

The Political Economy of Regional Integration in ASEAN & Policies for Regional Convergence

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(I) Characteristics of ASEAN economies

- 1. ASEAN is an open region in terms of trade and investment
- 2. ASEAN economies tend to be more competing rather than complementary
- 3. ASEAN economies are very diversified in terms of stage of development
- 4. ASEAN economies are dependent on global marketplace (extra ASEAN) for market, investment and technology than intra-ASEAN



(I) Characteristics of ASEAN economies

- 5. ASEAN economies are driven by market-based private sector but rules and regulations are not in sync
- 6. The sources of growth of ASEAN economies are still dependent on factor-driven rather than productivity-driven



(II) Characteristics of ASEAN cooperation and integration

- 1. Due to structural differences in political and social system, except commonality in economic policies and objectives, cooperation and integration have been slow in implementation and ineffective in monitoring and enforcement;
- 2. The mindset of many ASEAN policy makers are in cooperative mode while rules and regulations contained in the agreements are in integrative mode;



(II) Characteristics of ASEAN cooperation and integration

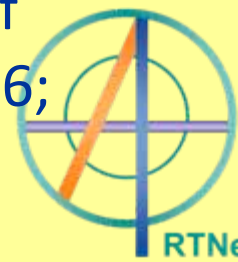
- 3. The “ASEAN Way” based on consensus is not in sync at this stage of integration process.
- 4. Integration mode, in contrast to cooperation mode, critically requires regional more effective institutional building and a process of monitoring and compliance mechanism;



(II) Characteristics of ASEAN cooperation and integration

5. The ASEAN Economic Community blueprint marks an important milestones of ASEAN economic integration in which timeline, process and specific detailed policy measures (roadmap) are identified to achieve the end objective of achieving AEC in 2015;

- 6. ASEAN has become the defaulted “hub” of East Asia economic integration which is based on the ASEAN + 1 framework, rather than economically more optimum framework of ASEAN + 3 or ASEAN + 6;



(II) Characteristics of ASEAN cooperation and integration

- 7. Notwithstanding of Integration ASEAN Initiative (IAI), the identification of high priority sectors and amendments to ASEAN Investment Area (AIA) and ASEAN Framework Agreement on Services (AFAS), the driving force of ASEAN integration is derived from outside ASEAN;
- 8. Deepening economic integration measures must be parallel with narrowing development gap. The objective of narrowing development gap is not an act of charity but of self-interest because ASEAN needs to expand its economic space.



(III) Policies for Regional Convergence

1. Deepening economic integration measures must be parallel with narrowing development gap. The objective of narrowing development gap is not an act of charity but of self-interest as ASEAN needs to expand its economic space through increasing regional domestic market and production networking;
2. The current global economic crisis has provided a window of opportunity for ASEAN to deepen its economic integration, narrowing development and shifting its individual member's domestic trade and investment policies to be in sync with ASEAN agreements. This in turn would increase national political will to implement already agreed regional integration agreements;



(III) Policies for Regional Convergence



- 3. Regional institutional capacity building to monitor implementation through issuance of score cards and establishment of specialized bodies and working groups to enhance implementation and dispute settlement mechanism;
- 4. Harmonization of regional with bilateral FTAs with respect to ROOs, exclusion list, dispute settlement mechanism and standardization measures to facilitate the flow of goods, capital and natural persons;

(III) Policies for Regional Convergence

- 5. ASEAN should work more closely with sub-regional arrangements such as the GMS programme and Growth Triangle;
- 6. More effective utilization of the Chiang Mai Initiative in the areas of financial and monetary cooperation not only during economic crisis but for development and infrastructure projects in close cooperation with ADB on GMS



(III) Policies for Regional Convergence



- 7. ASEAN economic integration must be accompanied with social and cultural cooperation as the two objectives would complement and reinforce the overall objectives of a prosperous, equitable and peaceful community in the region;
- 8. Regional public goods must be made more available and accessible to less developed ASEAN economies as deeper and faster economic integration would tend to benefit more developed ASEAN members.

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- Thank You!
- Questions?

