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## The ASEAN Way: Regional Integration Processes and Limits to Integration in Southeast Asia

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### Introduction

Following the end of World War II in 1945, regional organizations have significantly expanded in their relevance in international affairs. This process is best embodied by the case of European integration processes that initially led to the creation of the European Economic Community and ultimately to the establishment of the European Union (EU). Apart from the EU, the Association of Southeast Asian Nations (ASEAN) has arguably been the second most far-reaching regional organization in global politics. Founded in 1967 by the leaders of Indonesia, Malaysia, the Philippines, Singapore and Thailand, since the 1980s and 1990s ASEAN also incorporates Brunei, Cambodia, Laos, Myanmar and Vietnam. ASEAN has long been guided by what has been proudly preferred to as the ‘ASEAN Way’, implying an emphasis on the norms of consensus, sovereignty and non-interference in the internal affairs of its member States (Ebbighausen, 2017). The ASEAN Way consequently enshrines the notion of non-coercion as ASEAN’s fundamental principle.

As a unified bloc, ASEAN has quickly climbed the world’s political and economic ladder. ASEAN has a cumulative GDP of US\$ 2.8 trillion, making it the fifth largest economy in the world (US-ASEAN Business Council, n.d.). Although ASEAN is significantly smaller in terms of population relative to India (650 million inhabitants relative to India’s almost 1.4 billion inhabitants), its economy outperforms India’s in terms of total GDP. The rapidly growing economies of ASEAN member States have been the destination of surging foreign investment from all over the world, driven by ASEAN’s rapidly urbanizing, young and expanding consumer markets. ASEAN also benefits from a vital geographical location: Southeast Asia is home to the naval linkages connecting the Indian Ocean with the Pacific via maritime choke points such as the Malacca Strait and the Lombok Strait. ASEAN’s geography thus makes ASEAN States key to guarantee the navigability of regional sea lanes that remain vital for global trade. Moreover, ASEAN is located between (and borders) both China and India, the world’s most rapidly growing consumer markets. The bloc’s economic importance is further embodied by China’s growing investment in Southeast Asia in the context of Beijing’s Belt and Road Initiative. Chinese interests in the region are nevertheless not uncontested: some regional actors have deep security ties with the United States (US) whilst others, including the Philippines and Vietnam, have ongoing territorial disputes with China. Historical grievances also play a role in shaping the relations between ASEAN member States and China. The deepening geopolitical tensions between China and the US consequently situate ASEAN firmly in the deteriorating relations between Beijing and Washington.

Despite the integrative advances brought about by ASEAN, Southeast Asia remains a partially politically volatile region. On the one hand, regional integration through ASEAN has not resulted in widespread economic integration. Regional States also have to address diverse

security threats, ranging from Islamic terrorism and piracy in the Philippines to insurgencies in Myanmar. The region furthermore witnesses an increasingly authoritarian trend, with the internationally denounced military coup in Myanmar in February 2021 being the most recent epitome of this. ASEAN, in other words, faces distinct regional challenges to its organizational structure and the normative prescriptions of the ASEAN Way.

This paper retraces the organizational origins of ASEAN and examines how regional integration processes have given birth to ASEAN's contemporary organizational design. To assess ASEAN's origins, the paper firstly examines the legacy of European colonialism, the Japanese campaigns in Southeast Asia during WWII, regional decolonization processes following the end of WWII and the outbreak of the Cold War. The paper posits that Southeast Asia's historical experiences of outside interference played a key role in shaping the ASEAN Way and its politico-normative emphasis on non-interference. The paper subsequently examines how the ASEAN Way has shaped regional integration processes, specifically in the case of economic integration. The analysis finds that ASEAN's organizational expansion in the 1990s was accompanied by a growing internal heterogeneity, resulting in internal tensions that the ASEAN Way prevents from comprehensively addressing. In this light, the ASEAN Way continues to serve its original functions but constrains further regional integration in the process.

