

Regional Integration Theories and the case of the ASEAN Integration Process:
Explaining the slow progress



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Table of Contents

Introduction	3
Structure	4
Theoretical Framework	5
History of ASEAN Integration.....	9
Research Context.....	10
Methodology	12
Economic Factors	13
Institutional Factors	17
Strategic Factors.....	20
Conclusion.....	23
References	25

Introduction

The Association of Southeast Asian Nations (ASEAN) is a regional organization that has witnessed significant developments since its establishment in 1967; such as the introduction of the Free Trade Area (AFTA) in 1992 and the accession of Myanmar, Cambodia, Laos, and Vietnam (MCLV) as members in the last decade of the 20th century (MacGillivray & Carpenter, 2013, pp.5-6). The formation of a fully functioning ASEAN Community by 2025 is the most comprehensive plan yet and consists of three pillars, namely the Socio-Cultural, Political-Security, and Economic Communities (ASEAN Vision 2020, 1997). This immense project reflects ASEAN's ambition to advance to the next stage of regional integration, which is comparatively deeper and wider in scope than previous stages. The application of regional integration theories should deliver meaningful scientific insights about this particular process.

Since two general regional integration theories, neofunctionalism and liberal intergovernmentalism are based upon (assumed) generally applicable aspects, like the consolidation of integration due to the congregation of common interests of rational actors, they should be able to explain and predict the course of the ASEAN integration process (Kim, 2014, pp.391-392). However, there appeared many unexpected integration-impeding elements during the integration process that were not suggested by the theories, such as implementation postponements, which stalled the integration process and questioned one of their most important scientific features of the theories, namely the general applicability.

Hence, this research investigates these interesting theoretical contradictions and strives to seek explanations to get a better understanding of the applicability of the theories to the case of ASEAN-integration. Due to the emphasis on developing the economic dimension of the ASEAN Community in both the scientific literature and in the outlines of the ASEAN documents, this study specifies on this particular sphere. Therefore, the research question is formulated as follows: "What explains the slow progress in the further regional integration process towards an ASEAN Economic Community?"

This question is very important in many respects. Firstly, Southeast Asia is a globally significant region. The founding members (Indonesia, Malaysia, Philippines, Singapore, and Thailand) witnessed great economic rises since the establishment of ASEAN, reflected by the increase in gross domestic products (total value of domestically produced goods/services per annum, GDP) (Mya Than, 2001, pp.205-206). The area is also significant from demographic and cultural perspectives. Almost ten percent of the world population lives in this region. It includes the nations with the largest Islamic population and the highest Buddhist-population

proportions (Pew Research Center, 2014). With these characteristics in mind, it is of great importance to analyze the developments of the integration process, as it can potentially affect a big share of the global economy and the world population (Hew, 2005, p.17).

Theoretically, this question is also important. The selected theoretical models are considered as the most acclaimed and pertinent theories within the research area of regional integration (Kim, 2014, pp.374-375). These paradigms have been used for a long time as analytical tools in a wide range of cases due to its general applicability. As the general applicability has its flaws, it is necessary to examine these potential undiscovered gaps or inconsistencies to stimulate the academic debate on how to make the theoretical notions continuously relevant to universally utilize.

The research question also relates to the current trend of greater regionalism in the world (Baldwin, 2011, pp.8-10). ASEAN is one of the many regional institutions that have been strengthened in the 21st century. States recognize the constantly altering mechanics of the interdependent global economy and try to create corresponding mutually benefitting arrangements. The creation of the ASEAN Economic Community (AEC) fits into this direction as well what further triggers the need to analyze its integration process, as it could lead to important insights to the greater scope on how to comprehend the global trend of regionalism.

Moreover, the attributes of the ASEAN integration developments are relevant for the European Union's (EU) integration crises. Since its inception, ASEAN has gradually expanded its scope of influence without any severe threats to its organizational existence (Capannelli & Filippini, 2010, pp.182-183). The participating members never have threatened to withdraw from the organization and take flexible stances, even when impediments appeared. Hence, the implications of this research could act as meaningful reference for the European case of integration. In total, this thesis is targeted at a wide, multidisciplinary audience.

Structure

This thesis is structured as follows: In the first segment, the theoretical framework will be outlined. The key elements of neofunctionalism and liberal intergovernmentalism shall be described in order to facilitate evaluation. The forthcoming part include a historic overview of the ASEAN integration developments. The existing academic contribution on the theoretical applicability for the case of ASEAN is going to be addressed in the research context. Subsequently, the methodology comprises the next section. This component clarifies the

selection of the research design, data collection method and the data sources. The following three sections are part of the analytical sector of the research. It is divided in three categories to further structure the explanations: economic, institutional and strategic. After this substantive sector, a conclusion with the implications and limitations of the study will be presented to finalize the thesis. Main conclusion is that ASEAN's distinct characteristics act as the main explanation to the theoretical applicability.

Theoretical framework

Neofunctionalism is the oldest (developed during the 1950s) and most prominent of the two regional integration theories (Risse, 2005, p.292). The building blocks lie in the theory of functionalism, which focused on the consolidation of international cooperation based upon the common interests of state and non-state actors (interest groups, social movements and corporations) and the leading role of technocrats (Haas, 1958, pp.139-140). Ernst Haas looked into Mitrany's academic conceptions of Functionalism and tested the theory on the case of the European Coal and Steel Community (ECSC). He modified certain essential elements, like the exchange of a technocratic vision for a politically feasible one (Schmitter, 2005, p.256). Haas stressed the positive, mutual implications (security, economic, and political) of international cooperation and highlighted the role of interest groups and social movements in pluralistic democracies to stimulate the process (Haas, 1958, p.141). This theory predicts an influential role for non-state actors in the course of the integration progress, because they could exert pressure on the national governments to engage in more regional integration arrangements. If non-state actors perceive larger benefits than costs from regional integration then they try to realize more extensive arrangements what simultaneously set the speed of this conflicting, incremental and self-reinforcing progress. In the context of ASEAN, the stimulating role should be fulfilled by the small and middle-sized enterprises (SMEs) (Chia, 2013, pp. 23-25). These privately-owned, local businesses are labelled by the first Blueprint (roadmap with tasks and objectives) as the drivers of the equal regional economic development and get special attention by ASEAN to improve their economic participation. By increasing their share in the regional economy, they should be able to limit the importance of the state-owned and foreign enterprises and increasingly gain leverage to push the central governments.

