

Parallel Evolution of Practice and Research on ASEAN Economic Integration: From Paradigm Contestation to Eclectic Theorization

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Abstract

Since the beginning of the 21st century, ASEAN has deepened its regional economic integration with its member states showing a confidence to build the ASEAN Economic Community by 2015. Throughout the history, ASEAN, as a regional organization, has contributed to the formation of the region, including its identity, power relations, economic policies, and diplomatic cultures. In what ways have researchers tried to understand the evolution of ASEAN's economic integration? How have theoretical discussions been brought to explain the development of ASEAN? It is often argued that contestations among different theories illustrate the lack of relevance in applying a particular theory to explain the dynamics of ASEAN economic integration. This study, however, argues that periodization of the historical development of ASEAN regional economic integration correlates with the meta-theoretical development on the subject. It also argues that ASEAN's dynamics of multifaceted multilevel integration would provide a case suitable for theoretical eclecticism in comprehending the subject.

Key Words: ASEAN, international relations, political economy, regionalism, economic integration.

Introduction

Deepening and widening of regional integration is currently taking place in Southeast Asia. In the coming 2015, the Association of Southeast Asian Nations (ASEAN) member countries will supposedly start the full implementation of the ASEAN Economic Community (AEC), an agreement to establish a single market

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and production base in the region. In addition, Southeast Asia has become the locus of regional economic integration in East Asia. China is still the engine of growth for East Asia with its stark growth and size, but in terms of economic integration process in East Asia, the role of ASEAN has been crucial. The establishment of ASEAN Plus Three (APT)¹ and East Asia Summit (EAS)² has marked the new development in the East Asian regional economic integration, however least institutionalized.

Economic integration among Northeast Asian countries prior to the establishment of APT and EAS was difficult due to political problems among states in the region. Various diplomatic issues and leadership problems often inhibited motivation to regional economic integration in the region. Diplomatic issues such as territorial disputes and colonial legacies often brought political disharmony between Japan, China and South Korea. Despite burgeoning economic relations between the three countries, institutionalization of regional economic integration was difficult prior to the establishment of APT in 1998. The inception of China-Japan-South Korea Trilateral Summit in 2008 was made possible by the three major powers' mutual confidence during interaction in the earlier regional arrangements, namely the APT and EAS. Recently, during the ASEAN summit meeting in Bali in 2011, ASEAN was also lauded by many leaders, including US Secretary of State, Hillary Clinton, for its contribution in organizing EAS and mediating informal meetings between North and South Korea despite the Six Party Talks'³ breakdown.

Only a few decades ago in 1960s and 1970s, ASEAN was criticized for its low institutionalization and slow integration process. Compared to its counterpart in Europe, ASEAN was seen with pessimistic views for the prospect of its integration.⁴ The region was torn by inter-state conflicts and the Cold War great

1. The APT meeting started in 1998 to discuss ASEAN cooperation with its Northeast Asian partners. Membership of this forum includes 10 ASEAN members plus China, Japan and South Korea.

2. EAS is a forum with extended membership from APT to promote cooperation between the participants. This forum includes APT members plus India, Australia, New Zealand, Russia and the United States. Since 2005, the forum has been actively discussing political and economic cooperation among participating countries. Some of the issues discussed are Myanmar's law reform, East Asian comprehensive economic partnership, climate change, energy security, and environment.

3. Six Party Talks includes the US, China, Russia, Japan and two Koreas in a forum for resolving North Korean nuclear ambition.

4. See for instance, Shee Poon Kim, "A Decade of ASEAN: 1967-1977", *Asian Survey*, Vol. 17, No. 8, (August, 1977).

power competition.⁵ Today, ASEAN is commonly viewed as one of the successful regional organizations in the world. Many scholars argue for the vital role of ASEAN in resolving regional security challenges and maintaining the balance of power in the region.⁶ In economic integration, ASEAN is believed to have no less importance in enhancing East Asian economic cooperation and interdependence.⁷

This development in the region has led many scholars and observers to question the identity, role and function of ASEAN in international order, regional affairs, and national interests. What is ASEAN? Why is it significant? How has ASEAN become significant? What is the source of its significance?

This paper is a modest effort to contribute to the theoretical discussion on regionalism. It identifies the gap between the preexisting general theories of international relations and the practice of regionalism in Southeast Asian history. Aiming at bridging the gap, this paper also discusses various particularistic theories which try to explain ASEAN regionalism. In assessing the development of studies on ASEAN regionalism, we have divided the studies into four phases: (1) formation phase (1967-1976), during which ASEAN was mostly political, while economic cooperation was non-existent; (2) cooperation phase (1976-1992), during which ASEAN began regional economic cooperation and built economic and political bases for economic integration; (3) initial integration phase (1992-2002), when ASEAN started negative economic integration (tariff reduction)⁸ and expanded ASEAN membership to include all 10 countries in Southeast Asia; and (4) acceleration phase (2003-now) when ASEAN has consolidated its form of economic integration with the signing of a single market and production base. We will conclude our discussion by highlighting the validity of theoretical eclecticism in explaining the evolution of ASEAN's regional economic integration which has long been contested by various different theoretical models. Debating supremacy

5. See for instance, Shaun Narine, *Explaining ASEAN: Regionalism in Southeast Asia*, (Boulder, Colorado: Lynne Rienner, 2002), Chapter 2.

6. See for instance Yang Razali Kassim, "The New Great Game: ASEAN's Balancing Act?", *RSIS Commentaries*, No. 014/2012, 17 January 2012; and See Seng Tan, "ASEAN, the United Nations and Security in Southeast Asia: Problem, Prospect and Paradox", in Phillip De Lombaerde, Francis Baert and Tania Felicio (eds.), *The United Nations and Third World Report on Regional Integration*, (New York: Springer, 2012).

7. See R. James Ferguson, "ASEAN Concord II: Policy Prospect for Participant Regional Development", *Contemporary Southeast Asia*, Vol. 26, No. 3, (December 2004); and Anita Prakash and Ikumo Isono, "ASEAN in the Global Economy: an Enhanced Economic and Political Role", *ERIA Policy Brief*, No. 2012-1, (January 2012).

8. The term "negative integration" is used to represent regional economic integration through tariff reduction as the opposite of "positive integration" through policy harmonization.

of one model is no longer persuasive in understanding the dynamics of ASEAN regionalism in the age of globalism. Rather, it is important to identify how different theoretical models coexist and complement each other.

Regional Economic Integration in Theory

Regional economic integration is generally considered as part of the larger process towards political and social integration. Interrelations between politics, society and economy may make economic integration inseparable from the political and social integration process. First, it is because economic integration requires political process of bargaining, collaboration and coordination of economic policies among participating states. Second, as neo-functionalists typically argue, economic integration is usually followed by a spillover in political and security integration.⁹

This does not necessarily mean that studying regional economic integration would fall into reductionism. Most explanations on regional economic integration that can be found in the various theories either include political and social aspects or complementary in those aspects. For instance, neo-realism and neoliberal-institutionalism tend to see that international structure provides necessary impetus for states to form a regional organization. They differ in the types of structure as the factor; while neorealism tends to emphasize power structure, balance of power, and great power competition, neoliberal-institutionalism emphasizes interdependence, collective action problem, and cooperation. Despite the difference, both theories view the international structure of power as contributing significantly to the drive of regionalism. The formation of ECSC (European Coal and Steel Community) in 1950s and AFTA (ASEAN Free Trade Agreement) in the 1990s represent the influence of international politics on their formation in the old and new regionalism. While the ECSC was established in response to the bipolar world order during the Cold War, AFTA was formed in response to the rise of China and regionalism elsewhere that would incite trade diversion to such new regional arrangements as European Union (EU), North American Free Trade Agreement (NAFTA) and Mercado Comun del Sur (Mercosur,

9. To ASEAN countries, which are in accordance to the larger East Asian point of view, economic cooperation is an important means in maintaining security. This view was influenced by the idea of "comprehensive security" that originated in Japan's security policy in 1980s. Comprehensive security is rooted on the postwar success of Japan's security policy based on Yoshida doctrine. See Tsuneo Akaha, "Japan's Comprehensive Security Policy Strategy: A New East Asian Environment", *Asia Survey*, Vol. 31, No. 4, (April 1991), p. 325.