### Colonialism, World War II and Decolonization

From the 16th century onwards, colonization by European powers became the dominant political trend throughout Asia's littoral regions. Driven by advances in seafaring technology and the desire to manifest maritime trade connections with the Indian subcontinent in particular, European merchants, patronized by European governments, ventured into Asia. Portugal was the first European country to establish a permanent settlement in Southeast Asia, setting up shop in Melaka, located adjacent to the Malacca Strait, in 1511. In the following decades and centuries, almost all of Southeast Asia fell prey to European expansionism: Spain began colonizing the Philippines in the latter half of the 16th century, losing control over the archipelago to the US following its defeat in the Spanish-American war of 1898. By 1602, the Dutch had begun claiming stakes in the Dutch East Indies, now known as Indonesia. Britain manifested and expanded its foothold over the Malayan Peninsula, including Singapore, throughout the 18th and 19th century. Britain also controlled the northern part of Borneo, including Sarawak and Brunei, with Borneo's southern part being held by the Dutch. Alongside the British expansion in the Indian subcontinent, Britain also colonized Burma, now known as Myanmar. The French secured their colonial share via expanding their holdings in Indochina (consisting of Cambodia, Laos and Vietnam) from the 1850s onwards. Within the space of three centuries, almost all of Southeast Asia had fallen under European control. The only exception to this was Thailand, historically also known as Siam. Yet even here, the British and French colonial powers managed to carve out their respective spheres of influence (Loos, 2006). Following the expansion of European colonialism and imperialism in the 16th century, subjection to colonial rule had emerged as the status quo for the population of Southeast Asia.

Although calls for self-determination and freedom from colonial rule had been prevalent throughout the region prior to the 1930s and 1940s, the events of WWII helped to accelerate regional pushes for independence. The escalation of military conflict with Nazi Germany had required the colonial powers to focus their attention and resources on sustaining their interests in Europe, reinforcing the colonial prioritization of the well-being of the imperial core over that of the imperial periphery. In some instances, the German military advance even severed the official ties between core and periphery: by mid-1940, Germany had occupied both Amsterdam and Paris. The intensified extraction of resources from Asia by Great Britain simultaneously exacerbated anti-colonial sentiments throughout London's dominions in Asia. Britain soon found itself fighting a two-front war: following its attack on Pearl Harbor in early December 1941, Japan had moved quickly through its positions in China to overrun the British Crown Colony of Hong Kong. From southern China, the Imperial Japanese Army (IJA) also made inroads into Southeast Asia, invading neutral Thailand in late December 1941. Having established a foothold in Southeast Asia, the IJA launched extensive military operations throughout the region, invading Burma, the Dutch East Indies, the Philippines, Malaya, Singapore, New Guinea and some smaller Pacific islands in 1942 and 1943. Japan's rapid military offensive had decimated the colonial control throughout the region, the reputation of which had already been scarred prior, whilst revealing the military vulnerability of the colonial possessions.

Beyond Tokyo's exposure of colonial vulnerability, Japan's position was initially boosted by the pan-Asianist narrative put forward by Japan. To justify its own expansionism in Northeast Asia in the 1930s, Japan had advocated the creation of a 'Greater East Asia Co-Prosperity Sphere', which envisioned a radical reordering of the political order formations of East and Southeast Asia: European colonial powers were to be expelled from the region by Japan and to be replaced by an order emphasizing the shared culture and history of regional peoples, ultimately resulting in self-determination (Yellen, 2019). In the early stages of the war, this anti-European, anti-colonial narrative helped to legitimize the Japanese offensives throughout the region and neatly aligned with the demands of nationalist movements. In the Philippines, for instance, some nationalist groups viewed collaboration with Japan as a vehicle for accelerating the process of liberation from colonial oppression (ibid). It soon became apparent, however, that Japan's designs for Asia were hardly anti-imperialist: rather, Japanese expansion was driven by the desire to exploit natural resources and labor and was strongly underpinned by beliefs of Japanese racial and cultural superiority. In effect, Japan was to replace the Western powers at the imperial helm rather than bringing a true end to imperialism (Harding, 2015). Japan's exploitation of the Southeast Asian population, for instance in the context of the construction of the Burma Railway in 1942 and 1943, which is believed to have cost up to 90,000 civilian lives (ANZAC Portal, 2020), ultimately undermined Tokyo's ability to capitalize on the anti-European sentiments throughout the region. Tokyo's newly gained sphere of influence began collapsing as Japanese forces were driven back by allied advances and came to a final end with Japan's defeat in the war in 1945. Yet, the at least theoretical pan-Asianism of Japan's Co-Prosperity Sphere and Japan's initial military success had emboldened the position and rhetoric of nationalist forces throughout Southeast Asia whilst loosening the grip of the colonial powers.

