are proposed as follows. (i) The Asian model should remain market-driven and flexible in order to respond promptly to changes in trade patterns and production processes due to rapidly changing technologies and demands from the private sector. (ii) Unnecessary government interventions should remain minimal, while policy cooperation to promote the facilitation of trade should be emphasized. The government may develop a comprehensive trade facilitation package or program that covers a wide range of issues and areas, namely infrastructure, business law and patents, trade in services, FDI regulations and promotions, research and development, Industry 4.0, among others. This package would help close the economic gaps among the member countries and further intensify both intraregional and extra-regional trade. (iii) Mechanisms to support less developed economies in the region should be introduced in the Asian economic integration. This is to help less developed economic blocs such as the ECO and SAARC in terms of capacity-building and technological development that can be transferred from the more advanced economic blocs. This, in turn, smooths the integration among economic blocs with different levels of economic development and economic and trade integration. (iv)

The Asian economic blocs may learn from the EU model by adopting features that are suitable in the context of Asia, while avoiding making the same mistakes as the EU—among others, debt and financial crisis, or rigid and overly complicated institutions. It is therefore time for the EU to look east and learn from the Asia model as well.

The limitations of this paper can pave the way for future research. For one, the main analysis focuses only on economic potential and trade integration. It does not cover other aspects of economic integration, such as FDI, financial integration, macroeconomic independence, people-to-people exchanges, and intraregional income gaps. Thus, it would be interesting to investigate those aspects in comparison with the EU, and to draw a more comprehensive list of policy recommendations and lessons learnt from the Asian model.



## REFERENCES

- ASEAN and the World Bank. 2013. *ASEAN Integration Monitoring Report*. Washington, DC: World Bank.
- Bacon, R., W. Godley, and A. McFarquhar. 1978. The Direct Costs of Belonging to the EEC. *Economic Policy Review* 4:44–49.
- Balassa, B. 1975. Trade Creation and Diversion in the European Common Market: An Appraisal of the Evidence. In *European Economic Integration*, edited by B. Balassa. Amsterdam: The Manchester School, 79–118.
- Baldwin, R. 2007. Managing the Noodle Bowl: The Fragility of East Asian Regionalism. ADB Working Paper Series on Regional Economic Integration 7. Manila: Asian Development Bank.
- . 2011. Sequencing Regionalism: Theory, European Practice, and Lessons for Asia. ADB Working Paper Series on Regional Economic Integration 80. Manila: Asian Development Bank.
- . 2012. Sequencing Asian Regionalism: Theory and Lessons from Europe. *Journal of Economic Integration* 27(1):1–32.
- Beeson, M. 2005. Rethinking Regionalism: Europe and East Asia in Comparative Historical Perspective. *Journal of European Public Policy* 12(6): 969–985.
- Berkofsky, A. 2005. Comparing EU and Asian Integration Processes: The EU a Role Model for Asia? European Policy Centre Issue Paper 23. Brussels: European Policy Centre.
- Blandy, R. 2005. Executive Summary and Synthesis. In *Regional Integration in the Asia Pacific: Issues and Prospects*, edited by OECD. Paris: OECD, 9–26.
- Börzel, T. A., and T. Risse. 2009. The Rise of (Inter-) Regionalism: The EU as a Model of Regional Integration. *APSA 2009 Toronto Meeting Paper*. Toronto: APSA.
- Cameron, F. 2010. The European Union as a Model for Regional Integration. International Institutions and Global Governance Program Working Paper. New York: Council on Foreign Relations.
- Capannelli, G., and C. Filippini. 2010. Economic Integration in East Asia and Europe: Lessons from a Comparative Analysis. *The Singapore Economic Review* 55(1): 163–184.
- Capannelli, G., J. Lee, and P. Petri. 2009. Developing Indicators for Regional Economic Integration and Cooperation. ADB Working Paper Series on Regional Economic Integration 33. Manila: Asian Development Bank.
- Das, R. U. 2009. Imperatives of Regional Economic Integration in Asia in the Context of Developmental Asymmetries: Some Policy Suggestions. ADBI Working Paper 172. Tokyo: Asian Development Bank Institute.
- Eichengreen, B. 2007. *European Integration: What Lessons for Asia?* Prepared for the Asian Development Bank Project on Asian Regionalism, and presented to the project workshop in Bangkok, July 2007.
- Feng, Y., and G. Genna. 2003. Regional Integration and Domestic Institutional Homogeneity: A Comparative Analysis of Regional Integration in the Americas, Pacific Asia and Western Europe. *Review of International Political Economy* 10: 278–309.