South American Common Market). Here we see that economic integration has been arranged on the backdrop of international politics, whereas explaining the motivator of regional economic integration cannot be detached from the international political background.

In other words, studying regional economic integration comprehensively would have to include many aspects, including political and social aspects. The use of an economic approach to measure economic integration does provide valuable assessment on the welfare effects of integration, but the processes and motivations of integration cannot be explained by economics alone.

1. Processes and Levels

Explaining comprehensively regional economic integration can be done by expounding the institutional processes in all levels of analysis. The institutional process of regional economic integration can be divided into three categories: (1) genesis, (2) forms, and (3) effects.¹⁰ The level of analysis on the studies on regional economic integration is usually found in three different levels: (1) systemic, (2) regional, and (3) domestic levels.¹¹ Let us briefly examine them below.

On the genesis of regional organization, there are numerous debates on the factors affecting the process of each and every institution. Three groups of

10. Etel Solingen, "The Genesis, Forms and Effects of Regional Institutions: Lessons from East Asia and the Middle East", *International Studies Quarterly* No. 52, (2008), p. 261.

11. See for instance Louis J. Kantory and Steven L. Spiegel, *The International Politics of Region: A Comparative Approach*, (New Jersey: Prentice Hall, Inc., 1970); Mohtar Masoed, *Ilmu Hubungan Internasional: Disiplin dan Metodologi* (International Relations: Discipline and Methodology), (Jakarta: Pustaka LP3ES, 1994); Nuraeni S., Deasy Silva, and Arifin Sudirman, *Regionalisme dalam Studi Hubungan Internasional* (Regionalism in International Relations), (Yogyakarta: Pustaka Pelajar, 2010). In Kantory and Spiegel's words, the three levels are systemic, sub-ordinate, and internal levels. Nuraeni (et.al.) uses different terms for the same constructs: i.e. international, regional and domestic levels. In many studies on international politics, regional level politics is seldom analyzed. Most IR scholars and political economists concentrate their analysis on international and domestic levels. See, for instance, Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two Level Games", *International Organization*, Vol. 43, No. 2, (June 1988). In regional studies, political interactions, regional policymaking, and power interplay among states within a given region, more often provide different –if not more important– factor(s) from the political processes in the international and domestic levels. For instance, the Philippines and Singapore's aspiration for regional economic integration had to wait for some 15 years until AFTA was signed on, when their aspiration met regional policy convergence. It shows that regional level policymaking is happen in different locus from domestic level. Regional trade liberalization despite GATT/WTO (General Agreement on Tariff and Trade/ World Trade Organization), also proofs regions as a different locus of policymaking and political processes from the international level. This explains why factors of regionalism in the regional level needs to be analyzed separately from international level.

theories often applied in the regionalism studies are neorealism, neoliberal-institutionalism, and constructivism. Neorealism and neoliberal-institutionalism, as already mentioned briefly above, emphasize the power structure, globalization, and interdependence. Constructivism offers quite a different methodology in explaining the factors of regionalism. Constructivism emphasizes the role of ideas, culture and norms in the formation of a regional organization, as factors that constructivists view are derived from identity. Through the process of socialization, the ideas, culture and norms of a regional identity would materialize in a certain form of regional integration.

The forms of regional organization can take many types depending on the depth of its integration. According to Balassa¹², states in a region can take one of six types of regional integration; these are: (1) preferential trading arrangement (PTA); (2) free trade agreement (FTA); (3) customs union; (4) common market; (5) economic union; and (6) political union. This typology was based on the scope of liberalization of each regional economic arrangement, starting with trade liberalization, policy coordination, monetary union, and finally supranational governing institution formation. Other forms aside from this typology are also discussed in the regionalism studies, for example, 'soft' and 'transnational' regionalism, in which institutionalization of regional integration does not follow the commonly thought regionalism such as listed by Balassa. In soft regionalism, institutional arrangements are loose and flexible, where interdependence in the region increases autonomously. This type of regionalism is often called market-driven integration. Transnational regionalism refers to the process of increasing interaction and interdependence in the region among people or non-state actors in the region. In this type of regionalism, there is supposedly a significant increase in people's mobility, social networks, and shared culture.

The effects of regional integration can be divided into two, which are static and dynamic effects. The static effects refer to the impact of regional economic integration on the welfare of participating members of the organization. Integration can be welfare-enhancing or welfare-reducing to the participating countries, depending on the trade and investment creation and diversion in the region. These static effects are conveniently measurable by econometrics and statistics. Dynamic effects refer to the impacts of regional integration on the regional cohesiveness, convergence, regional peace and stability, diplomatic leverage, and convergence to multilateralism. In some regions, especially among

12. Bela Balassa, *The Theory of Economic Integration*, (Homewood: Richard D. Irwin, 1961), p. 68.

the “third world” or the “South”, the dynamic effects of regional integration are more important than static effects, since the latter require a certain degree of complementarity and policy convergence.

Among the three levels of analysis mentioned above, the systemic level incites more debate as its impacts are often immeasurable; its information is mostly unstated or tacitly stated, and the policy responses are indirectly targeted to the systemic challenge. For instance, the formation of the EU is believed by many realists to be related to the Cold War structure and great power competition between the United States and the former Soviet Union. ASEAN was also created in 1967 and believed to be a regional response to the expansive characteristics of Vietnam during the Cold War. However, the form of regional cooperation was not military alliances, and it addressed more political, economic and socio-cultural policies rather than military-security policy.

Still in the context of systemic level analysis, globalization/interdependence and economic crisis are two variables frequently mentioned and studied in assessing the formation of a regional organization. Globalization affects international relations in any given region. Increasing economic interdependence provides both opportunities and challenges to states. Regional economic integration is seen as one alternative for collective action problem in coping with the challenges and grasping opportunities in the age of globalism.

Economic crises make states with high proportions of foreign trade vulnerable to economic downturn. They become less capable of maintaining macroeconomic stability in the face of big crisis, without support and assistance from external financial powers, be they states in bilateral relations or international and regional organizations in multilateral relations. In the absence of effective support and assistance from international financial institutions (IFIs), regional financial and monetary cooperation is considered the second best policy in facing the crisis. During and in the aftermath of crisis, states in a region often look for deepening integration in order to strengthen the capacity of regional organizations in assisting and supporting states in economic crisis.

At the lower level, namely the regional or sub-ordinate, four groups of theories offer explanations on factors, processes, form variations, and effects of regional economic integration, interaction among participating members of the regional organization is the focus of the studies. Many theories have been developed and debated in regionalism studies, such as hegemony and distributive gains (neorealism), regional cohesion, spillover and institutionalization (neoliberal-institutionalization), shared ideas, culture, norms and its socialization

(constructivism), and structure of production, development gap and states-regional market relations (rationalism).

At the domestic or internal level, several factors are argued to have important effects on the regional economic integration. Realism emphasizes that national interests and policy preferences determine the integration process. Neoliberal-institutionalism tends to focus on policy convergence among participating states. Regime type and democratization are also believed to have significant impact on regional integration, as democratic peace theory insists. Rationalism argues that domestic coalitions, nationalism-protectionism orientation, state convergence, civil society activism, and business networks also contribute to the formation of a regional economy. Constructivism offers an analysis of identities and social process that lead to regional policy.

Levels of analysis and stages of institutional process mentioned here provide analytical tools to depict the complexity of regional economic integration. Understanding the overall process of regional integration at every level would give us more systematic empirical explanations and theory mapping. Throughout the rest of this article, we will elaborate the evolution of ASEAN economic integration within this framework. But before we do that, let us first discuss briefly a few theories that have been applied in studies on ASEAN economic integration.

2. Theoretical Variants of Regional Integration

Debates on the theorization of regional integration have a relatively long record in history. One can note that there are at least six groups of theories on regionalism.¹³ The first is a pure economic theory, focusing on the static effects of regionalism. Influenced by Ricardo's theory of comparative advantage and theory of second best to Pareto optimum, economists have argued that regionalism is a second best option in the absence of efficient and effective global multilateral trade arrangement. Among economists, Jacob Viner¹⁴ is acknowledged as the prominent scholar that produced a seminal work where he introduced the concepts of trade diversion and creation in the 1950s. Viner's theory is often used to explain

13. See Robert Gilpin, *Global Political Economy: Understanding the International Economic Order*, (New Jersey: Princeton University Press, 2001) pp. 341-361. Gilpin divides theories on regional integration into two big groups, which are economic theories and political theories. Economic theories are influenced by neoinstitutionalism and new political economy. Political theories include federalism, functionalism, neofunctionalism, neoinstitutionalism, domestic politics, intergovernmentalism, and realism. In this article, we discuss only five major groups of theories plus constructivism, which gains more popularity today.