The central concept of spill-over symbolizes the persistency in which the integration process operates (Schmitter, 2005, p.257). In practice, the spill-over-principle follows the pattern of a transformation from basic economic collaboration (functional spill-over) into

extensive political integration (political spill-over) (Rosamond, 2000, pp.60-61). ASEAN integration followed similar patterns in the past and should be capable to maintain it if gradual steps are taken.

Furthermore, the theory assumes that a regional organization will eventually pass through all stages of integration (Rosamond, 2000, pp.61-62). This includes the likes of gaining more authoritative powers from the member states and the emergence of a supranational organization. It means that the formation of the AEC acts as an intermediate step that will be followed up by an economic or political union. Eventually, the organization takes over the leading role from national governments and non-state actors and set the rate of integration. This latter element is regarded as the cultivated spill-over.

Table 1: *Assumptions & predictions neofunctionalism*

Element	Assumption	Prediction for ASEAN
Main actors	Non-state actors (corporations, social movements and interest groups)	Bigger share for SMEs
Driving mechanism	Spill-overs (functional, political and cultivated)	Spill-overs in the three ASEAN Community dimensions
Governance scope	Evolution to supranational organization	Progression towards further stages of integration
Method	Incremental, conflicting inter-actor negotiations	Inter-actor negotiations (SMEs and MNCs vs states)
Goals	Welfare maximization	Economic integration

The alternative theoretical explanation, liberal intergovernmentalism, is based upon a combination of the theories of rationalism, liberalism and intergovernmental institutionalism (Moravcsik, 1993, pp.480-481). The theory is characterized by the predominant role of national states and their subsequent bargaining. Non-state actors do not have decisive influence on the outcomes of the negotiations due to their distinct differences and lacking organizational structures (Andersson, 2015, pp.40-41). The liberal intergovernmentalist theory was developed during the 1990s as a framework to correctly explain the various events of the European integration process, which were not predicted as suggested by existing integration literature.

The consolidation of regional integration is based on a theoretical model, which is

divided into three stages: national preferences, interstate bargaining, and the institutional decision-making (Moravcsik, 1993, pp.483-486). There is a clear distinction set between the two-level playing fields (domestic and international). The first stage acts as a domestic preparation for the forthcoming interstate discussions. On the national level, the relevant non-state and state actors discuss the various consequences of integration and try to determine a collective, national preference in which the central government has a decisive role (Andersson, 2015, p.41). In the context of ASEAN, it means that the political elites and relevant stakeholders explore ways to maximize the collective interests. In the international stage, there are negotiations between the representatives of the member states about the concerned issues. These states have asymmetric bargaining positions depending on defining factors like the economy (Rattanasevee, 2014, p.117). It suggests that regional powerhouses, like Indonesia should have superior advantage above the others during the talks. These unfair positions should be reflected in the outcomes of the negotiations and in the forthcoming, institutional design (powers, policy scope, and legal framework). Based on these elements, the national governments should maintain its dominating voice during the developments towards the AEC with minor interference from domestic non-state or extra-regional actors.

The obtainment of greater gains acts as the driving motive behind the integration efforts of the governments (Cockerham, 2010, p.166). States pursue arrangements in areas in which they conceive integration will lead to more beneficial outcomes than individualistic behavior. In times of ever-growing globalization, the level of interdependence is regarded as a considerable factor during the calculus of ASEAN integration. More integration signifies a deepening and widening of the transnational economic networks, which could provide many economic advantages in the contemporary world. On the basis of the calculation between the potential costs (losing sovereign powers) and benefits (global integration), states decide whether or not they engage in regional integration (Cockerham, 2010, pp.168-169). This weighing of interests fits in the concept of 'rational state behavior' where states base their actions on rational grounds. The supranational organization only acts as a tool to bind the respective member states with international agreements and does not get the powers to control the integration process (Sweet & Sandholtz, 1997, p.301). In relation to ASEAN, member states have already acknowledged the many positive consequences of integration viewing the comprehensive AEC-plans and their desire to integrate. The high degree of mutual benefits should drive the members to an as planned AEC-integration. However, this theory could not forecast the integration developments after the AEC, as it depends on the respective calculus if deeper integration is deemed necessary.

Table 2: *Assumptions & predictions liberal intergovernmentalism*

Element	Assumption	Prediction for ASEAN
Main actors	National governments	ASEAN members
Driving mechanism	Congregation of interests based on the cost-benefit calculus	Prioritization for collective, mutually beneficial ASEAN interests
Governance scope	Depending on rational cost-benefit calculus	Depending on rational cost-benefit calculus
Method	Unequal inter-state negotiations	Leadership roles for powerful states
Goals	Welfare maximization	Economic integration

The two concerned theories have their own general predictions of the course of the integration process. Neofunctionalism emphasizes the driving role for SME's during the procedure. Their influence will greatly determine the speed of passing all the integration phases. The other theory focuses more on the governments' cost-benefit calculus of the collective interest as a determinant of the integration procedure. The larger the benefits, the more likely national governments stimulate the developments. Both the models have different explanatory features, but share the positive, timely AEC-integration as it increases the common welfare of a state and more specifically economic integration.

Viewing theoretical predictions in both tables, it becomes clear that there are major theoretical contradictions. Predicted elements, like driving roles for SME's (neofunctionalism) or leadership roles (liberal intergovernmentalism) did not appear. Instead, there emerged unexpected points, like the problematic implementation of integration plans or the major influence of external actors. These points have, along with other issues, contributed to the unpredicted, slow integration process. It turns out that the existing theoretical material is unable to correctly predict the region's integration process. These contradictions question the general applicability of the theories and affect their acclaimed scientific value. Therefore, this research takes up the important task to discover the explanations for the contradictions and aims to test the scientific relevancy of the theories.

