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# Analysis of the Impact of Economics Integration Under the ASEAN Politics and Law

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## ABSTRACT

The objective of this research is to study three main aspects: 1) the actual impact of ASEAN expansion on economic integration, specifically in terms of intra-ASEAN trade and policy coordination; 2) the relationship between the impact of expansion and policy coordination, considering the influence of ASEAN political institutions; and 3) strategies for improving regional institutions and policy coordination. The study found that the impact of ASEAN expansion on economic integration can be understood from both political and economic perspectives. As the regional market expands and regional investments increase, a higher level of economic integration is expected. However, there are barriers to economic integration, such as the lack of domestic infrastructure, inadequate transportation systems within and between member countries, and insufficient human capital development. Additionally, the weak structure and institution of ASEAN regionalism itself can hinder effective integrative policies, serving as a major obstacle to regional economic integration. Although intra-ASEAN trade has been increasing since the 1990s, the trade share of the new members remains small. Therefore, it is important to analyze the actual impact of ASEAN enlargement on economic integration in terms of intra-ASEAN trade and policy coordination, particularly after the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam) joined ASEAN. ASEAN's economic integration is considered to be a development strategy aimed at participating in the global supply chain. Attracting foreign capital has been a successful approach towards achieving this goal. ASEAN's experiences in economic integration can serve as valuable lessons for other developing countries.

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## Introduction

ASEAN is a front-runner in East Asia's economic integration and also plays a central role in the area's regional cooperation. ASEAN was founded in August 1967 by its five original member countries: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. At the time of ASEAN's founding, Southeast Asia was in the midst of the Vietnam War, and political cooperation and security in Southeast Asia were central issues. Economic cooperation began after the 1976 Declaration of ASEAN Concord was adopted at the first summit in 1976. Economic cooperation was promoted through three projects: the ASEAN Industrial Project (AIP), the ASEAN Industrial Complementation (AIC), and the ASEAN Preferential Trade Agreement (PTA). Although the PTA aimed at trade liberalization, it did not achieve its objective. ASEAN virtually started economic integration with the formation of the ASEAN Free Trade Area (AFTA) in 1993. The AFTA achieved its original goal of reducing tariffs to 0–5% in 2002.

In 2003, ASEAN presented a regional concept of a single community under the slogan of "ASEAN Vision 2020." It represents the unity of an economic, security, and socio-cultural community in the Southeast Asian region with the target year of 2020. Later on, the target year was advanced to 2015 "ASEAN Vision 2020" itself was created with little detail and an unclear scope and outline of implementation. Nevertheless, AFTA and AIA are the two economic implementations to achieve the economic purpose of ASEAN Vision 2020," while the Treaty of Amity and Cooperation (TAC) and the ASEAN Regional Forum (ARF) are served as a guarantee for security and peace in the Southeast Asian community. Some studies show the significant influence of the ASEAN bloc on intra-regional trade, including Ellictt and Ikemoto (2004), Soloaga and Winters (2000), and Gilbert, Schollay).

Since ASEAN's establishment, many political scholars have tried to explain its regional economic cooperation from different perspectives. In neo-realism, power relation among states determines the formation and type of international cooperation and institution. In the aftermath of World War II, "The United States attempted to create and organize both a North Atlantic and Southeast Asian region." (Christopher Hemmer and Peter J. Katzenstein, 2002: 575) In the security domain, the U.S. foreign policy in the post-war era promoted multilateral cooperation in Europe by forming the North Atlantic Treaty Organization (NATO) and established "hub-and-spokes" bilateral relationships with many Asian countries with the United States at the center. (Peter J. Katzenstein and Takashi Shiraishi, eds., 1997: 23) As Peter Katzenstein and Takashi Shiraishi argue, the US promotion of bilateralism in Asia and multilateralism in Europe led to the differing settings of regionalism in Asia and Europe. As a result, Asian countries were strongly linked with the United States both strategically and economically, while the ties among themselves remained very weak. For small states like ASEAN members, gathering together in a regional grouping can create a unified voice and reinforce their bargaining power.