14. Jacob Viner, *The Customs Union Issue*, (New York: Garland, 1983).

the genesis and effects of regional integration at all levels of analysis.

The second group is federalist theories. Federalists have based their research on the past federalist projects pursued by states such as the US in the 18th century, German unification in 19th century, and Austro-Hungary federation in the interwar period (1920-1938). Federalists argue that regional political integration can function as a scheme to solve the problem of war. Federalism appeal is thought to be able to invite voluntary participation from states in a region. The argument of voluntary participation has been criticized however, as the occurrence of political unification in modern world history mostly resulted from war and conquest. Gilpin argues that US federalism was enabled by the victory of the North over the South in the Civil War. Similarly, Germany was unified by the conquest of Prussia over other German nationals. This implies two weaknesses in the federalist approach. First, there is no precedent correlation between voluntary participation and federalist political unification. Second, even if policy convergence among participants of regional integration can be associated with voluntary participation, most regions in recent history do not adopt the federalist unification as the form of their institutions. Thus, the ahistorical and non-contextual federalist approach has the least explanatory power to the current move towards regional integration.

The third group is functionalism and neo-functionalism. David Mitrany¹⁵ argues that regional political integration can be reached by developing functional cooperation in such certain or specific fields as health, postal service, technology, food and agriculture. Mitrany assumed that the growth of economic relations and technology would provide the imperative for states to pursue international cooperation in specific functions. In time, when the international organization proved to be beneficial in solving the specific functions, states would grow confidence in the organization and delegate more tasks. In the long term, the growing international organization would generate political integration where the importance of boundaries diminishes.

Neofunctionalism is in agreement with functionalism in the imperative of international organization and the then introduced concept of “spillover”. Neofunctionalist theorists such as Haas¹⁶ and Schmitter¹⁷, suggest that

15. See David Mitrany, *The Functional Theory of Politics*, (London: LSEPS, 1976).

16. Ernst Haas, *The Uniting of Europe: Political, Social and Economic Forces (1950-1957)*, (London: Stevens and Sons, 1958).

17. See Phillippe C. Schmitter, “A Revised Theory of Regional Integration”, *International Organization* Vol. 24, No. 4, (Autumn 1970), and “Three Neo-functional Hypotheses about

international organization is a necessity for technocratic controlling of international economic relations. The role of domestic social and economic groups on states' regionalist policies is viewed as essential in the formation of regional organization. Based on their study on the European experience, the theory suggests that the regional economic integration process in one area of cooperation would "spillover" into other areas and in time would lead to political community. The logic of spillover is often criticized as regional organizations vary in their development, or setbacks.

Functionalism is a very ambitious group of theory. Basically, functionalists question the problem of genesis, institutional form, and impact of regional integration in regional and domestic level. Their assumption of regionalism as a gradual process and spillover expectation meet many scholars' interest.

The fourth group is neoliberal-institutionalism. This approach emphasizes the importance of institutions to manage growing interdependence and collective action problems. According to Keohane (1984), institutions reduce uncertainty, enhance coordination, lower transaction costs, monitor compliance, detect defections, increase opportunities for cooperation, reduce the costs of retaliation, facilitate issue-linkages, and offer focal points of salient solutions.¹⁸ As the neoliberal-institutionalists assume that democracy plays important role in a state's cooperative gestures, the theorists consider that the market's role in integration also contributes to the regional integration movement. Neoliberal-institutionalism includes all levels of analysis at all stages of institutional process. This approach is, however, criticized for its inability to explain structure and conflicts between members of a given regional organization.

The next two groups are neorealism and constructivism. Neorealism is the most debated approach to regionalism. Neorealists argue that they provide better explanations on states' responses to the power structure, conflicts in the regional integration, and how regional economic integration contributes to the maintenance of peace and stability in a region. This paradigm is useful in explaining the genesis and institutional form of regional integration, especially at the systemic and regional levels, as long as inter-state relations are in concern. But it is not without criticism. Neorealism is challenged by other approaches such as neoliberalism and constructivism. Neoliberal-institutionalism finds that domestic politics, rather than state as unitary actor, plays crucial role in formulating regionalist policies. Moreover, in some regional organizations, the

International Integration", *International Organization* Vol. 23, No. 1, (Winter 1969).

18. As quoted by Solingen (2008), *Op.Cit.*, p. 263.

presence of hegemon and balance of power has no correlation to the region building.

The birth of constructivism in the late 1980s brought a new categorization in the international studies. Not only do Constructivists criticize realism, but also liberalism, and subsume the two approaches under the “rationalist” approach. Focusing their studies on the aspects of identity such as ideas, culture, norms and socialization, constructivism argues that the ideational forces of regionalism play an important role in the construction of a region, aside from material forces which have been studied by the rationalist approach. The interaction between ideational and material forces through the process of socialization produces the form of regional integration. Constructivists argue that rationalist explanations on regional integration are insufficient as they merely focus on material forces of the process and neglect the ideational forces. Constructivists are mostly focused their study on the institutional processes of regional integration at the regional level.

Rationalists, while admitting the importance of ideational forces, insist that “material forces” play a more important role in regional integration than identity. Analyzing crises as events that accelerate integration, for instance, cannot be seen as an identity problem. Resolving economic or monetary crisis requires immediate macroeconomic and industrial adjustment policies, apart from the aspects of identity. Regional efforts to resolve or mitigate crisis, although related to regional identity, focus not on preserving or developing identity itself, but on the crisis. Another example of the rationalist counter-argument concerns geopolitical conflicts in a region. Shared ideas, cultures and norms simply lack the explanatory power on the occurrence of territorial disputes. Rationalism tends to try to explain all levels of analysis and stages of institutional processes.

The applicability of these theories on ASEAN regional economic integration is one appealing question. At the age of 45, ASEAN has been the focus of thousands of researches on the integration process using the various approaches we have discussed above. As ASEAN has evolved through the years from its earlier format as a part of Cold War situated regionalism into the upcoming ASEAN Community, comprising the ASEAN Political and Security Community, the ASEAN Economic Community, and the ASEAN Social and Cultural Community in 2015, theorization of ASEAN regional integration may also evolve following the actual evolution of ASEAN. The next section of this article will discuss various theorizations of ASEAN regional economic integration and how to best explain ASEAN’s evolving regionalism.

Parallel Evolution of Economic Integration Practice and Research

1. Formation Phase (1967-1975)

ASEAN has evolved throughout history despite its distinctive character¹⁹ that has invited skepticism towards its future development and sustainability. ASEAN was established in August 1967 by five countries in Southeast Asia, namely Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The formation of this organization situated in a great power competition during the Cold War and the presence of a security threat brought by communist Vietnam. At the regional level, the region was conflict-prone. The member states were having security issues against each other or other state(s). Establishment of ASEAN was considered as a collective response from five anti-communist states to the upsurge of communist Vietnam and great power competition in the region.

As a regional institution, ASEAN was not getting as much attention as its counterpart in the Western Europe during the 1960s or in the first decade of its formation. There were at least two reasons for this. Firstly, the weight of the regional organization in international relations was not as significant as the EU. While the EU consisted of 15 Western European states with several industrial and influential members of the North, ASEAN was formed by five developing countries with less significant influence in the international system. Secondly, ASEAN's institutional design did not progress much during its first decade. EU was an enhanced form of previous institutions namely ECSC (Paris Treaty 1951), EEC (Treaty of Rome, 1957), EC (Merger Treaty, 1965). ASEAN did not even have an economic ministerial meeting until 1976. Only then ASEAN made the first steps towards economic integration by signing on to ASEAN Industrial Projects (AIP) in 1976 and ASEAN PTA (1977). Under these two conditions, ASEAN was relatively "invisible" to most economists and IR scholars.