The end of the war fundamentally changed the world's geopolitical dynamics, heightening the profiles of the Soviet Union and the United States at the expense of the traditional European powers. Imperial European decline first became visible in Southeast Asia: hamstrung by the political and financial costs of the war and challenged by growing demands for independence, European powers lacked the resources and capacities to effectively hold on to and govern their regional dominions. British India was partitioned into India and East and West Pakistan in 1947. A year later, British Burma gained independence. That same year, London founded the Federation of Malaya, which also included Singapore, in an attempt to quell local demands for self-determination. The Federation ultimately gained formal independence in 1963 before being renamed to Malaysia that same year. Britain's possessions on Borneo were transferred to Malaysia in 1963, with Singapore declaring independence from Malaysia in 1965. The Philippines had gained independence from the US in 1946 while the Dutch East Indies had become independent in 1949 following a brutal war of liberation. The end of WWII also saw growing opposition to colonial rule in French Indochina. Cambodia, Laos and Vietnam gained formal independence in 1953, with Vietnam being split into North and South Vietnam. It would not be until 1984 that all eventual ASEAN States would be formally free from colonial rule as the Sultanate of Brunei was the last dominion to gain independence from Great Britain.

### [From \*Konfrontasi\* to ASEAN](#)

Although colonial control had come to an end throughout most of the region by the 1960s, the effects of colonialism and its territorial boundaries dominated the early years of post-colonial Southeast Asia. A key development embodying this historical legacy and the ultimate push for enhanced regional integration was the *Konfrontasi* (Malay for confrontation) between Indonesia and Malaysia over control over northern Borneo. Unlike the remainder of Borneo, its northern part had not been held by the Dutch but by the British, who transferred the Crown Colonies of North Borneo and Sarawak to Malaysia upon the country's independence in 1963. The areas transferred by Great Britain were concurrently also claimed by the Philippines and Indonesia. Especially the left-leaning Indonesian President Sukarno supposed that Northern Borneo would seek to merge with Indonesia rather than Malaysia due to its shared Bornean heritage. In the following referendum, sponsored by the United Nations, North Borneo nevertheless voted to accede to Malaysia. Following this unsatisfactory outcome for Jakarta and Manila, Indonesia and the Philippines did not recognize the outcome of the referendum and furthermore withheld their diplomatic recognition for the now independent State of Malaysia (Kivimäki, 2001). As a result, Indonesian-Malaysian relations started deteriorating dramatically. From 1963 onwards, this conflict over North Borneo escalated into the *Konfrontasi*, a limited war between pro-Malaysia factions and Indonesia-backed groups.

The *Konfrontasi* was deeply rooted in the larger geopolitical trends of the time, notably the Cold War confrontation between the Soviet Union and the United States and Washington's attempts to contain communism in Asia. Following its independence, led by Sukarno, Indonesia had enjoyed close ties with the Soviet Union (Borne, 2008), whilst Britain's relative

control over the Malayan Federation had contributed to the country remaining largely anti-communist in orientation (Busch, 2003). As such, Britain's decision to transfer North Borneo and Sarawak to Malaysia boosted Malaysia's position relative to Indonesia. This strategically driven motivation was recognized by Sukarno, who saw the American and British diplomatic support for Malaysia as yet another form of colonial conspiracy against Indonesia (Kivimäki, 2001). Throughout the *Konfrontasi*, the situatedness of the confrontation in larger geopolitical trends became visible: Australia, Britain, New Zealand and the US supported Malaysia, partially even through ground troops, while China and the USSR were in support of Sukarno (Zhou, 2015). Beyond the deteriorating situation in Vietnam in the early 1960s, Northern Borneo had emerged as another Cold War battleground in Southeast Asia.

As with its start, the end of *Konfrontasi* in 1966 was situated in larger geopolitical trends. From 1965 onwards, Indonesia had faced growing domestic instability amidst the expanding role of Sukarno's Communist Party of Indonesia (PKI), which was increasingly opposed by the country's military and influential religious circles (Lane, 2008). In October 1965, Sukarno was removed from power by a military coup led by General Suharto. Although Sukarno formally retained his position, Suharto started being in de-facto control. Led by Suharto, Indonesia's armed forces committed nationwide purges against alleged PKI members and socialists, resulting in the death of between 500,000 and one million Indonesians (Human Rights Watch, 2017; Üngör & Adler, 2017). Throughout these anti-communist purges Suharto received financial and logistical support by strategists in Britain and the United States, who viewed Suharto's anti-leftist violence as a strategic victory in the fight against communism (Anwar, 2005). Suharto's victory had a distinctly regional strategic dimension as well: in 1964, the United States had intensified its efforts to contain communism in Vietnam. Suharto formally replaced Sukarno as Indonesian President in 1967. A year prior, Suharto-led Indonesia had ended the conflict with Malaysia, accepted Kuala Lumpur's control over Northern Borneo and rejoined the United Nations. Suharto's "New Order" had turned Indonesia's political apparatus staunchly anti-communist.