History of ASEAN integration

The signing of the Bangkok Declaration signaled the formal starting point for the regional organization. As formulated in the Declaration, the main purposes of ASEAN were “to accelerate the economic growth, social progress and cultural development in an equal manner” (ASEAN Declaration, 1967). The ASEAN Way was informally launched in that same year, formed as a baseline in the style of operation and dictated the way member states should act. It was a collection of normative principles among which the non-interference in internal affairs and the mutual respect for the individual sovereignty were the most important ones (Katsumata, 2003, pp.106-107). The most influential negotiations in ASEAN take place at the higher political levels of the head of states (during summits) or at ministerial degrees (in the various councils) whereby arrangements are made via an informal and consensus-based decision-making process (Bridges, 2004, p.393). The preferential trade policy-agreement in 1977 (lowering trade barriers for a selected number of products) presented the first step towards regional integration (Chia, 2011, pp.49-50).

During a summit in 1992, the heads of states agreed to start removing the intra-regional tariffs for a larger list of products under the umbrella of an ASEAN-free trade area, which indicates the next stage of the regional integration process (Chia, 2011, pp.50-51). An essential component of the AFTA was the Common Effective Preferential Tariff (CEPT) that set out the implementation targets per country. In addition, ASEAN witnessed an enlargement by four countries, together abbreviated as MCLV during the similar time frame and experienced the Financial Crisis in 1997. The latter event had a lot of impact on the respective economies (Chia, 2013, p.27).

Acknowledging the strength of the interdependency between ASEAN economies, the head of states intended to prevent such dramatic events again in the future by proposing an intensification of the regional integration efforts (Cockerham, 2010, p.175). As a result, the ASEAN Vision 2020, the document that outlined the original, long-term core objectives and tasks by 2020, described the plan to create a single market and production base (manufacturing center) in the form of an AEC (ASEAN Vision 2020, 1997). The other three components are respectively global integration, equitable development and competitive economic region. The integration step of a single market is characterized by the addition of the free flow of production factors in the region, such as products, services, capital, investments, and (skilled) labor (MacGillivray & Carpenter, 2013, pp.6-8). The original intention was to fully realize the agreed principles by 2020 and to a certain extent; ASEAN

members have made positive advancements to reach the integration ideals. As of 2015, the value of the intra-regional trade in goods has increased to \$545 million and accounts to 24% of the total trade (ASEAN, Chartbook 2016, pp.13-15).

Despite an ambitious acceleration of the plans in 2007 to speed up the formal opening of the AEC to 2015, there occurred various problems during the transition process (Chia, 2011, pp.61-62). There are particularly issues with the commitment of member states in realizing necessary domestic reforms (Pelkmans, 2016, pp.192-193). This integration phase differs to previous steps in terms of national engagement: For instance, materialization of a free movement of professional workers necessitates corresponding national immigration regulations. Therefore, this step requires a greater degree of member states' commitment in reforming laws than past integration steps. This type of problems form the majority of the impediments (Das, 2013, pp.6-7). This can be exemplified by looking at multiple sectors, like the lack of implementation of regional standards in the services sector. Another problem is the financial miscalculation (Chia, 2013, pp.33-35). Many projects require greater financial support than estimated by ASEAN due to the unique circumstances. Considering these issues, review experts Chia and Das are doubtful about the fulfillment of all of the intended plans of the AEC by 2025.

Research context

In relation to the theoretical framework, there are a number of academic scholars who are already trying to explain the developments towards an AEC with existing theories. Starting off, many academics noticed the distinct regional characteristics as an obstacle of the theoretical application to the case of ASEAN (Kim, 2014, p.376). Fundamental aspects, as the existence of a democracy and the freedom of association, are not always present in the political systems of the member states of ASEAN. In fact, there are no 'fully democratic regimes' in the region in 2015 (The Freedom House, 2016). This could lead to problematic interpretations.

Hence, the applicability of the two theories as analytical instruments can initially be challenging, but not impossible (Kim, 2014, pp.390-391). This can be showcased by the pertinent parts of the theoretical material in explaining the previous ASEAN-integration stages. Characteristics, as the gradual nature of creating arrangements (neofunctionalism) and the congregation of national interests (liberal intergovernmentalism) are illustrated by the steady evolution of integration plans, as tariff reductions in non-vital industries to comprehensive accords in economically more significant sectors (Hew, 2005, p.14). This

indicates the persistent value of the theoretical material to ASEAN and simultaneously signals a change in the mechanics of ASEAN-integration.

According to Capannelli & Filippini (2010, pp.181-183), the theories could also function as a theoretical base for learning lessons by noting the positive implications and overcoming the limitations of European integration, such as the significance of implementation tools. As the process is still ongoing, these learning lessons can be of great value when ASEAN member states timely assess the obstacles the Europeans faced in their respective integration history and implement measures to prevent similar situations. Jetschke and Rüländ (2009, pp.185-186) emphasized the reactive stance of ASEAN in looking at the European integration, evidenced by strengthening the CEPT as a response to the as threat-regarded Single European Act. Plummer (2006, pp.437-439) highlighted the long path the EU had to walk to the position it nowadays stand as a comparative example for ASEAN. The EU needed almost a half century for the realization of the political union. ASEAN could learn from this case by tempering the high expectancy level and assess the integration process as realistic as possible.

Throughout the existing literature, it became clear as well that the role of ASEAN's unique institutional and legal elements is very important in examining the existing integration developments. Cockerham (2010, pp.183-184), addresses the significance of the ASEAN Way as a contributor to the reluctant stance of the members to delegate enforcement mechanisms to ASEAN sub-institutions.