Studies on ASEAN regional integration during the first decade were dominated by the neorealist approach. The absence of regional economic

19. In its economic integration ASEAN revealed three main characteristics that made it relatively unique compared to other regionalism. The first is the paradox of its internal structure which lack hegemonic leadership but has been able to play an important role in maintaining relative peace and stability in the region. The second is its intramural relations which has been reluctant and hesitant in implementing the ambitious integration campaign. The implementation of PTA, cooperation projects, AFTA and AEC was characterized by inconsistencies and flexibilities. The third is its external relations which has been a notable achievement that contributes positively to the member countries' economic development.

integration and cooperation made studies on the regional economic integration very limited. In 1971, ASEAN states requested the UN to conduct research on the regional potentials for future economic cooperation. In 1973, the UN presented the Robinson report²⁰ on possibilities of future ASEAN economic cooperation. The report recommended ASEAN countries to arrange industrial cooperation projects and preferential trade agreement to increase intra-regional trade. With the commitment made by Japanese Prime Minister for supporting ASEAN industrial cooperation, ASEAN foreign ministers agreed in the 1975 meeting to enhance economic cooperation by organizing an ASEAN economic ministerial meeting and industrial cooperation projects in 1976, and signing on to PTA in 1977.

Apart from the report, there were very few publications that specifically studied regional economic integration in Southeast Asia in the 1970s. One of them was the work of Susumu Yamakage (1977).²¹ Yamakage's study on ASEAN interdependence in the 1950, 1960 and 1970 suggests that the five ASEAN countries were relatively interdependent. ASEAN cohesiveness was clearly identifiable when compared to adjacent region that was categorized by Yamakage, comprising Taiwan, Myanmar, Cambodia, Laos, South Vietnam, Hong Kong, and Australia. The levels of interdependence were varied among members and formed a certain structure. The core-like interdependence was performed by Malaysia-Singapore relations. The second level was between Malaysia-Singapore and Indonesia-Thailand, while Indonesia and Thailand did not show interdependence. The Philippines was particularly isolated from the others. Interdependence between ASEAN members and the adjacent region also showed variations. Taiwan in 1950, and Laos and Vietnam in 1970 were interdependent with their ASEAN counterparts, while Burma was dependent.

Quite contrary to the minimum institutional development of economic integration, in the politico-security aspects, ASEAN made significant milestone for the maintenance of peace and stability in the region during the first decade. Two agreements were signed during the first decade, which were the Zone of Peace, Freedom and Neutrality (ZOPFAN) in 1971, and the Treaty of Amity and Cooperation (TAC) in 1976. Both documents were essential as instruments for regional peace and stability maintenance. As the great powers agreed to sign

20. For the origin of the report and cooperation, please refer to Kazushi Shimizu, "The Origin of Intra-ASEAN Economic Cooperation", *The Economic Journal of Hokkaido University*, Vol. 33 (July 2004), p. 120.

21. See Susumu Yamakage, "Interdependence of ASEAN Region: The Transaction Analysis of Trade Flows (1950, 1960, and 1970)", *South East Asian Studies*, Vol. 15, No. 2, (September 1977).

and comply with the TAC, ASEAN countries could prevent the contagion of great power competition to the Southern part of Southeast Asia where the five ASEAN countries located.

Research on ASEAN regional integration thus put more weight on these political and security aspects. Realist approach on the balance of power in the region dominated the studies. Most studies argued that the formation of ASEAN was necessary in serving three different purposes. First, ASEAN was necessary particularly in building confidence and interaction among the member countries. Second, and most important, ASEAN was functional in containing the spread of Cold War conflict to the Southern part of Southeast Asia. And third, much related to economic cooperation, ASEAN had become an effective collective diplomatic vehicle for the member countries. ASEAN diplomacy “won” the Japanese support for restriction of synthetic rubber production and met the Japanese need to transform its industrial policy which later contributed to the formation of regional production network in Southeast Asia.²²

Research at the time was even able to identify the gap between the discourses of ASEAN formation with the reality of regional practice of the institution. Although the Bangkok Declaration in 1967 emphasized cooperation in economic, social and cultural aspects, the absence of such cooperation in the first decade confirmed the true nature of ASEAN formation, which was regional response to the Indochina crisis of the communist upsurge.²³ Factors from the systemic and regional level became the focus of analysis during this phase.

2. Cooperation Phase (1976-1992)

The second phase of ASEAN’s history of regional economic integration was between 1976 and 1992. In this phase, ASEAN implemented PTA in 1977; AIP although signed in 1976 by the member states, but only started effectively in 1980; ASEAN Industrial Complementation (AIC) in 1981; and ASEAN Industrial Joint Venture (AIJV) in 1983. The success of the implementation of these cooperation projects and preferential trade was modest. AIP was difficult to implement because of financial and political reasons. Most investors were more interested

22. See for instance Donald E. Nuechterlein, “The Prospect for Regional Security in Southeast Asia”, *Asian Survey*, Vol. 8, No. 9, (September 1968); Justus M. Van der Kroef, “ASEAN Security Needs and Policies”, *Pacific Affairs*, Vol. 47, No. 2, (Summer 1974); Hans H. Indorf, *ASEAN: Problems and Prospects*, (Singapore: ISEAS, 1975); and Michael Leifer, “Regional Order in Southeast Asia: An Uncertain Prospect”, *The Round Table*, Vol. 64, Issue 255 (1974).

23. See for instance, Russel H. Fifield, “ASEAN’s Image and Reality”, *Asia Survey*, Vol. 19, No. 12, (December 1979).

in investing in individual country's industrial project rather than regional. The projects were faced with shortage of fund, despite Japan's pledge to provide 1 million dollars. Slow decision-making and bureaucratization added to the problem of implementing the projects. PTA was also difficult because members enlisted mostly non-traded goods (90%) to the inclusion list of preferential tariff until it was improved in 1987. The increase of intra-regional trade occurred, but reflected more of the regional economic development, instead of a result of preferential tariff and regional industrial projects.²⁴

It is interesting to note that three economic crises preceded the commitment renewals to regional economic cooperation. The first two crises were oil crisis in 1973 and 1977, while the third was the 1985 global economic crisis. During the 1970s crises, Indonesia and Malaysia as oil producers were not affected by the oil price increase, but responded rather positively to the cooperation proposals. But in the 1980s, all members, including Brunei Darussalam which joined ASEAN in 1985, were affected by the decreasing world market demands. The pour of Japanese investment in 1985 following Plaza Accord was believed as a necessary condition to ASEAN economies' survival through the crisis. Combined with the creation of NAFTA and the rise of China, there were fears among ASEAN countries of trade and investment diversion to other regions. This was the point where AFTA turned the page of a new phase in ASEAN economic integration.

Scholarship on the political economy of the region was mainly focusing on the individual country's economic development instead of regional integration. Two main reasons can be found. First, ASEAN countries' economic development was impressive during the 1970s and 1980s. The average economic growth of the 5 original members until 1985 was 10% annually, with Thailand and Singapore grew above 10% annually. ASEAN countries were considered as the next tier of Newly Industrial Economies (NIEs) in Asia, after the success story of the four so-called "Asian Tigers", namely Hongkong, Taiwan, South Korea and Singapore. Secondly, Southeast Asian economies presented a different model of development and capitalism. This provided the opportunities for the scholarship in the region to develop the political economy studies of this region into a wide range of perspectives, starting from Japanese-led production network, state authoritarian developmentalism, third tier of flying geese, ersatz capitalism, comprador capitalism, to bureaucratic patrimonialism.²⁵

24. Antonia Hussey, "Regional Development and Cooperation through ASEAN", *Geographical Review*, Vol. 18, No. 1 (January 1991).

25. For a review on various studies of Southeast Asian economic development, see Regina

The rich array of scholarship on the political economy of the region contributed significantly to the study of regionalism in ASEAN. Except for the regional production network and industrial transfer, other theories have provided the explanation of the economic policy orientation of ASEAN states and the character of its capitalism. The character and policy orientation of ASEAN economies contributed significantly to the low-pace regionalist policy-making. However, the construction of the regional production network since the 1970s was considered essential in enhancing regional economic interdependence, indicated by the relative increase of intra-regional trade.

Studies on the regional economic integration at that time mainly focused on the problem of the non-progressive nature of ASEAN-PTA and industrial projects. The sources of that nature were found at the regional and domestic levels. At the regional level, the “ASEAN way” of informality, flexibility, non-interference and consensus-oriented decision-making was criticized. In addition, realists noted the absence of hegemony in ASEAN, or at least leadership in the region. Indonesia in the 1970s and 1980s was already considered the leader in the region. However, lacking the vision towards regional integration and economic liberalization, Indonesian reluctance toward economic liberalization constrained others’ aspiration to regional integration, typically presented by Singapore and the Philippines.