Indonesia's turn towards anti-communism played a foundational role in the establishment of ASEAN in 1967. Alongside Indonesia, ASEAN's other founding members (Malaysia, the Philippines, Singapore and Thailand) shared Jakarta's anti-communist leanings and consequently enjoyed close ties with the US, too. The shift from Sukarno to Suharto went hand in hand with a transformation in Indonesia's neighborhood policy, embodied by the end of *Konfrontasi*, which paved the way for the creation of ASEAN as an anti-communist bloc that could now include the region's most populous country (Narine, 2008). This converging anti-communist orientation between the founding members was underpinned by a converging threat perception: in line with the geopolitics of the time and the communist successes against the US in Vietnam, ASEAN's founding members viewed foreign-funded communist insurgencies as the main threat to national and regional security (ibid). Although ASEAN did not formulate security cooperation as a distinct realm of collaboration, security considerations thus played a key role in shaping initial forms of regional integration. Moreover, the *Konfrontasi* had illustrated that interstate tensions and rivalries continued to play a role - such tensions had to be alleviated to form a more coherent front against the expansion of communism. Initially, ASEAN subsequently aimed to reduce intra-ASEAN

tensions, mitigate the influence of external actors and promote socioeconomic development in the region (ibid). ASEAN's initial aims are illustrative of how the organization was situated in a distinct geopolitical environment (namely the fight against communism) and simultaneously rooted in shared historical experiences (most notably the experience of colonization). This historical experience must be understood as key for shaping ASEAN's legal-rational norms, including the prohibition of the use of military force, a focus on regional autonomy and non-interference in internal matters and a preference for bilateral rather than multilateral defense pacts (Leviter, 2010). ASEAN's original political norms and aims (balancing the power of global actors and also the power of ASEAN member States) thus reflected the region's politico-historical experiences up until that point.

### **The ASEAN Way - Organizational Expansion and Integration Debates**

These underlying normative organizational prescriptions have become formalized in the 'ASEAN Way'. Although ASEAN had existed since 1967, the first multilateral meeting between ASEAN heads of States took place as late as 1976 following the communist victory in the Vietnam war and the growing communist clout in Laos and Cambodia (Narine, 2008). The 1976 meeting laid the groundwork for the Treaty of Amicability and Cooperation (TAC), which codified the principles of the ASEAN Way: respect for State sovereignty, freedom from external influence, non-interference in internal affairs, peaceful dispute settlement, renunciation of the use of force and intra-ASEAN cooperation (Leviter, 2010). Especially the notion of sovereignty and non-interference are vital to emphasize; unlike regional organizations like the European Union, the ASEAN Way implies that membership in ASEAN is not accompanied with a partial loss in national sovereignty. As such, the ASEAN principles are highly Westphalian in their focus on non-interference and a distinctly national form of sovereignty. In this organizational context, ASEAN created a flexible forum for regional dialogue and confidence-building measures but formulated no concrete or explicit initial ambition to deepen political integration.

The end of the Cold War in the early 1990s resulted in ASEAN refocusing its organizational purpose to one focused on economic integration, a process that was accompanied by ASEAN's organizational expansion. Throughout the 1980s and the early 1990s, ASEAN had proven diplomatic coherence in the conflict between Cambodia and Vietnam, communally rather than individually criticizing the Vietnamese operations in Cambodia. Yet, the end of the Cold War, the collapse of the Soviet Union, China's turn away from Maoism and the end of the Cambodian-Vietnamese war in 1991 had pacified the region's security prospects, undermining ASEAN's *raison d'être*. Organizational expansion had already commenced at this point: Brunei had joined ASEAN in 1984 after having gained independence that same year. To manifest a new identity that responded to these shifts in Southeast Asia's political environment, ASEAN moved to reform its institutional structure: in 1992, ASEAN passed reforms that formalized summit meetings, strengthened the role of the Jakarta-based General Secretary and enhanced the facilitation of inter-State level interactions and dialogues (Narine, 2008). ASEAN was to become more of a coherent regional organization rather than a mere forum for regional States. Crucial was also the further organizational expansion of

ASEAN: Vietnam joined ASEAN in 1995 and was followed by Laos and Myanmar in 1997 and Cambodia in 1999. Between 1984 and 1999, ASEAN's number of members had doubled. In this context, the grouping had grown more representative of the region as a whole, also owing to its orientation away from a predominantly anti-communist focus. Organizational expansion, however, had hereby also made ASEAN more internally heterogeneous: especially the so-called CLMV States (Cambodia, Laos, Myanmar, Vietnam) were known for their repressive domestic tendencies, internal economic issues and their complex and divergent ties with China. Throughout the 1980s, China had supported Cambodia's regime following the invasion by Vietnam and even launched a brief border war against Vietnam in 1979, further straining the already historically complex Sino-Vietnamese relations whilst deepening the ties with Cambodia. The addition of the CLMV States also made ASEAN less economically coherent as the incoming economies were less developed and differently structured than the original ASEAN economies. Organizational expansion thus came at the expense of organizational cohesion.