Moreover, the path towards the end-goal of introducing the full Community in 2025 is getting closer than ever (Chia, 2013, p.34). This means that scientific insights are of meaningful value in addressing the hindrances of the process, as it could be potentially utilized by ASEAN representatives to accelerate the developments. Academics recognize this decreasing time frame and engage in delivering a fitting, scientific contribution to increase the amount of literature on this issue area (MacGillivray & Carpenter, 2013, pp.2-3). This research follows this trend as well.

Viewing the existing literature, there has been a relatively low amount of studies that directly apply the concerned theoretical concepts to the case of ASEAN. Most of the literature are focusing on the practical side of assessing the integration problems and neglect the many theoretical contradictions in explaining the process. These unpredicted factors form the core of the slow integration process, which affect the key scientific feature of the general theoretical applicability. Therefore, this thesis aims to be a valuable addition to the literature

on how to interpret the theoretical inapplicability and aspires to give recommendations on how to overcome the integration hindrances.

Methodology

The research design of this thesis consists of a qualitative analysis with the addition of descriptive statistics to further elaborate the relevancy of the investigated material. This design is relatively flexible and transparent what helps me in investigating the different perspectives of the great variety of available sources (Bryman, 2012, pp.304-305). Disadvantages are the lack of structure and the time-consuming nature of the design. The analysis is going to be done by selecting specific key concepts or assumptions from both or one of the theories and apply them to the causal factors of the slow process to test the general theoretical applicability. Additional background information about the chosen concepts sometimes will be given for a better understanding of their respective mechanics.

The theories are to the extent of explaining the driving factors and the role of actors contrasting each other, but share the common points of a rational, materialistic-oriented and welfare-maximizing integration process (Mattli, 1999, p.20). The discussion about the differences or similarities between the theories is not relevant in this analysis since the purpose is to study how the contradictions between theory in general and reality are constructed.

There is a wide range of easily accessible ASEAN-related documents, like declarations, policy papers and (analytical) discussions from governmental (ASEAN, national governments) or scientific sources. The analytical material exists from a selection of (evaluation) documents about the ASEAN-integration developments, governmental statements and scientific articles. These are the main sources of data, as ASEAN publishes almost all of its documents on its website, which is positive to the replicability and verification of this research. The missing sources of data are real-life interviews or discussions with the representatives of ASEAN to achieve a more in-depth, personal understanding of the integration process. This type could be of significant value to the analysis due to ASEAN's emphasis on informality, but are practically hard to conduct (Bryman, 2012, pp.469-471). Another disadvantage is the potential bias in selected governmental sources, as governments often depict a more positive situation than actually the case, particularly in processes where they have a controlling role (Krol, 2014, pp.109-110). Therefore, scientific sources need to be selected as well to maintain the objectivity level. Positively, these works are mostly written by independent, academic authors, but sometimes

lack the political context in the respective analysis. Moreover, the research consists of a small number of news articles to examine the most recent developments, like in the strategic sector. This last type of sources is also easily available, but often miss the crucial background information about the authors to conduct a verification (Bryman, 2012, pp.113-115). As empirical evidence is important to illustrate the actual relevance of certain aspects, the research shall also include statistical data from United Nations (UN), ASEAN, Asian Development Bank (ADB) and World Bank databases. It is important to mention that these sources have distinct measurement tools. In order to correctly interpret the outcomes, a careful examination of the data is necessary. Furthermore, the majority of the sources are written in (e-)books, scientific articles or online documents. These sources are reachable on the internet, like in academic databases, on websites or in the Leiden University (digital) library. In total, one can do an objective assessment of the theoretical inconsistencies to the integration process by collecting and analyzing these various sources.

The upcoming section is divided into three categories to structure the analysis. The categories (economic, institutional and strategic) are selected upon their respective relevancy to the theoretical models. The theories have considered all concerned elements in forecasting the course of integration, like the economic attributes or the role of relevant actors in shaping the process. However, there appeared, especially in these categories, unexpected events that stalled the integration process. Hence, it is essential to examine these factors, as they greatly contributed to the theoretical inapplicability. Specifically, the following factors are going to be addressed in the analytical parts: developmental gaps (economic), institutional characteristics (institutional) and conflicting strategic interests (strategic).

Economic factors

Firstly, the concept of functional spill-overs needs to be briefly discussed to understand its mechanics. A core element of Haas' theory is the presence of functional spill-overs as a modest sign of regional integration (Schmitter, 1969, p.162). Non-state actors push the domestic government to engage in more regional integration in the economic-related sections, where integration is relative convenient to materialize (Mattli, 1999, p.26). In reality, this is often interpreted as measures that intend to lower the conventional trade barriers, like intra-regional tariffs. This early integration step will gradually direct to related fields and eventually to politicized issue areas.

The functional spill-overs, as described by Schmitter (1969, pp.162-163), are based on the characteristics of a region's pre-conditions, like existing arrangements and governmental

capacities to initiate its self-reinforcing nature. The attributes of these original factors are of great significance in expanding the level and scope of the cooperation in the future. The terms level and scope refer in this specific context respectively to the members' participation and the width of the policy areas. Governmental capacities, like institutional structures, play an essential role in managing future expansions, because it facilitates the needed adjustments of integration. If the intend to expand the integration exists, but the supporting state capacities are missing, then the operation of the functional spill-overs could be halted (Haas, 1958, pp.142-143).