At the domestic level, realists and liberalists noticed several factors which had contributed to the reluctance towards regional integration and economic liberalization. At *ceteris paribus*, or the absence of market failure and economic crisis, ASEAN countries in the 1970s and 1980s were mostly reluctant towards liberalization and resorted to nationalist orientation of protectionism in order to preserve domestic political legitimation, except for Singapore that was already a relatively open economy. The domestic political coalitions, based on Stubbs’ study,²⁶ played great importance in the economic policy-making of ASEAN states. Liberalists and nationalists in every state compete against each other in the domestic politics and policy-making. Economic policy change is a function of

Abrami and Richard F. Doner, “Southeast Asia and the Political Economy of Development”, in Erik Martinez Kuhonta, Dan Slater, and Tuong Vu (eds.), *Southeast Asia in Political Science: Theory, Region, and Qualitative Analysis*, (Stanford, California: Stanford University Press, 2008). When discussing NIEs, Singapore is usually included in the NIEs instead of ASEAN, and similarly, ASEAN in development studies mostly refers to the rest of the member states and exclude Singapore.

26. Richard R. Stubbs, “Signing on to Liberalization: AFTA and the politics of regional economic cooperation”, *The Pacific Review*, Vol. 13, Issue 2, (2000).

changes in domestic coalitions. When liberals dominate the policy-making circle, the states tend to accommodate regionalist policy. On the contrary, when nationalists dominate the policy-making circle, the governments tend to be resistant towards regionalist policy.

Another salient debate on regional integration during this phase was on the influence of investors or capitalists in the region. Some of the neoliberals argued that ASEAN construction of regional production networks was market driven, that was owing to the role of investors or capitalists.²⁷ Other rationalists argued that the states in the region were so dominant that the role of business in the region was limited by constraints of states' policy.²⁸ The role of business in policy-making only goes as far as the states accommodate.

3. Initial Phase of Integration (1993-2003)

The third phase in the scholarship of ASEAN regional integration can be said as the spring of regionalism studies. Firstly, it was due to the parallel development between the actual progress of integration and the theorization of regionalism. In the actual practice of regionalism, there had been a new wave regionalism since 1985. At the same time, there had also been a new development in theorizing this "new regionalism" in the Western scholarship, plus the emergence of constructivism in international studies.²⁹ Secondly, the end of the Cold War reduced the salience of politico-security factors to the regional institution while East Asian economy was rising. Studying ASEAN development using approaches that focused only on politico-security factors became insufficient. The acceleration of economic integration marked with the signing of AFTA invited many scholars to examine the political processes, institutionalization and effects of the organization, and it opened more room for studies on regionalism.³⁰

The main debate on the topic was between liberalism and realism on the institutional form, development and genesis of AFTA. Realism still dominated the

27. See for example Mari Pangestu, Hadi Soesastro and Mubariq Ahmad, "A New Look at Intra-ASEAN Cooperation", *ASEAN Economic Bulletin*, Vol. 8, No. 3, (March, 1992).

28. See Rolf J. Langhammer, "ASEAN Economic Cooperation: A Stock Taking from a Political Economy Point of View", *ASEAN Economic Bulletin*, Vol. 8, No. 2, (November 1991).

29. See for instance, Fredrik Soderbaum and Timothy M. Shaw, *Theories of New Regionalism: A Palgrave Reader*, (Basingstoke: Palgrave Macmillan, 2003).

30. The absence of serious economic integration during the first and second phases made ASEAN less attractive to regional economic integration studies. PTA and industrial cooperation during the 1970s and 1980s were considered insignificant. AFTA was the first economic integration effort among ASEAN member states with detailed schedule and implementation scheme.

theoretical exposition on ASEAN regional economic integration, as its explanation supported by the institutional genesis and form of AFTA. The context that provided the impetus for AFTA signing is very interesting.

First, there was an economic crisis in 1985 that caused a slump in ASEAN export market, especially in the West, and decline of revenues from oil. ASEAN was in need for a collective economic move to increase trade among member countries. The idea of forming AFTA was raised again in the 1987 summit meeting and agreed upon in 1992. Second, China during the 1980s was growing fast and becoming new target for market and production base. Significant trade and investment diversion from ASEAN to China already occurred in the early 1990s. Apart from that, China already became a larger investment target of ASEAN's major partner, namely Japan. Competing with China's sheer size and comparative advantage, ASEAN realized that it was necessary to deepen integration among its member states. Third, in 1986, EU agreed to implement single market by 1992, while North American countries, namely the US, Canada and Mexico, agreed to establish North American Free Trade Area (NAFTA) by 1993. The establishment of EU's single market, NAFTA and the growing China edified ASEAN member countries fear of trade and investment diversion to those regions. Fourth, the 1985 crisis effectively brought liberalist elites into the policy-making circle in domestic politics of ASEAN member countries except for Singapore and Brunei Darussalam. The governments of ASEAN member countries were seeking for new macroeconomic approaches in order to survive the crisis and upcoming competition. Fifth, the crisis in 1985 was followed by the opportunity created by the massive outflow of Japanese FDI as an impact of the signing of the Plaza Accord. In order to capture the opportunity while competing with other regions, ASEAN was required to increase its appeal for investments. Sixth, the end of the Cold War provided both new opportunities and challenges for future ASEAN economic integration. Developing economic and diplomatic relations with Northeast and Southeast Asian socialist countries was no longer a political issue, so that new opportunities to increase economic relations with China, Vietnam, Myanmar, Cambodia and Laos were made possible and wide open. The new challenge for ASEAN was to find new direction for its institutional significance.

Realist influence on the studies of the genesis of AFTA was found in the role of crisis, great power relations, ideology, hierarchy, and the maintenance of regional security and stability.³¹ The destabilizing factor for ASEAN during

31. See the work of Sorpong Peou, "Whithering Realism? A Review of Recent Security Studies on the Asia-Pacific Region", *Pacific Affairs*, Vol. 75, No. 4, (Winter 2002/2003); Acharya,

1990s was still present despite the end of Vietnam-Cambodia conflict. It was largely because firstly, territorial disputes among ASEAN countries, and also China in the case of South China Sea, were left dormant without institutional arrangement for resolution. Secondly, with the end of the Cold War, non-traditional security issues became a new security agenda, even for ASEAN countries. Crisis remained an important catalyst for ASEAN regional integration as shown by the deepening integration since the 1980s crisis and 1997/1998 Asian financial crisis. Ideology, as reflected in economic policy, was proven important in analyzing ASEAN response to the 1997/1998 financial crisis. IMF's neoliberal approach to assist the crisis-hit countries was seen incompatible to ASEAN's characteristics of strong state and network-driven (bureaucratic-patrimonialism) economy. This explains resentments to accede to IMF conditions for assistance from Malaysia, and the prolonged crisis in assisted Indonesia.³²

To realists, ASEAN is a regional process to avoid conflict in which economic cooperation works as means instead of objective. ASEAN states view the regional cooperation as beneficial for individual national interest while bearing no cost, especially in delegating sovereignty to supranational institution and the risk of interference on domestic affairs.³³ The members maintain and support ASEAN integration in order to pursue national interests, instead of regional collective or shared interests. The benefit of economic cooperation is considered minimum compared to diplomatic and political benefits. Some realists even see ASEAN is not in any way developing into an economic community.³⁴ The form of ASEAN regional cooperation is adapting to the values acceptable to member countries, namely the "ASEAN way", which emphasizes non-interference, mutual respect, peaceful dispute settlement, non-use of military force, consensus and dialog in decision making.

op.cit.; Jurgen Ruland, "ASEAN and the Asian Crisis: Theoretical Implications and Practical Consequences for Southeast Asian Regionalism", *The Pacific Review*, Vol. 13, No. 3, (2000); Tsuyoshi Kawasaki, "Between Realism and Idealism in Japanese Security Policy: the Case of ASEAN Regional Forum", *The Pacific Review*, Vol. 10, No. 4, (1997); Sheldon W. Simon, "Realism and Neoliberalism: International Relations Theory and Southeast Asian Security", *The Pacific Review*, Vol. 8, No. 1, (1995); and John Funston, "Challenges Facing ASEAN in a More Complex Age", *Contemporary Southeast Asia*, Vol. 21, No. 2, (1999).