In constructivism, socialization of state behaviors cultivates the characteristics of cooperation and institution in ASEAN. Besides the role of the United States and other extra-regional actors, the internal contributions have notably supported the formation and continuation of ASEAN, ASEAN is to some extent considered a successful peace-keeping region

in the view of constructivism, as demonstrated by Amitav Acharya and Shaun Narine in their studies, for example. Acharya, a leading ASEAN constructivist scholar, explains the successful regional peacekeeping of ASEAN as the reason for the norms of the "ASEAN Way" and non-interference. "The single most important principle underpinning ASEAN regionalism is the doctrine of non-interference in the international affairs of member states. (Amitav Acharya, 2001: 57) By allowing the member states to control their own affairs without regional interference, good relationships are maintained between ASEAN members and this in turn keeps the peace in the region.

## **Objective**

This dissertation attempts to conduct research emphasizing the deepening integration after ASEAN enlargement. Three issues are essential to investigate (1) the actual impact of ASEAN enlargement on economic integration in terms of intra-ASEAN, trade and policy coordination, (2) the relationship between the impact of enlargement and policy coordination under the influence of the ASEAN political institution, and (3) the strategies to improve regional institution and policy coordination.

I divided my research into three parts. The first part is quantitative, The second part of my research study is qualitative, I divided my research into three parts. The first part is quantitative, focusing on the impact of ASEAN enlargement on intra-ASEAN trade. The research method in this part is a gravity model approach. The second part of my research study is qualitative, considering the ASEAN regional institution in the equation of the impact of ASEAN enlargement and policy coordination. The qualitative framework is based on institutionalism/regionalism and liberal intergovernmentalism theories. The third part is the discussion on ASEAN institution's problems and policy recommendations.

## **Research Methodology**

This study employs a mixed-methods approach to investigate the impact of ASEAN enlargement on economic integration, with a focus on both quantitative analysis of intra-ASEAN trade and qualitative examination of policy coordination under the influence of ASEAN political institutions.

### **1. Quantitative Research**

For the quantitative aspect of the study, data analysis will be conducted to examine the relationship between ASEAN enlargement and economic integration, specifically focusing on intra-ASEAN trade. The research questions in this set will be addressed through statistical analysis of trade data and the application of econometric models.

### **2. Data Collection**

Trade data for ASEAN member countries, disaggregated by sector (e.g., food and animal livestock, manufacturing, machinery, and transport equipment), will be collected from reliable sources such as ASEANstats and national statistical agencies. Relevant economic indicators, including trade volume, trade patterns, and tariff rates, will be compiled for analysis.

### 3. Analysis

Descriptive statistics will be used to examine trends in intra-ASEAN trade before and after ASEAN enlargement. Regression analysis will be conducted to assess the impact of ASEAN enlargement on intra-ASEAN trade, controlling for other relevant factors such as GDP growth, tariff rates, and exchange rates. The Association of Southeast Asian Nations Free Trade Area (AFTA) policy will be analyzed to explain the observed patterns in intra-ASEAN trade.

### 4. Qualitative Research

The qualitative aspect of the study will explore the impact of ASEAN enlargement on policy coordination, focusing on the preferences of CLMV (Cambodia, Laos, Myanmar, Vietnam) countries and changes in ASEAN political institutions.

**5. Data Collection:** Qualitative data will be gathered through interviews, surveys, and document analysis, targeting key stakeholders such as policymakers, government officials, and experts in ASEAN affairs.

- Interviews will be conducted to explore the preferences of CLMV countries in joining ASEAN, their views on ASEAN political institutions, and any perceived changes in these institutions post-enlargement.
- Policy documents, official statements, and academic literature will be reviewed to trace the evolution of ASEAN political institutions and their impact on regional economic policies.

### 6. Analysis

Thematic analysis will be employed to identify common themes and patterns in the qualitative data, allowing for a nuanced understanding of the preferences and perceptions of CLMV countries. Changes in ASEAN political institutions post-enlargement will be analyzed to assess their implications for policy coordination and regional economic integration. Impediments to economic integration will be identified, and policy recommendations will be formulated based on the findings to improve regional economic cooperation through institutional mechanisms.