In relation to the case of ASEAN, the existing developmental gaps between the ASEAN-6 and MCLV hinder the realization of functional spill-overs due to the severe quality of the existing capacities, but before jumping into that part, there needs to be more elaboration on the gaps themselves. With the accession to ASEAN, these states opened up their economies to the global market and unintentionally created within ASEAN wide developmental gaps in socio-economic terms (Chia, 2011, p.44). These disparities in the dimensions of trade, income and human capital are immense if statistical data is displayed in the time frame of a decade (2000-2010): In 2010, in terms of the GDP, the MCLV-states produced a total GDP that is fifteen times lower in comparison to that of the other member countries and their respective economies (AEC, Chartbook 2011, p.10). In that same year, they only contributed ten percent to the total share of GDP in the region. MCLV-states are also bottom-ranked (average of \$3600) when considering the average income per capita adjusted to the purchasing power parity (World Bank, 2017). The medium-low categorization of these states in the Human Development Index (cumulative indicator for human development, HDI) further underlines their comparatively underdevelopment (UNDP, 2010, pp.143-146). The most striking divide is that of the (slightly increasing) income differences between MCLV and ASEAN-6 (MacGillivray & Carpenter, 2013, p.31). On the other hand, MCLV has witnessed rapid, sometimes even better progression rates than ASEAN-6 in this decade. For instance, Laos is one of the best movers in the HDI-rankings with one of the world fastest growing education enrollment rates and decreasing percentages of people that live below the poverty line of \$1.25 per day (UNDP, 2010, p.29). Moreover, the average annual growth of the GDP per capita consistently exceeds that of ASEAN-6 in the period of 2000 till 2010 with Myanmar topping the trend with an average growth of ten percent per year, so there is an upwards trend in narrowing the gaps (World Bank, 2017). However, the socio-economic circumstances of MCLV are still not at similar tiers to the other countries, which have its implications.

The impacts of these mentioned gaps for the ASEAN integration process are massive. In the light of the agreed goals to reach a competitive, integrated market and a global production base, the economic disparities form an impeding factor in the road towards it (MacGillivray & Carpenter, 2013, pp.1-3). It affects the operation of the functional spill-overs. Production networks (transnational production chains) act as the backbones of the integration of the ASEAN-economies (Chia, 2013, pp.7-8). They utilize the cross-border comparative advantages, such as the low wages or the abundance of natural resources (Bhattacharyay, 2009, pp.13-14). These networks could be both inter- as intraregional from nature, depending on the type of the production chain. The cross-border networks are integral components in realizing a projected increase in the total intra-regional production as the majority of the total ASEAN export products are (partly) fabricated in these production networks (Das, 2013, p.68). The higher the percentage of integration into the regional networks, the higher the (theoretically suggested) chance that related fields follow the same path.

Despite ASEAN ambitions to equally upgrade the intra-regional connections, the large distinctions in the quality and quantity of the infrastructure between states complicate the creation of efficient production networks (MacGillivray & Carpenter, 2013, p.84). As every nation has its own infrastructural capacity, not every state has the ability to equally participate in the planned activities to create the networks, which negatively influences the operation of functional spill-overs. ASEAN needs more amount of time and capital to analyze these problems, because the current programs do not sufficiently address it. There needs to be larger and more extensive investments to equalize the linkages and to bring the regional connectivity to a suitable and trade-efficient level.

Moreover, the gaps affect the plans of improving the members' participation level in other sectors. ASEAN tries to raise this level by improving the coordination of the individual policies and harmonizing technical regulations (Chia, 2013, pp.13-14). An enhanced coordinated region should increase the degree of commitment states have in pursuing the collective ASEAN economic interests, because it facilitates intra-regional interactions and highlights the benefits of increasing regional economic participation (Plummer & Chia, 2009, pp.59-61). The coordination of the logistical sector, an vital area to enhance the intra-regional transport, meets significant hindrances due to the fact that MCLV-members lack the basic institutional and technical capacities to incorporate the necessary alterations (MacGillivray & Carpenter, 2013, pp.100-101). States need to take domestic reforms to adjust the institutional and technical circumstances to fit the uniform, regional standards (Nguyen, Nguyen & Hoang, 2016, pp.121-123). The costs of these alterations are relatively high, especially in the MCLV-

states where logistics are originally designed to only serve the domestic markets. States are reluctant to take the costs, which do not positively contribute to the realization of functional spill-overs. Subsequently, it leads to delays to the coordination and harmonization initiatives. MCLV-nations are falling more behind the ASEAN-6 where the governments have the needed capacities. Therefore, MCLV need more (external) financial and technical assistance to execute the domestic changes and to align the policies.

Thirdly, there are effects for the amounts of FDI's in the region. A physically and digitally ill-connected environment faces challenges in attracting similar volumes of FDI's like the better-integrated ones, because investors recognize the potential risks, like gaining smaller returns of investments in such states (Bhattacharyay, 2009, p.3). MCLV-states only receive 20% of the total value of inward-coming FDI's in the region between 2013 until 2015 (AEC, Chartbook, 2016, pp.12-14). This number is comparatively low to the other member states while financial investments are crucial to MCLV in overcoming the development issues. There is a sensible chance that the numbers of FDI-inflows could decrease over time when developmental gaps are still not tackled (Plummer & Chia, 2009, pp.88-90). This could lead to more severe consequences to the integration plans as FDI's have always been very critical in stimulating the development and economic projects in ASEAN (Athukorala & Menon, 1997, pp.165-167). It still fulfills a substantial role considering the existing need for investments to close the gaps. The operation of the functional spill-overs could even be further diminished when ASEAN receive lesser amounts of FDI.

It is clear that the large socio-economic divides affect various aspects of integration and that it has its consequences for the realization of functional spill-over effects. If ASEAN states increase efforts to improve these conditions, the functional spill-over effects will materialize. The next subsection comprises the cross-border infrastructure (CBI) initiative to evidence the significance of improving the quality of governmental capacities.

ASEAN already incorporated actions to overcome the developmental gaps into the transnational economic programs (MacGillivray & Carpenter, 2013, pp.9-10). These activities have made significant steps in upgrading the local circumstances so integration can flourish. This could be exemplified by the CBI-program around the Mekong river which aims to increase the size and speed of the trade between MCLV, Thailand, and the Chinese provinces of Yunnan and Guanxi by constructing infrastructural projects (Bhattacharyay, 2009, p.9). The first activities were high-priority projects in the region where the aim was to make the infrastructure usable and easier expandable to a wider range of areas, such as transport and agriculture (ADB, 2016). This multidimensional-thought program is ideal to let the effects of

the functional spill-over materialize. Viewing the outcomes of the program, it has delivered a compelling infrastructural foundation where different economic sectors have been connected since the start of the CBI and which are expandable in the near future.