32. Richard Higgott, "The Asian Economic Crisis: A Study in the Politics of Resentment", *New Political Economy*, Vol. 3, No. 3, (November 1998).

33. Bilson Kurus, "Understanding ASEAN: Benefits and Raison d'etre", *Asian Survey*, Vol. 33, No. 8, (August, 1993).

34. Michael Leifer, "ASEAN Peace Process: A Category Mistake", *The Pacific Review*, Vol. 12, No. 1, (1999), p. 37.

Still for some realists, ASEAN response to the international order in the region that involves major powers such as the US, China, Russia and Japan is hierarchic rather than balancing.³⁵ Southeast Asian countries being free to choose, “flock to the weaker side” according to Waltz theory, generating a certain regional order based on hierarchy, in which balancing and bandwagoning to the great powers cannot be concluded based only on power distribution and threats.³⁶ The regional order had also been glued by interests, as suggested by Schweller’s proposition: “balancing for security and bandwagoning for profit”.³⁷

Liberalist studies on the region have contributed significantly to the exposition of the institutional development of ASEAN and AFTA. The lack of institutionalization, according to liberalists, has contributed greatly to the ASEAN’s inability to solve many regional problems, such as financial crisis, environmental hazard, territorial disputes, human rights violation and economic interdependence. But the pre-existing market-driven economic interdependence that has generated intra-industry trade and developed regional production network in Southeast Asia has enabled rapid growth and economic integration, not only in ASEAN, but further into East Asia.³⁸

The East Asian financial crisis in 1997-1998 was the test for ASEAN cohesiveness at this phase. ASEAN countries tended to resort to national policies and IMF assistance in coping with the crisis. Despite this, the member countries did not resort to setback in the regional economic integration. Instead, ASEAN countries agreed on deepening and widening economic integration to include all 10 members and more partners, while continued spillover to investment and services liberalization. The crisis showed that ASEAN was less than capable to help members in crisis. Financial and monetary cooperation with major powers in East Asia was necessary. For the first time in its institutional evolution, ASEAN established APT, the momentum that gave the foundation for future East Asian regionalism, to include Japan, China and South Korea.

35. Victor D. Cha, “Hierarchy, Balancing, and Empirical Puzzles in Asian International Relations”, *International Security*, Vol. 28, No. 3, (Winter 2003/2004), p. 172.

36. Kenneth N. Waltz, *Theory of International Politics*, (Reading, Mass.: Addison-Wesley, 1979), p. 73.

37. Randal Schweller, “Bandwagoning for Profit: Bringing the Revisionist State Back In”, *International Security*, Vol. 19, No. 1, (Summer 1994).

38. See for instance M.C. Abad Jr., “The Association of Southeast Asian Nations: Challenges and Responses”, in Michael Wesley, *The Regional Organization of the Asia Pacific: Exploring Institutional Change*, (New York: Palgrave, MacMillan, 2003); Shaun Narine, “Institutional Theory and Southeast Asia, the Case of ASEAN”, *World Affairs*, Vol. 161, No. 1, (Summer, 1998); and Acharya, op.cit.

Domestic politics remained the locus of decision making in regionalism in Southeast Asia. For ASEAN 6, AFTA had been creating instead of diverting trade.³⁹ For the late joiners, namely Cambodia, Myanmar, Lao PDR and Vietnam (CLMV), joining AFTA required the transitional economies to make adjustment policies, although relatively flexible in pace, depending on each country's preparedness. Despite revenue loss during the first five years of joining AFTA, the overall income of the transitional economies was increasing while measures of compensating loss were also underway.⁴⁰ Fukase and Winters (2003) argued that the acceleration of domestic reforms in ASEAN new member countries was part of dynamic effects of AFTA.⁴¹

The main picture on AFTA emphasized the dynamic instead of the static effects. From the design, the objective was not to create a regional economic bloc, but to strengthen and enhance the pre-existing trade and investment structure. The implementation of AFTA did increase trade and concentrated on intra-industry trade. However, the elimination of barriers to intra-regional trade was aimed mostly at increasing ASEAN attractiveness to foreign investment. At the same time, each member states liberalized its domestic financial market in order to attract foreign investment.⁴² The member states signed on AFTA for national economic benefit rather than regional collective benefit. They were at first reluctant to sign on, but after being preceded by Singapore-Thailand FTA, they collectively agreed to AFTA. Only after the success of Singapore-Thailand FTA, the remaining member states were willing to sign on. This implied that the decision to sign AFTA was in large part depended on member states' consent.

39. Many have examined the static impacts of AFTA and most agreed that AFTA has been creating instead of diverting trade. See for instance, Helen Cabalu and Christina Alfonso, "Does AFTA Create Trade or Divert Trade?", *Global Economy Journal*, Vol. 7, No. 4, (2009). This was especially experienced by ASEAN 6, the first signatories of AFTA that include Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

40. Jose L. Tongzon, Habibullah Khan, and Le Dang Doanh, "Options for Managing Revenue Losses and Other Adjustment Costs of CLMV Participation in AFTA", *REPSF Project 02/002*, (October 2004), p. xxxviii.

41. Emiko Fukase and L. Alan Winters, "Possible Dynamic Effects of AFTA for the New Member Countries", *The World Economy*, Vol. 26, No. 6, (10 July 2003), p. 866-868.

42. Liberalization of financial market in ASEAN countries was underway without proper control from the state, including short-term funds. This has led to the 1997/1998 financial crisis. See for instance, Stephan Haggard and Andrew MacIntyre, "The Political Economy of the Asian Economic Crisis", *Review of International Political Economy*, Vol. 5, No. 3, (Autumn 1998).

Studies by Nesadurai⁴³ and Solingen⁴⁴ reconfirm the importance of domestic politics in the making of regionalist policies, especially AFTA. In her study on developmental regionalism in ASEAN, Nesadurai argues for employing “developmental regionalism” theory in explaining the form of ASEAN regionalism in which domestic factors are properly accounted for. According to Nesadurai, the systemic level provides initial trigger for regionalism, but it is domestic coalitions that determine the final product of regionalist policies based on domestic political processes. Based on states’ strategy in response to the systemic challenges of globalization, Nesadurai divides three type of regionalism: open, resistant, and developmental regionalism. She further suggests that ASEAN falls into developmental regionalism category. Solingen’s study on the impact of financial crisis on ASEAN regionalism also suggests that domestic coalitional composition affects regional integration. According to Solingen, domestic political forces conceive and nurture regional integration in order to pursue domestic and regional political and economic stability and global access. Although some of ASEAN states are dominated by “backlash” elite, Solingen argues that they are accommodated and co-opted. Even during the 1997/1998 crisis, the states still favored “internationalist” grand strategy in regionalism because of the coalitions.

In this third phase, although limited in number, constructivism also grew in the study of ASEAN regional economic integration.⁴⁵ Most constructivist studies on ASEAN regional integration at that time focused only on security issues and almost none discussed economic integration in the same proportion as security. Karl Deutsch’s notion of “security community” placed a great influence on Southeast Asian constructivism. The main question was whether or not ASEAN was constructing a security community in the region. Busse (1999) argued that social process of states interaction in decades of ASEAN history had shaped the regional ‘collective identity’ and shared norms, generating a norm-based regionalism. Collective identity, according to Busse, is states’ identification of its behavior with the fate of others in the region. Busse denied ASEAN as a case for realism for two reasons. First, the member states’ defense budget up to the 1990s

43. Helen E.S. Nesadurai, “Attempting Developmental Regionalism through AFTA; Domestic Sources of Regional Governance”, *the Third World Quarterly*, Vol. 24, No. 2, (2003).

44. Etel Solingen, “ASEAN, Quo Vadis? Domestic Coalitions and Regional Cooperation”, *Contemporary Southeast Asia*, Vol. 21, No. 1, (April 1999).

45. See for instance Amitav Acharya, “Realism, Institutionalism, and the Asian Economic Crisis”, *Contemporary Southeast Asia*, Vol. 21, No. 1, (April 1999); Tivo Kivimaki, “The Long Peace of ASEAN”, *Journal of Peace Research*, Vol. 38, No. 1, (2001); and Nikolas Busse, “Constructivism and Southeast Asian Security”, *The Pacific Review*, Vol. 12, No. 1, (1999).

was modest –both in the absolute amount and relative to GDP– and did not reflect security-oriented grouping. Second, the regional policy and behavior did not fit the balance-of-power logic. Throughout history, the motive of ASEAN behavior has not always been self-help. Instead, norms occur and guide ASEAN foreign policy behavior.