In line with its organizational reorientation, ASEAN sought to enhance intra-ASEAN economic integration throughout the 1990s. An initial framework for cooperation had been established through the intra-ASEAN Preferential Trading Agreements (PTAs) signed in 1977. These PTAs, however, were largely unsuccessful in stimulating intra-ASEAN trade. This also connected to the economic strategies pursued by ASEAN's founding members: bar Singapore, all ASEAN States had pursued Import Substitute Industrialization (ISI), which emphasized domestic production at the expense of imports to boost trade surpluses (Stubbs, 1999). As a result, the national markets of ASEAN economies were not complementary but effectively operated as competitors, limiting efficient market integration (Hwee, 2010). Post-Cold War ASEAN sought to address this integrative discrepancy through the 1992 ASEAN Free Trade Area (AFTA), which eliminated tariffs on 90% of traded goods within ASEAN and aimed to establish a fully integrated Free Trade Area (FTA) by 2008 (Okabe, 2015). The AFTA was signed at a time when ASEAN's founding members had begun liberalizing their economic and financial systems to attract more foreign direct investment (FDI), resulting in the economies of these founding members becoming more reliant on exports and trade (Ariff, 1996). Growing liberalization elsewhere also played a role in the establishment of AFTA: in January 1994, the North Atlantic Free Trade Agreement (NAFTA) between Canada, Mexico and the United States had come into effect, liberalizing regional trade and further increasing the collective bargaining power of the North American markets. At the same time, the fall of the Berlin Wall and the reunification of Germany in the early 1990s had accelerated the negotiations for enhanced European integration, culminating in the 1993 creation of the European single market. AFTA marked the reformulation of ASEAN as a loose economic forum into a seemingly coherently unified economic bloc that was representative of a rapidly growing Asian market.

The flaws within and limitations of ASEAN's integration processes were nevertheless clearly illuminated by the 1997-1999 Asian financial crisis. The crisis started as Thailand had insufficient gold reserves to ensure the peg of the Thai Baht to the increasingly valuable US Dollar, resulting in the Thai government floating the Baht on international monetary markets. As the price of the Baht dropped, capital flight began to take place in Thailand, resulting in rapid currency depreciation. Capital flight quickly spread throughout ASEAN whilst the

increase in national interest rates in ASEAN States and growing debt in foreign currencies, now not serviceable anymore due to the depreciation of national currencies, further crippled the region. In the following months and years, levels of foreign debt and bankruptcy skyrocketed throughout ASEAN and East Asia, bringing a sudden stop to the economic boom and optimism that had dominated the region prior. Besides depressing incomes and living standards, the financial crisis had highlighted that ASEAN was organizationally unequipped to address regional monetary crises. As the Baht devaluation had taken hold, ASEAN had considered currency devaluation a purely national problem that was not to be interfered with despite having bloc-wide monetary implications (Leviter, 2010). As the crisis worsened, the norm of non-interference prevented member States from criticizing or steering the monetary behavior of other States, resulting in a lack of regional coordination that further exacerbated the crisis (Narine, 2008). Besides the immediate economic fallout, the organization's economic-international reputation had also been hurt; rather than presenting a single investment environment, it had become apparent that ASEAN contained diverse, non-streamlined investment environments with varying economic conditions that investors had to accommodate to. The financial crisis, alongside ASEAN's growing heterogeneity and the dogma of non-interference, had produced devastating effects for regional economies and highlighted the need for more politico-financial integration.