Briefly summarized, the existing regional divides play a significant role in the failed realization of functional spill-overs in the region. The severity of intra-ASEAN disparities greatly affects the integration developments. Some member states lack the crucial capacities to initiate the functional spill-overs and equally participate in the integration procedure. These large disparities were not taken into consideration by neofunctionalism. An improvement of the existing circumstances through more investments is required to minor the developmental gaps and materialize the functional spill-overs.

Institutional factors

Starting off, the role of norms and values in the theories needs to be succinctly discussed. Both neofunctionalism and liberal intergovernmentalism are materialistic-oriented theoretical paradigms and emphasize the stimulating effects of mutual economic benefits in the integration procedure (Cockerham, 2010, pp.166-167). They do not pay much attention to the meanings of informal norms and values, because they are based on the EU-case where the binding character of the agreements and built-in legal enforcement mechanisms act as foundations in the style of operation (Jetschke, & Rüland, 2009, p.199).

This differs to ASEAN where states greatly comply with norms and values (Katsumata, 2003, pp.116-118). In light of the various threats during the Cold War, the head of states explicitly stress the inclusion of rules, like the mutual respect for the national sovereignty in the organizational design of the then yet-built regional organization (Katsumata, 2003, pp.111-113). These strict set of principles were informally incorporated into the ASEAN Way. Strikingly, there was an absence of a severe, military conflict between the nations in the 50-year-old existence of ASEAN (Jetschke and Rüland, 2009, p.192). This indicates a great sense of adherence to (parts) of the principles of the ASEAN Way.

However, besides the positive implications, there are also negative consequences of the great respect for these normative principles. Elements, like the non-interference, create space to evade unfavorable arrangements by modifying the interpretation and implementation of the contents of the accords (Yoshimatsu, 2006, p.117). In such situations, states tend to pursue the self-interest and not the collective ones. For instance, ASEAN members are relatively reluctant at abolishing non-tariff barriers (NTBs). These barriers form the majority of the existing trade barriers in the region (Pelkmans, 2016, pp.131-133). NTBs, like quality

requirements, raise the transaction costs (transaction-related expenditures) between trade partners and undermine the trade flow of production factors, which contradict the ambition to achieve a free mobility of those factors. A NTB is more complicated to prohibit due to the contested nature of its meaning: there is no universally agreed legal definition on the categorization of NTBs (Das, Menon, Severino & Lal Shrestha, 2013, pp.34-35). Member states unilaterally determine the definition of a NTB. Consequently, some ASEAN states interpret NTBs not as protectionist instruments, but rather as essential measures to operate vital domestic markets and therefore abstain from removing them. The ability to discern interpretations eventually leads to delays in the implementation of the necessary reforms, so there needs to be tighter regulations on how to adapt the ASEAN Way.

Secondly, the competences of the ASEAN Secretariat contribute to the speed of the integration developments. As discussed earlier, ASEAN is not an organization where national states have delegated enforcing powers to one of its organs, like the EU (Cockerham, 2010, p.168). This is reflected by the relatively limited scope of mandates of the Jakarta-based Secretariat (ASEAN Secretariat, 1992). Besides operating the daily activities of managing committees, other important mandates are the coordinating and monitoring of policies. A legal framework is a missing function. The Secretariat has no legal powers to enforce actions against states that do not comply with the contents of the various agreements (Chia, 2013, p. 28). This solely facilitating role was not such an issue in previous integration steps whereby the calls for domestic adjustments were lower. In realizing a fully active AEC, the contemporary form of the Secretariat is insufficient to accommodate the AEC-targets. This can be illustrated by viewing the ADB Scorecard (ADB-monitoring tool of the implementation of ASEAN-plans) on the rate of implementation of the first Blueprint-stipulated actions (Chia, 2013, pp.29-30). There is a lack of progress in the liberalization of services (54%) and investments (50%) until 2013. The progress could be effectively stimulated when the Secretariat is mandated to control the developments (Das, 2013, pp.49-50). The Secretariat needs more mechanisms to stimulate the governments to realize the agreed actions.

From a theoretical perspective, the existing limited scope of the Secretariat contrasts the emergence of corresponding elements according to the level and scope of the integration advancements (Kim, 2014, pp.388-389). When the 'window of opportunity' arises to go to the next step of the integration process, governments get pressured to delegate more of its sovereign powers to the regional organization for the sake of integration, like what happened in Europe (Hew, 2005, p.15). Neofunctionalism emphasizes the role of the non-state actors as

the main drivers and liberal intergovernmentalists state the instrumental use of the regional organization as factor for the transfer of competences. According to former ASEAN Secretary-General Surin Putsiwan, ASEAN member states need to empower the Secretariat with more mandates to realize the AEC-goals (Chongkittavorn, 2012).

Thirdly, the form of the decision-making procedure and the equal position of the member states also affect the rate of integration. As earlier stated, ASEAN operates via a consensus-seeking procedure (Bridges, 2004, p.393). The process is based on the Indonesian village-originated concepts of *musyawarah* and *mufakat*, which respectively represent the consultative and unanimous nature of the talks (Thambipillai & Saravanamuttu, 1985, pp.12-13). The procedure forces representatives to only take decisions when all of the members have agreed upon the concerned points (Thambipillai & Saravanamuttu, 1985, pp.6-8). This opens up the opportunity to have very long and sluggish discussion rounds depending on the topics' politicization levels. The more controversial a topic is to discuss, the longer the duration of the talks and the less likely the chance of meeting consensus (Thambipillai & Saravanamuttu, 1985, pp.13-14). Hence, it is undeniable that due to an impasse in the interstate negotiations, the regional organization misses decisions that further stimulate the integration process. This can be illustrated by the lack of introducing comprehensive monitoring systems (Chia, 2013, pp.31-33).