Acharya⁴⁶ is more moderate than Busse in considering realism's contribution to ASEAN studies. He argues that realism found its relevance in the region during the formation of ASEAN. However, as the Association evolves into ASEAN Community with certain norms and identity, constructivism is argued to have more explanatory power than solely relying on realism.

With regard to regional economic integration, constructivist perspectives in the third phase could be found in the discussion on interdependence and norms. Overall, constructivists were more concerned with the construction of the region, but the influence of security community theory led the study more into security study. However, discussion on 'region-ness' would have to include interdependence and regional cohesion. Constructivists argued that collective identity is the major factor that generates regional cohesion in the face of threats, including economic threat. During the financial crisis, ASEAN states' responses were diverging between capital controls and accede to IMF rescue program. But one notable common policy was that the states agreed to keep the pace of integration with the on-going AFTA, AIA, and AFAS. According to constructivists, collective identity was the factor behind deepening integration despite ASEAN institutional weakness in the face of crisis. The norms that reflect regional identity is the so-called "ASEAN way" and it can be traced from ASEAN domestic cultures and interaction. Constructivists noticed that the social process of state interactions shaped the ASEAN way rather than domestic culture. Indonesia during Sukarno did not even close to represent "ASEAN way" culture of non-interference and non-use of force. The interplay nature between norms and actors makes norms subject to change due to changing context that requires actors to adjust. To such constructivists as Haacke, the 'ASEAN way' has changed partially through social process and in time might change generally if ASEAN is to strengthen its institutional capacity.⁴⁷

46. Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*, (Oxon: Routledge, 2001).

47. Jurgen Haacke, "ASEAN's Diplomatic and Security Culture: A Constructivist Assessment", *International Relations of the Asia Pacific*, Vol. 3 (2003).

4. Acceleration Phase (2003-now)

The latest phase of the scholarship started in 2003 was marked with the signing of ASEAN Community 2015. In contrast to the previous decade, the scholarship during this phase grew more confidence and optimism toward regional economic integration, not only in the Southeast Asian region, but also with an expectation to include East Asia in the process of integration. From economic perspectives, many studies reaffirm the correlation between regional integration, FDI and economic growth in the region. Intra-regional trade remains approximately 25% of total trade annually. However, integration contributes significantly to the increase of inward, outward, and intraregional FDI. CLMV countries have benefitted more from the increase of trade and FDI compared to ASEAN 6. Although suffering revenue loss from tariff cuts, they have enjoyed increased income from growing trade and investment.⁴⁸ Economists also found that regional integration increases economic interdependence in certain sectors.⁴⁹

Theoretical debate at this stage has been shifting following the evolution of ASEAN economic integration. There are at least five characteristics of theoretical debate in this phase. First, studies of ASEAN's institutional development by neoliberal-institutionalism are gaining momentum. The evolution of ASEAN's economic integration from AFTA to ASEAN Economic Community (AEC) confirms path-dependent institutionalists' prescription. Studies on institutional development have been increasing, especially because ASEAN institutions are comparatively distinctive to that of Western European institutions. Increasing institutional engagement with East Asian partners enhances the discussion of the possibility of East Asian regional integration. Only few studies focused on interregional relations and comparative regionalism.

Second, the dominance of realist approach in economic integration is decreasing, although realist dominance in political and security issues is still in place. Most realists are skeptical towards the prospect of ASEAN Community building. Firstly, power and sovereignty considerations are still dominant in

48. See for instance Michael G. Plummer and David Cheong, "FDI Effects of ASEAN Integration", *Region et Developpement*, No. 29 (2009); and P. Srinivasan, M. Kalaivani and P. Ibrahim, "FDI and the Economic Growth in the ASEAN Countries: Evidence from Cointegration Approach and Causality Test", *Journal of Management Research*, Vol. 9, No. 1, (2010).

49. See Myrna S. Austria, "The Pattern of Intra-ASEAN Trade in the Priority Goods Sector", *REPSF Project No. 03/006e*, (August 2004); and David J. Dennis and Zainal Aznam Yusof, "Developing Indicators for ASEAN Integration: A Preliminary Survey for a Roadmap", *REPSF Project No. 02/001*, (August 2003).

states' policies, making it difficult to produce a supranational regional organization with strong institutional power. The on-going economic integration is considered superficial, as states are only trying to create the image of cohesive regionalism while the foreign affairs are mostly conducted by bilateral rather than regional relations. Realists also argue that the liberalist claim on the primacy of cooperation, democratic stability, and civil society is not evident in ASEAN state-driven regionalism.⁵⁰

Third, liberalists tend to disagree with realists' state-centered and balance-of-power-oriented points of view. Acknowledging institutional weakness and slow pace integration among Southeast Asian countries, liberalists see progress, spillover, and convergence between bilateralism, regionalism and multilateralism in the global order. Some among liberalists try to convince that bilateralism and regionalism in Southeast Asia are building blocks to multilateralism, and ASEAN does not show any sign to resort to become an introvert regional trading bloc. Some others are quite critical towards the lack of political commitments to the institutional development. Unequal development between economic and political integration made any liberalist analysis on ASEAN integration considers multilevel or multidimensional regionalism.⁵¹

Fourth, the constructivism approach in explaining ASEAN economic integration has not only been growing in the number of its proponents, but also enhancing its theoretical explanation. Deriving from the assumption that ASEAN has been successful in realizing a certain form of community, the mainstream of constructivists argues that ideas, culture and norms provide the best explanation of ASEAN regional integration.⁵² The focus of its study has shifted from the formation of security community to the transitional process of the evolving regional identity and the possibility of East Asian regionalism.⁵³

50. See for instance, Shaun Narine, "ASEAN in the 21st Century: A Skeptical Review", *Cambridge Review of International Affairs*, Vol.22, No. 3, (September 2009).

51. See for example, John Ravenhill, "Fighting Irrelevance: An Economic Community with ASEAN Characteristics", *Working Paper (ANU-RSPAS)*, No. 2007/03, (July, 2007); Michael G. Plummer and Ganeshan Wignaraja, "Integration Strategies for ASEAN: Alone, Together, or Together with Neighbors", *East-West Center Working Paper (Economic Series)*, No. 92, (November 2007); and Christopher B. Roberts, *ASEAN Regionalism: Cooperation, Values and Institutionalization*, (Oxon: Routledge, 2012).

52. Tivo Kivimaki, "Power, Interest, or Culture: Is There a Paradigm that Explains ASEAN Political Role Best?", *The Pacific Review*, Vol. 21, No. 4, (December 2008).

53. Alice D. Ba, *[Re]Negotiating East and Southeast Asia: Region, Regionalism, and the Association of Southeast Asian Nations*, (California: Stanford University Press, 2009); Dirk Nabers, "The Social Construction of International Institutions: The Case of ASEAN + 3",

Fifth, the main debate on ASEAN regional economic integration is now between rationalists and constructivists. Katzenstein, Keohane and Krasner (1998) have predicted this trend since constructivism studies on ASEAN starts growing.⁵⁴ Criticism toward constructivist perspectives includes two main issues. The first issue is the explanatory power of identity, ideas, culture and norms as the drivers of regional integration. According to rationalists, the test for ideational forces explanatory power is disputes among states, instead of cooperation, and mechanisms or triggers that force institutionalization of certain ideas and norms, which is the second issue.⁵⁵ When states are in disputes, such as South China Sea territorial disputes, rationalists argue that norms do not really work out to regulate states' behavior. Recurring incidents in the South China Sea prove that there are other factors than norms that drive states' behavior. External shocks and changes of the international and regional structure also create pressures for institutionalization of certain ideas and norms, apart from socialization of the ideas and norms themselves. The time it took for socialization process limits the explanatory power of ideas, culture and norms on ASEAN economic integration. On the contrary, states' policy convergence to collective ideas, culture and norms immediately after materialistic changes endorses theoretical explanation on mechanisms of how ideational and materialistic forces engage. As alternative to norms socialization, scholars such as Stubbs, Jetschke, Rüländ, and Kim,⁵⁶ suggested historical institutionalism, cultural realism and strategic preference theories as guidance to explain materialization of the "ASEAN way" ideas and norms.