The 2000s saw enhanced attempts to deepen regional economic and security integration. Beyond the financial crisis, the late 1990s had added security considerations to the debates concerning ASEAN's purpose and extent of integration. In 1999, East Timor had declared independence from Indonesia, which had occupied Timor following the country's independence from Portugal in 1975. The declaration of independence was met with genocidal repercussions by the Indonesian military (Kiernan, 2017) - due to the norm of non-interference, however, ASEAN was unable as a bloc to condemn the Indonesian human rights violations or respond to the humanitarian crisis that unfolded as a result. While the situation in East Timor was stabilized by a UN peacekeeping operation, the fact that a peacekeeping operation had to be dispatched by the UN in the first place had exposed ASEAN's incapacity to respond to security challenges in its immediate environment. ASEAN sought to address these institutional failures via the 2003 creation of the ASEAN Economic Community (AEC), the ASEAN Security Community (ASC) and the ASEAN Socio-Cultural Community (ASCC). The ASCC aims at human and cultural development whilst the AEC formulated the ambitious goal to transform ASEAN into a single market and a unified production base (Collins, 2007). The ASC seeks to enhance security cooperation throughout the region, building on the ASEAN Regional Forum (ARF) established in 1994 (ibid). The AEC must also be considered in relation to the expanding economic roles of both India and China - a more integrated ASEAN bloc, it was presumed, would be better equipped to manifest an economic counterweight to both rising powers (Chia, 2013). In 2007, ASEAN member States also published the ASEAN Charter, serving as ASEAN's constitutional document. The Charter further formalizes and legalizes the norm of non-interference whilst entrenching an ASEAN-x approach: ASEAN can collectively reach agreements but member States that do not wish to be part of a given agreement can decide to opt out of it without any repercussions. This renders it easier for ASEAN to arrive at



agreements but concurrently means that ASEAN-x agreements are neither fully representative of ASEAN as an organization nor of Southeast Asia as a political whole.

The formulation of the 2007 Charter also embodied the political discrepancies between ASEAN's foundational members and its newer additions, most notably the CLMV States. In the build-up to the ratification of the Charter, debates focused on whether the Charter should include provisions on protecting democracy and enshrining human rights (Leviter, 2010). This came as the backdrop to some original founding members, most notably Indonesia and the Philippines, displaying a growing tendency to employ a 'Western' understanding of human rights in the late 1990s, including the notion that human rights violations can justify interference by external actors (Kivimäki, 2001). By default, this understanding of human rights undermines the norm of non-interference and especially causes concerns for regimes with poor human rights records and repressive domestic tendencies. In the ensuing debates, the divide between the then comparatively democratic founding members and the more repressive CLMV States became visible. In this context, the normative prescriptions of the ASEAN Way allowed the CLMV States to block the enshrining of protective provisions pertaining to human rights and democratic freedoms. The Charter hereby does include a provision on human rights protection, further entrenched by the ASEAN Human Rights Declaration (AHRD), signed in Phnom Penh in 2014. The AHRD reads that it *"is the primary responsibility of all ASEAN Member States to promote and protect all human rights and fundamental freedoms"* (ASEAN, 2014, p. 4). However, despite stating that human rights are *"universal, indivisible, interdependent and interrelated"*, the AHRD also suggests that *"the realisation of human rights must be considered in the regional and national context bearing in mind different political, economic, legal, social, cultural, historical, and religious backgrounds"* (p. 5). This understanding of human rights reflects the focus on non-interference and concurrently rejects a wholly universalist understanding of human rights. Crucially, the absence of punitive measures and mechanisms also means that even if human rights violations do occur, diplomatic intervention by ASEAN as a bloc is still not rendered justifiable. This consensus-based nature of the ASEAN Way thus prevents human rights violations from being met with organizational repercussions. Although ASEAN serves its initial purpose, namely balancing the relations between member States, its consensus-based approach can make it inimical to political-organizational change.

The ASEAN Way can be considered to have emerged out of the distinct geopolitical context in which ASEAN was formed. ASEAN's original emphasis was focused on containing communism, pacifying regional relations and structuring regional diplomacy in a way that is mutually agreeable - in this light, ASEAN has been extremely successful in maintaining these original objectives. ASEAN's transformed size and purpose, however, has made it increasingly difficult to develop organizational policies that are agreed to by all member States. A hardened consensus-building process connects back to ASEAN's growing heterogeneity: politically, especially new member States differ in their political orientations and interests relative to some of the original member States. This, as shown below, also impedes on opportunities for economic integration.

## Limitations to Economic Integration

ASEAN's role in global trade has expanded dramatically since the 1990s, accompanied by improvements in national incomes. As a bloc, ASEAN now operates as one of the key destinations for global FDI and displays a high degree of integration into the global economy (Vu, 2020). A 2013 report by the Asian Development Bank furthermore notes the strengths of a unified Southeast Asian market, namely a large consumer base, abundant natural resources, an expanding middle class, a generally young and urbanizing population and a high diversity in productive capacities and sectors (Chia, 2013). The same report, however, also notes that the absence of regional distributive mechanisms imperils the further progression of ASEAN economies (ibid). This analysis is further echoed by Vu (2020), who argues that *"ASEAN countries have the potential to collectively enhance market efficiency and could achieve more robust growth if they were more integrated and better coordinated as one single market"* (p. 3). A lack of regional integration, in other words, continues to impede on the economic development of ASEAN as a whole.