### 7. Variables and Variations

The study will consider the following variables

- Independent Variable: Impact of ASEAN Enlargement
- Intervening Variable: ASEAN Political Institution

## Research Results

### The Impact of ASEAN Enlargement on Economic Integration: Intra-ASEAN Trade and Policy Coordination

#### 1. ASEAN Enlargement and Intra-ASEAN Trade (Quantitative)

One reason for ASEAN membership expansion is the expectation that CLMV will strengthen intra-ASEAN trade. This statement is quantitatively tested through a statistical approach, the so-called gravity model. This approach predicts the trade relationships between countries, as well as enables a comparison of relationships among regional trading arrangements. Several economists have employed the gravity model approach to experiment with ASEAN trade data in various time periods. but without considering CLMV's influence Jeffrey Frankel and Shang-Jin Wei have also run the same model using the early 1990s panel data set of ASEAN. However, they tested three out of the four new ASEAN members (excepting Myanmar) as an influential parameter of an ASEAN trading arrangement before they became official members. This point makes their work important as one of the very earliest statistical studies of trade participation by new ASEAN members.

Frankel and Wei's work illustrates three findings. (Frankel and Wei, 1996) First, ASEAN (six old members) has significantly influenced an increase in intra-ASEAN trade and generated trade creation rather than trade diversion. Second, ASEAN as a regional trade arrangement did not have an "independent effect" on its own strength of intra-regional trade based on the panel data of the early 1990s. The growth of intra-ASEAN trade relied heavily on the growth of East Asian economies. Third, Indo- Chinese economies or CLV did not have statistical significance to influence the growth of intra- ASEAN trade due to the small size of their economies and the lack of economic linkages to aberrational trade Regarding the issue of trade participation, Frankel and Wei concluded that the new members (CLV) might not have had much influence to contribute to the growth of the intra- ASEAN trade before the ASEAN expansion.

The empirical results of Chapter Three, which tested a new data set of ASEAN in the late 1990s and early 2000s, suggest changes in ASEAN's trade trend. First, the ASEAN enlargement (accession of CLMV) significantly influences intra-ASEAN trade. Vietnam has a significant impact on intra-ASEAN trade-especially in the food and live animals, and the manufactured goods sectors. The involvement of Cambodia, Laos, and Myanmar has become significant after the enlargement, but their impact is much smaller compared to Vietnam. Second, although the influence of East Asian economies is still significant to the growth of intra ASEAN trade under new panel data, ASEAN as a trading group has begun to show an "independent effect that influences its own intra-regional trade. The empirical result further shows that trade among old ASEAN members has a stronger tie particularly in the machinery and transport equipment sector. This study concludes that three factors have notably reinforced intra-ASEAN trade after the ASEAN enlargement. They are: (1) the significance of Vietnam's accession, especially in the food and live animal sector and the manufactured goods, (2) the strong connection of old members in the machinery and transport equipment sector, and (3) the increasing significance of CLM's participation in overall trade.

The ASEAN Free Trade Area (AFTA) receives credits for the successful reduction of import tariffs especially in manufactures, and machinery and transport equipment industries. ASEAN has accelerated the AFTA schedule in major industries to reinforce the web of economic complementarities. The tariff reduction under AFTA has led to the strengthening of intra-ASEAN trade among old members, and between old and new members as supported by the above empirical interpretations. However, the deeper level of liberalizing agricultural and

other sensitive products such as eliminating all tariff and non-tariff barriers under AFTA is doubtful due to the weak type of ASEAN institution that does not have effective regional mechanisms to check policy compliance, protect guardians, and punish violators. To ensure that ASEAN can accomplish the goal of becoming full free trade area and continue experiencing the sustained growth of intra-ASEAN trade, the effectiveness of regional policy and regional institution needs to be improved. This improvement is required because the institutional-political factor will determine AFTA compliance and reinforce the participation and commitment of the members in the long term.

## 2. ASEAN Enlargement and Policy Coordination (Qualitative)

The term economic integration in Chapters Four to Six (qualitative) refers to "policy coordination," instead of "intra-ASEAN trade" In the qualitative section, the institutional-political factor intervenes in the impact of ASEAN enlargement on economic integration. This relationship demonstrates that the impact of ASEAN enlargement may sustain or even worsen the weakness of ASEAN political institution, and the weak ASEAN political institution may lead to the impeding of regional policy coordination. Policy coordination in this study refers to the effectiveness of policy negotiation, policy compliance, and conflict management. The relationship between institution and policy coordination is likely to be a positive one. In other words, the stronger the institution, the higher the degree of policy coordination or economic integration.