In addition, every nation has an equal position during the negotiations. The emphasis on the fair bargaining position has been formulated a long time ago, since the inception of ASEAN to provide stability in the region (MacGillivray & Carpenter, 2013, pp.3-4). Throughout the years, this principle has not been changed much, even with the MCLV-enlargement what can be evidenced by the absence of specific advantages for particular nations (Rattanasevee, 2014, p.118).

These two elements are contradictory to liberal intergovernmentalism. The theory suggests a difference in bargaining position of states based on the social, economic and political factors of the individual nations (Moravcsik, 1993, pp.484-486). These differences impact the course of the decision-making procedure, as the more influential states pressure the smaller ones to comply with their plans (Bridges, 2004, pp.393-395). ASEAN does not have 'initiators' that take the lead in directing the process of integration (Rattanasevee, 2014, pp.124-125). The members respect ASEAN's egalitarian notions and refuse to present themselves above the others in the fear that it could lead to an interstate, leadership-seeking power struggle that could deteriorate the integration developments (Mattli, 1999, p.14). Indonesia, as most populous and economically significant state, have manifested itself only as

the diplomatic representative of ASEAN in forums, as the G20 and is likely to hold that status (Rattanaseeve, 2014, p.120). ASEAN needs to differentiate the decision-making procedure based on the relative importance of the issues.

To sum up, the distinct institutional circumstances play a very significant role in the theoretical inapplicability of both theories. ASEAN is based upon entirely different institutional foundations than the EU, like the adherence to informal norms. Consequently, it leads to an alternative style of operation, which largely contributed to the sluggish integration procedure. Adjustments are needed to the institutional mechanics in order to improve the flow of the integration process.

Strategic factors

This part focuses on the consequences of the strategic interests for the integration process. As argued by Moravcsik (1993, pp.483-485), liberal intergovernmentalism state the obtainment of greater benefits from integration as the main motive why states want to engage in regional integration. A regional organization could accommodate to the various individual demands of the member states by, for instance, delivering a facilitating function. Furthermore, the theory suggests interdependence as notable factor in the rational calculus, as markets, production chains and whole economies are ever-getting interconnected during the process of integration (Moravcsik, 1993, p.486). Even though ASEAN has contributed to the intra-regional connectivity and stability, many ASEAN member states do not perceive the progress in the regional integration as part of its core strategic interests what partly explains the sluggish integration process. Strategic interests are defined as follows in this section: the vital, long-term interests for the survival of state (Tsuruoka, 2011, pp.96-98).

As stated in the first Blueprint (2007, p.5), one particular AEC-objective is the aim to create a globally connected region. This point relates to the outward-looking economic policy whereby there is an explicit focus on attracting extra-regional arrangements to boost the international economic position of ASEAN. This specific target stimulates the existing massive economic traffic between ASEAN and external partners that accounts to 80 % of the total trade flow in the region and to \$120 million worth of FDI's in 2015 (ASEAN Economic Chartbook 2016, pp.15-20). Meanwhile, intra-ASEAN trade constitutes, despite its rising trend, only to the remaining, small part, which symbolizes the comparatively low levels of regional interdependence. This policy underappreciates the intra-regional economic relations what conflicts the other AEC-ambitions of higher regional connectivity (MacGillivray & Carpenter, 2013, pp.1-3).

Member states incorporate the small regional significance to their foreign policies. Consequently, many nations do not consider the intra-ASEAN economic stream and corresponding integration initiatives as a component of the strategic interests (Kim, 2014, p.384). This is exemplified by viewing recent (2010-2015) foreign policy trends. Some of these policies directly threaten the AEC-integration initiatives: Under the administration of the in 2014-elected Indonesian president, Joko Widodo, Indonesia moves away from its position as active participant in multilateral institutions, favoring bilateralism instead to better pursue the strategic interests (Poole, 2015). The foreign policy does not regard ASEAN as an institution that fits into the strategic plans of Indonesia in becoming ‘a global maritime fulcrum’.

Geopolitical games contribute to the marginalization of the ASEAN integration progress as well (Ba, 2014, pp.155-157). ASEAN increasingly acts as the arena for geopolitical battles due to the strategic locations of trade routes and the abundance of resources (Egberink & Van der Putten, 2011, pp.2-3). Emerging and contemporary powers, like China and the United States, have recently shift their focus to ASEAN in order to expand their influence in the region. China emerged as one of ASEAN’s leading trade and investment partners since the beginning of the 21st century (Ba, 2014, pp.149-151). The ASEAN-China relationships constitute from both multilateral and bilateral arrangements (Chan, 2015, p.76). The bilateral relations has gained more emphasis in the as assertive-labeled foreign policy under president Xi Jinping (Zhang, 2014, pp.77-78). In regards of resolving regional issues, like the South China Sea territorial dispute, he insisted a ‘pragmatic and flexible’ (bilateral) approach. This approach obstructs ASEAN’s intention to enhance the collective mindset, as it creates political divide between ASEAN states.

Moreover, the Americans have introduced the ‘Pivot to Asia’ foreign policy during the rule of Obama as a ‘rebalancing reaction’ to China’s actions (International Institute for Strategic Studies, 2012). As the US hegemonic role is being challenged, the new policy intends to improve the US-ASEAN military and economic relations in the region by promising greater US engagement to protect the collective interests of ASEAN. The greater commitment is exemplified by the active US involvement in the intergovernmental East Asia Summit (military dialogue).