Although the 1992 signing of AFTA had enhanced the integration of regional economies, AFTA did not have the desired integrative effect as integration was less pronounced than initially expected (Wihardja, 2013). Whilst AFTA helped to eliminate tariff barriers, lacking policy coordination meant that non-tariff barriers to trade (such as inconsistent domestic economic policies, complex rules of origin and conflicting customs laws) remained in place (Hwee, 2013; Leviter, 2010). Moreover, backtracking by member States on commitments made earlier undermined the efficacy of AFTA - again, the ASEAN Way meant that the sustenance of protectionist economic policies was not met with punitive measures (Leviter, 2010). In this context, States could decide to retain tariffs on some of their products, meaning that the tariff reduction advanced by AFTA often did not apply in practice. Member States also remained focused on trading with their traditional trading partners rather than trading within ASEAN (Hwee, 2013). This highlights that ASEAN is home to a variety of developmental paths that are not necessarily compatible with one another. Today, most ASEAN economies still conduct the majority of their trade outside of ASEAN (see Table 1 below). Thus far, economic integrative measures have yielded some positive results but have ultimately failed to significantly boost intraregional trade.

**Figure 1: Intra-ASEAN trade (in %), 1990-2017**

Year	Level of intra-ASEAN trade (in %)
1990	18.0
1993	20.5
1996	22.1
1999	22.6
2002	23.5
2005	24.8
2008	24.8
2011	24.1
2014	24.0
2017	22.4

Source: ASEAN (2018) and Asian Regional Integration Tracker (n.d).

The dataset indicates that although integrative measures in the early 1990s had some stimulating effect, this effect was weak to begin with and has worn off over time. Significant improvements in facilitating regional trade have not been made as most member States continue to prefer trade outside of ASEAN. One reason for the bloc's lacking economic integration is its internal heterogeneity in terms of investment environments (see Table 2 below), which, as discussed above, has been an issue ever since the Asian financial crisis. More similar investment environments (i.e., in terms of consumer buying power and openness to investment) would hereby be conducive for enhanced integration.

**Table 2: Economic-developmental heterogeneity within ASEAN**

Country	Population (in million)	Current GDP (billion), US\$	Current GDP per capita, US\$	Trade-to-GDP ratio
Brunei	0.433	13.469	31.086	108%
Cambodia	16.486	27.089	1.634	123%
Indonesia	270.625	1.119.000	4.135	37%
Laos	7.169	18.174	2.423	75%
Malaysia	31.949	364.681	11.414	123%
Myanmar	54.045	76.086	1.407	60%
Philippines	100.513	376.769	3.485	68%
Singapore	5.703	372.063	65.233	319%
Thailand	69.625	543.549	7.806	110%
Vietnam	96.462	261.921	2.715	210%

Source: World Bank. All numbers are based on the most recently available dataset (2019).

As illustrated by the data, ASEAN is home to a variety of different investment environments, both in consumer capacity, the size of the consumer market and the size of the national economy. Moreover, the extent to which economies in ASEAN are globalized differs significantly: while the economy of Singapore is highly liberalized and developed (expressed in trade-to-GDP ratio and GDP per capita), the economies of some newer members are significantly less well-off and significantly less integrated into global markets. This economic and developmental divergence means that ASEAN economies remain non-complementary in their functioning and thus increasingly compete with one another upon additional integration (Chia, 2013). Moreover, if integration was deepened, more liberalized economies would not face the same painful short-term restructuring pressures as lesser globalized economies. By agreeing to enhanced integration measures, less developed actors additionally lose out on the tariff revenues produced by non-integrated/less integrated trading (Leviter, 2010). As such, economic-developmental divergence results in a situation in which additional integration is significantly more attractive for some than it is for others, at least from a short-

term perspective. Considering this, the consensus-based system of the ASEAN Way blocks further integration despite integration yielding long-term net gains for the bloc as a whole. The championing of integration and liberalization by some of the bloc's more liberalized economies is thus met with rejection from other member States.