International Relations of the Asia Pacific, Vol. 3, No. 1 (February 2003); Takashi Terada and Bernard Ong, "Japan and the Management of Transatlantic Crisis: International Responses and Domestic Struggles", *Contemporary Politics*, (2011).

54. Peter J. Katzenstein, Robert O. Keohane and Stephen D. Krasner, "International Organization and the Study of World Politics", *International Organization*, Vol. 52, No. 4, (Autumn 1998).

55. See Nicholas Khoo, "Deconstructing ASEAN Security Community: A Review Essay", *International Relations of the Asia Pacific*, Vol. 4, (2004); and Kim Min-Hyung, "Theorizing ASEAN Integration", *Asian Perspective*, No. 35, (2011).

56. Richard Stubbs, "The ASEAN Alternative? Ideas, Institutionalization and the Challenge to 'Global' Governance", *The Pacific Review*, Vol. 21, No. 4, (2008); Anja Jetschke and Jürgen Rüländ, "Decoupling Rhetoric and Practice: The Cultural Limits of ASEAN Cooperation", *The Pacific Review*, Vol. 22, No. 2, (2009); and Kim Min-hyung, *Ibid.*

The Parallel Evolution: A Case for Eclecticism?

Classifying ASEAN economic integration development since its inception up to now seems to have convergence with theoretical development on the topic. In this article, we have classified ASEAN economic integration development into four phases as categorized by the character of institutionalization of economic integration among Southeast Asian countries.

Observing the history of ASEAN regional economic integration theorization, we now understand that it is simplistic to say that the practice of ASEAN economic integration is so complex that no single paradigm can provide sufficient explanatory power that meets any student's curiosity. Any student would easily be lost in the paradoxes and controversies in the theoretical discourse on the subject. Explanations from one paradigm may meet with paradox inflicted by strong criticism from other paradigms. This is the point where many scholars suggest eclecticism to bridge contesting theories and paradigms.⁵⁷

The problem with theoretical eclecticism has always been the bridge between differing ontological, epistemological and methodological assumptions of each theory.⁵⁸ Approaching one research problem, such as regional economic integration, with theoretical eclecticism requires the conflicting theories to find "peace", so that the eclectic explanation does not contradict itself in the ontological, epistemological and methodological questions. Realism and liberalism, for instance, base their theories on the differing assumptions on international system, which are anarchy and order. Their focus of analysis lies on the different levels. While most realists focus on the "world of states", liberalists analyze actors in a few different levels that include international organization(s), transnational actors, governments, domestic political elites, and civil society. Realism and liberalism also differ in their research problem between addressing balance of power and building cooperation. By and large, the question of problem (issues), actors, and levels of analysis represent ontological, epistemological and methodological assumption of each paradigm.

In the brief exposition of theories and practices of ASEAN economic

57. See for instance, Jürgen Rüländ, "Southeast Asia: New Research Trends in Political Science and International Relations", *Südostasien Aktuell*, No. 4, (2006). In his review, Rüländ suggests readers to discuss all fields in order to comprehend Southeast Asia, and avoid entrapment of one perspective's limitation, or what constructivists called 'myopia'.

58. For the detailed discussion, see, for example, Heikki Patomäki and Colin Wight, "After Postpositivism?: The Promises of Critical Realism", *International Studies Quarterly*, Vol.44, 2000.

integration above, we have learnt that the factors, processes and effects of the integration occurred at different levels which generate complexities. The integration process operates at three different levels based on the involving actors: (1) market-driven integration, where the three major economies (Japan, the EU and the US) plus recently the rising China, play significant contribution in the formation of regional production network; (2) institution-driven integration, where states institutionalize economic cooperation and integration in the region; and (3) private-sector-driven integration, where economic integration operates between private sectors in sub-regional cooperation projects. The genesis of institutionalization also derives from three different levels, including (1) systemic level, where international order, global governance, balance of power and external shocks and changes stimulate regionalist policies; (2) regional or sub-ordinate level, where states in the given region bargain, deliberate, socialize, and make decisions on collective action; and (3) domestic or internal level, where government and non-state actors contest for influencing regional policies.

It is important to note that if one analyzes ASEAN regional integration carefully through these different levels, one could find that the paradoxes that critics of ASEAN often address are, in many cases, concerning different issues, operated by different actors, and at the different levels. For instance, criticisms are at times addressed on the contradiction between the signing of ASEAN Economic Community and the compliance of states to meet the various roadmaps agreed. With eclectic approach, one can easily bridge the contradiction by analyzing separately the institutional process of the AEC signing, and the institutionalization process of the implementation procedures and mechanisms which include different problems, processes and actors. In this case, all paradigms can contribute positively to the theorizing on the genesis of AEC and its institutional form.

Students of ASEAN regionalism have been benefitted from the complexity and peculiarity of international relations in the region. Paradoxes and contradictories which are presented by a number of theories open the opportunity for a multilevel and multidisciplinary approach, as it involves multifaceted process that is exercised by various actors. This complexity allows the use of theoretical eclecticism, as the differing assumptions of each theory are suited in the multifaceted character of ASEAN regionalism.

Concluding Remarks

Let us summarize our discussions throughout the article. Periodization of the history of ASEAN economic integration, based on its economic institutional development, appears to coincide with the development of theorization on the topic. During the formation years when the activities of the member states focused on building communication and confidence among each other, descriptive studies from realist perspectives dominated the scholarship in the region. This obviously makes sense as the regional collective economic activities were merely non-existent, while the drive for regionalism mostly originated from extra-regional pressures, namely Vietnam and the Cold War situated great power competition.

During the second phase of the history of ASEAN integration, when cooperation projects and PTA were initiated, studies on ASEAN economies were dominated by the political economy of development. The distinctive characteristics of Southeast Asian capitalism, economic miracle, transnational Chinese business network, regional production network and state-business relationship appeared to be the dominant topic of the political economy of development in the region. Research on economic integration was rarely found, mostly because economic cooperation projects and PTAs were unsuccessful and too insignificant for measuring integration. Economic cooperation was considered as part of “comprehensive security” conception of the institution, while three crises in the 1970s and 1980s become important factor that incited regionalist policymaking. Thus, the study on regional integration was still dominated by realism during this phase.

The third period, which could be called as initial stage of integration, marked the new era of studies on ASEAN economic integration. With the formation of AFTA, realists, liberalists and economists were competing in providing the most reasonable explanation of the factors, institutional form, development and effects of AFTA. Crisis remained an important factor in debating ASEAN regional integration. Debates between neorealists and neoliberal-institutionalists on the formation, institutional form, processes and effects of ASEAN enriched the regionalism studies of the region. The emergence of studies from constructivist perspective, although limited in number and less developed in discussing economic integration, started to gain attention and many students in the 1990s.

The fourth period, when the economic integration in the region was accelerated by the signing of ASEAN Economic Community as a single market and production base by 2015, shifted partially the debate from the dichotomy of

realism and liberalism, into rationalism versus constructivism. Constructivist perspectives are increasingly popular among scholars on the region, but rationalists are still dominating the studies on the region as the recurring crisis and conflict defy the explanatory power of ideational factors.

Throughout the article, our arguments have clarified two main features of ASEAN regional economic integration theorization. First, periodization of ASEAN economic integration into the four periods above correlates with the development of its theorization. As ASEAN economic integration developed, the theorization and debates among contesting theories also increased. And second, the complexity and peculiarity of the characteristics of ASEAN economic integration provide a suitable case for theoretical eclecticism. ASEAN multifaceted integration processes involve different actors with relative autonomy who operate at different levels of the process. This characteristic allows differing paradigms with differing ontological, epistemological and methodological assumptions to be employed simultaneously. Without eclectic approach, it is difficult to comprehensively understand the complex nature of ASEAN regional economic integration. Comprehensive understanding of ASEAN can also be useful in analyzing the future significance of the Association in the face of the establishment of new regional frameworks such as East Asia Summit and Trans-Pacific Partnership. Being the successful mediating actor in the region so far and the locus of great power's competition over influence in the region, ASEAN's role in political, economic and security relations in the Asia-Pacific will remain significant. The dynamics of politics, economy and security in the region cannot be analyzed by undermining the role of ASEAN.

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