- Fong, T. S. 2005. European Integration: A Model for South-East Asia? *Asia Europe Journal* 3: 7–11.
- Kang, S. 2009. ASEAN: Perspectives on Economic Integration: ASEAN in Asia Economic Integration. In *IDEAS Reports: Special Reports*, edited by N. Kitchen. London: LSE IDEAS, London School of Economics and Political Science, 44–47.
- Kunimoto, K. 1977. Typology of Trade Intensity Indices. *Hitotsubashi Journal of Economics* 17(2): 15–32.
- Langhammer, R. J. 2007. The Asian Way of Regional Integration: Are there Lessons from Europe? Kiel Economic Policy Papers 7. Kiel, Germany: Kiel Institute for the World Economy.
- Mashodo, N. 2015. Regional Integration: Lessons from Asia and Europe. *TIPS Annual Forum on Regional Industrialisation and Integration. Trade and Industrial Policy Strategies*. [http://www.tips.org.za/files/presentation\\_lessons\\_from\\_asia\\_and\\_europe.pdf](http://www.tips.org.za/files/presentation_lessons_from_asia_and_europe.pdf) (accessed 23 May 2019).
- Milward, A. S. 1984. *The Reconstruction of Western Europe, 1945–1951*. London: Methuen.
- Molle, W. 1980. *Regional Disparity and Economic Development in the European Community*. Farnborough: Saxon House.
- Moxon-Browne, E. 2008. Political Integration in the European Union: Any Lessons for ASEAN? In *Europe and Asia: Regions in Flux*, edited by P. Murray. Basingstoke: Palgrave Macmillan, 84–101.
- Murray, P. 2010. Comparative Regional Integration in the EU and East Asia: Moving beyond Integration Snobbery. *International Politics* 47(3/4): 308–323.
- Murray, P., and Orcalli, G. 2012. Deepening Regionalism in Europe and ASEAN: The Role of an Economic Constitution. *Journal of the Asia Pacific Economy* 17(3): 426–445.
- Owen, N. 1983. *Economies of Scale, Competitiveness and Trade Patterns within the European Community*. Oxford: Clarendon Press.
- Park, J. H., B. K. Kim, and Y. Park. 2015. Why Doesn't Asia have European-Style Regional Integration? Inter-Core Relationships and Network Diffusion. *The Korean Journal of International Studies* 13(1): 147–179.
- Pascha, W. 2004. Economic Integration in East Asia and Europe: A Comparison. Duisburg Working Paper on East Asian Economic Studies. Duisburg: Universität Duisburg-Essen.
- Pempel, T. J. 2005. Emerging Webs of Regional Connectedness. In *Remapping East Asia: The Construction of a Region*, edited by T. J. Pempel. New York, NY: Cornell University Press, 1–28.
- Plummer, M. G. 2006. The ASEAN Economic Community and the European Experience. ADB Working Paper Series on Regional Economic Integration 1. Manila: Asian Development Bank.
- . 2010. EU-Asia Free Trade Areas? Economic and Policy Considerations. ADBI Working Paper 255. Tokyo: Asian Development Bank Institute.
- Ravenhill, J. 2009. East Asian Regionalism: Much Ado about Nothing? *Review of International Studies* 35(S1): 215–235.

- Ren, B., and X. Ma. 2007. Practice, Policy and Revelation of the Regional Economic Harmony. *Journal of Shanxi Normal University (Social Science Edition)* 3: 1–6.
- Ruffini, P. B. 2006. Regional Integration in East Asia: Which Lessons to Draw from the European Experience? Paper presented at the Asia-Pacific Economic Association Conference, 29–30 July, University of Washington, Seattle, US.
- Sakakibara, E., and S. Yamakawa. 2003. Regional Integration in East Asia: Challenges and Opportunities. Policy Research Working Paper 3078. Washington, DC: World Bank.
- Urata, S. 2004. The Shift from "Market-Led" to "Institution-Led" Regional Economic Integration in East Asia in the Late 1990s. The Research Institute of Economy, Trade and Industry (RIETI) Discussion Paper 04-E-012. Tokyo: RIETI.
- Urwin, D. W. 2014. *The Community of Europe*. 2nd edn. London: Routledge.
- Venables, A. J., L. A. Winters, and L. Yueh. 2007. European Integration: A View from Spatial Economics. In *Regional Integration in East Asia*, edited by M. Fujita. IDE-JETRO Series. London: Palgrave Macmillan, 35–63.
- Zepter, B. 2008. Reflections on Regionalisation in Europe: Lessons for Asia? *Asia Europe Journal* 5(4): 455–464.