Further institutional programs, most notably the AEC, have sought to address these gaps in regional economic integration. The AEC, introduced during the reform process in the early 2000s and championed by Thailand and Singapore, aims to transform ASEAN into a single market economy. The 2008 AEC Blueprint, passed by ASEAN in 2015, developed a sequential model designed to ensure full economic and financial integration by 2025. The sequences envisioned by the Blueprint are: (1) free flow of goods, (2) free flow of services, (3) free flow of investment, (4) freer flow of capital, (5) free flow of skilled labor, (6) prioritization of key sectors and (7) enhancement of intra- and extra competitiveness of ASEAN's food, agriculture and forestry products and commodities (ASEAN, 2008). The AEC hereby envisions a single market markedly different to that of the European Union; the AEC would neither transform ASEAN into a customs union with a common external commercial policy nor a fully integrated common market with capital and labor policy harmonization (Chia, 2013). Although the AEC would thus further integrate Southeast Asian economies, the absence of a customs union would maintain a major barrier to whole-scale integration. At the same time, the prevalence of an ASEAN-x approach would maintain a situation in which States less inclined towards integration can decide to opt out of enhanced regionalization, thus undermining the coherence of ASEAN as an investment environment.

Although ASEAN has not managed to successfully and sustainably enhance intra-regional trade thus far, ASEAN has increased its economic bargaining power and boosted ASEAN's economic connectivity with the wider Asian region. ASEAN has separate FTAs with Australia/New Zealand, China, India, Japan, and South Korea. The organization is furthermore part of the much-discussed Regional Comprehensive Economic Partnership (RCEP). Diplomatically, ASEAN has helped to create the ASEAN+3 (China, Japan and South Korea) dialogue, a consultative body aimed at coordinating East and Southeast Asia's economic interactions with the world (ASEAN, 2017). As a forum for coordinating interaction, ASEAN has thus retained its importance.

Yet, ASEAN's growing integration into the globalized economy and its shift to a more export-dependent system has also rendered the bloc more vulnerable to exogenous shocks and disruptions in supply chains. An exemplification of this is the 'trade war' between China and the United States as well as the COVID-19 pandemic (Vu, 2020). Moreover, the narrow focus on national economic gains comes at the expense of bloc-wide efficiency improvements. The prevention of additional regional integration, entrenched through the political and economic-developmental heterogeneity of the bloc, consequently puts somewhat of a strain on the prospects of the future economic development of the bloc. The sustenance of this status quo is ensured by the ASEAN Way, which has successfully limited member States overriding one another in the pursuit of their national aims. At the same time, the ASEAN Way has also prevented meaningful organizational change and crucial reforms.

## Conclusion

Today, ASEAN finds itself at a crucial juncture regarding its organizational future. What is ASEAN to be; a purely economic bloc or a more influential regional organization that can formulate a communal foreign and economic policy? The past three decades have, in one form or another, consisted of debates regarding this very topic. Such debates remain highly relevant today, especially amidst the establishment of increasingly politically illiberal regimes in Indonesia, Malaysia and Thailand and the recent military coup in Myanmar. As of March 2021, ASEAN has failed to formulate a coherent response to the removal of Myanmar's democratically elected government, and ASEAN's failure to respond politically undermines its diplomatic role and function in the region (Connelly, 2021). ASEAN hereby remains torn between the structures it imposed on itself during the Cold War, where non-interference and consensus appeared to be the sole way of ensuring regional stability in the face of communism. The end of the Cold War brought an end to this organizational scope, incentivizing organizational reorientation towards a predominantly economic bloc that would also accept the more authoritarian governments of the CLMV States. The CLMV States in particular have displayed a different understanding of ASEAN and its purpose than ASEAN's founding members: in the eyes of Cambodia, Laos, Myanmar and Vietnam, ASEAN is to maintain a passive, largely non-interfering role. Illiberal turns elsewhere, however, mean that non-interference is also increasingly valued by the bloc's historically more democratic members. These trends ultimately reduce ASEAN to a vehicle for economic growth but simultaneously limit the extent to which ASEAN can operate as such a vehicle. Calls for more political and economic integration and an ultimately more interconnected Southeast Asia hereby remain restrained by the mechanisms of the ASEAN Way.

The ASEAN Way has consistently fulfilled its original strategic purpose, balancing regional relations and pacifying diplomatic interactions. Now, it impedes on the ability of some of the original members to mold the organization in the way envisioned by them; a more integrative organization facilitating a more interconnected Southeast Asia. In the coming decades, Southeast Asian countries will have to decide whether to maintain a Westphalian understanding of sovereignty or to engage more effectively on a regional level. Although enhanced economic integration through the AEC could be a first step in this direction, recent events in Myanmar highlight the vulnerability of this trajectory to volatile developments within the bloc.

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