This power battle between the US and China affects the collective ASEAN mindset and undermines the ambition to create more unity in the region, because members are aware of the potential (beneficial or negative) implications for their self-interest when taking concrete standpoints on regional issues (Lim, 2016). This point is evidenced by the struggle of

ASEAN in making unanimous statements on several of these regional issues, for instance in the territorial dispute with China (Daily Mail, 2016). ASEAN has not reached consensus yet on formulating an official reaction to the increased Chinese provocation in the region's sea, despite its clear threats to the region's territorial integrity. The drive to comply with the common ASEAN interest is getting weaker while pursuing the self-interests are increasingly profitable, especially when powerful nations offer lucrative arrangements in exchange for political support (Ba, 2014, pp.155-157). An example of this point is the backing of China by Cambodia in international discussions about the South China Sea disputes (The American Interest, 2016). The cost/benefit calculation of pursuing the common ASEAN interests is not constantly in favor of cooperation anymore. Therefore, more measures are necessary to promote the common ASEAN interests and to limit the external influences. Singaporean Prime Minister Lee Hsien Loong stated that the (absence of an) collective reaction to cross-border obstacles can define the future of the ASEAN Community: Fragmentation or integration? (Hussain, 2016).

Relating back to the assumptions of Moravcsiks theory, there is a sensible degree of overlap with the real-life developments in the form of the rational state calculus (Cockerham, 2010, pp.168-169). As described, states conduct a rational analysis on every decision they take. These aspects can explain some of the discussed developments, like the emphasis on external relations. However, the last point in Moravcsiks model (institutional design) does not match with the unexpected deprioritization of ASEAN-integration (Moravcsik, 1993, pp.483-485). This particular phase depends on the previous interstate negotiations, which in the case of ASEAN initially signaled a great desire and commitment in achieving the integration objectives. States recognized the many mutual benefits of integration and subsequently took noticeable efforts to advance integration. They have invested a lot of time and capital in attempting to formalize the institutional design of the AEC (Chia, 2013, pp.28-30). This should, theoretically based upon the existing elements, result to an as planned, participative process, but a theoretically unexpected change in the calculation of these elements during the integration time frame has caused deprioritization of the integration progress and relatively low participation levels.

To conclude, ASEAN members have conflicting strategic interests. Many states do not consider ASEAN integration as part of their core strategic interests anymore in the time frame of the integration process and instead focus on extra-regional (trade) relations. Furthermore, powerful external actors exert significant influence on the individual nations to alter the collective mindset. These two points have contributed to the stalling integration process and

have not been suggested by the theoretical models.

Viewing the analyzed material, it is very interesting to notice that the unique regional circumstances are constantly relevant in all three dimensions. It depends per category how the effects are constructed. For instance, the strategic factors rely comparatively much on external attributes, which mean that foreign actors greatly shape these attributes in comparison to the other categories. Nevertheless, these distinct regional characteristics play an essential role in the inapplicability of the theories. Another striking point is the difference in levels of severity. Some issues are more influential or are easier to overcome than other ones, like the developmental gaps-oriented issues. These latter issues require the easier-feasible solution of greater financial support whereas the other problems necessitate more complicated political or institutional reforms.

Conclusion

All in all, the research has investigated the elements that are critical to the applicability of the theoretical models as analytical tools. In the light of gaining more understanding about the contradictions and how to overcome the integration problems, various significant inconsistencies in three dimensions have been analyzed: In economic terms, the developmental gaps affect the emergence and self-reinforcing strength of a core neofunctionalist concept of functional spill-overs. This aspect implies the existence of large economic distinctions between European and ASEAN integration. Institutionally, the insignificant roles for norms and values in both the theories are not in line with the great adherence to the principles of the ASEAN Way. In addition, the existing limited scope of the Secretariat contradicts the suggested increased institutional scope during integration advancement. Furthermore, the consensus-based decision-making style and equal negotiation position of all members are also not operating in accordance to the liberal intergovernmentalist assumption of distinct bargaining positions. These points contributed to the slowdown of the rate of integration and gave evidence to the, by various scholars mentioned, assumption that the great socio-political divides between ASEAN and the EU act as factors to the theoretical inconsistencies. Strategic elements, like the external-oriented focus and geopolitical games have forced ASEAN states to recalculate the status of ASEAN-integration to a non-strategically important level what contrasted their previous large efforts in designing the institution, as suggested by Moravcsiks model. This point implies a stronger pursuit of self-interests than suggested by liberal intergovernmentalism.

Based on these findings, the answer to the research question is that the region's

distinct social, institutional, economic and political circumstances explain the theoretically unpredicted slow integration process. These elements differ too much to the European-based characteristics of the theories to correctly predict the ASEAN integration procedure. Reflecting back to the academic literature, this explanation has been suggested by the majority of the academic scholars what indicates a great degree of confirmation to the literature. However, it is not so clear how the case of the EU should act as learning lessons, like suggested by Capannelli & Filippini. The ASEAN integration process is based on the globally-connected economic attributes, which is very different to the 20th century, European-based circumstances. The domestic and regional notions cannot sufficiently explain the progress of integration in the ever-globalizing world system. To a greater dimension, this thesis has raised awareness about the limited scope of the two theories in relation to cases where the discussed characteristics are very different. To extend the theoretical applicability, a careful examination of the actual relevance of the concerned concepts is needed, like by incorporating the influence of extra-regional players in the integration process.

Furthermore, this study highlighted the implications of the various hindrances to the integration procedure. The thesis has delivered insights on how to interpret and tackle the problems. The given recommendations, like the call for more investments to narrow the existing gaps, contribute to the practical (scientific) material on how to overcome the obstacles.

Despite attempting to conduct an optimal academic research, there are always limitations. The focus on the inconsistencies between reality and rhetoric in this research potentially underappreciates the positive theoretical commonalities in the ASEAN integration process, such as the gradual nature (neofunctionalism) and the dominating voice for state actors (liberal intergovernmentalism). These overlaps display the (partly) persistent theoretical relevance, which needs to be addressed as well when extending the theoretical applicability. In addition, the great level of informality of the negotiations put restrictions on the collection of objective data. ASEAN only bring reports on the contents of the talks afterwards, which may differ from the actual negotiations. The best possible manner to examine the concise opinions of the representatives is by managing a direct (informal) conversation, which is practically difficult to realize. Lastly, this thesis only investigated a limited number of categories despite the existence of other contributing categories, like the social one. More extensive research is needed in order to achieve a complete analysis with incorporation of these factors.

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