Three levels of interaction domestic, regional, and international-shape this qualitative relationship; and the study has set up three stages of analysis to explain it. Chapter Four is the first stage where the author looks at the variation of ASEAN members' preferences after the enlargement by stressing on identifying the preferences of the new ASEAN members. The old members are not the main subjects of this analysis. Therefore, the study does not profoundly illustrate their preferences as it does for the new members. However, the history of several attempts to fix ASEAN institution by some old members in addition to the recent debate on formalizing ASEAN institution- the old members have strongly shown their support to adopt the new managerial methods such as a voting system and a reward and sanction system under the ASEAN Charter is clear evidence that their preference for a type of regional institution has shifted from an informal toward a more formal type. Chapter Five demonstrates the second stage that analyzes the type of ASEAN institution after the enlargement. Chapter Six investigates the effectiveness of policy coordination under the ASEAN institution in the case of AFTA and ASEAN Investment Area (AIA).

### 2.1. Identifying the New Members' Preferences (Stage One)

At its core, Chapter Four explains why CLMV countries joined ASEAN and what type of ASEAN institution is preferred by them at three levels of interactions domestic, international, and regional. CLMV countries decided to join ASEAN because first they want to acquire legitimacy and diplomacy at the international level. This will allow them to be on the negotiating table with the West, and access to global market and international aid. Second, CLMV countries want to use ASEAN as a stepping stone for trade liberalization and a bridge to connect them to the capitalist economies. Third, CLMV countries are interested in the principles of the ASEAN Way and non- interference. These principles will not force them to transfer their national sovereignty to a regional institution. ASEAN also cannot put sanction or



pressure on domestic affairs. Their political systems can freely exercise without ASEAN intervention.

To maintain the strongman system of Cambodia, the Socialist system in Laos and Vietnam, and the military system in Myanmar, CLMV governments feel safer to be under the weak or loose ASEAN institution. Supporting a weak type of regional institution will help CLMV countries to hold on to their domestic sovereignty when their political regimes are challenged by pressures from economic reforms and political liberalization. The ASEAN institution can perform as a "buffer zone" For "comfort zone" at a time when the domestic-global interdependence threatens the stability of the domestic regimes. Joining ASEAN has thus low or almost no risk.

## 2.2 Changing ASEAN Political Institution (Stage Two)

The ASEAN Way and the non-interference policy characterize the nature of ASEAN institution, which adores independence, the avoidance of conflict, and informal interconnection. The structure of ASEAN institution is loose and informal. ASEAN does not have a legal status. The decision-making process is based on consensus and intergovernmental negotiation. The delegation of supranational organization as elected in the European Union (EU) has not been accepted as the practical role for a regional institution in Southeast Asia due to the fear of losing national sovereignty. However, the development of ASEAN political institution has not been static. The shift in the preferences of the old ASEAN members has been recognized as a force for legalizing the institution.

Chapter Five scrutinizes three components of ASEAN political institution after the enlargement. The analysis looks at changes in the institution that are caused by the enlargement and/or initiated by the new members. The first component is the nature of ASEAN institution, known as the ASEAN Way, and non-interference. A historical analysis of ASEAN institution illustrates that the old members, especially the Philippines and Thailand, had initiated several attempts to change the nature of the institution from constructive engagement to flexible engagement before the enlargement. But the attempts were unsuccessful. After the enlargement, the old members, especially Indonesia, have lately increased their enthusiasm to develop ASEAN institution by agreeing to surrender some degree of sovereignty in exchange for the improvements in human rights, democratization, and deeper cooperation in transnational issues such as terrorism, natural disasters, and migration. On the other hand, we have not been aware of the initiative of CLMV on these issues due to their low key in the ASEAN meetings. According to the author's interviews with ASEAN officials and scholars, the new members are extremely sensitive to the changes in the existing nature of the ASEAN institution and tend to resist them.

The structure of the institution is the most dynamic component of ASEAN institution. First, the "ASEAN-minus x" approach has been adopted and implemented as a special treatment to the new members to have longer deadlines for tariff reduction under AFTA and other policies. Nevertheless, the "ASEAN-minus x" approach is still based on a consensus rule which means that every member has to agree on who will go ahead with the plan, and who will follow along. Also, the approach does not demonstrate any special characteristic, besides an ordinary exemption for the new members who since ASEAN did not

equalize economic and political diversities between the old and new members before granting new membership. Second, the Dispute Settlement Mechanism (DSM) was finally formed under a legal process. The DSM, however, is not a consequence of the enlargement. The ASEAN-DSM is legalized, but never used because the nature of the ASEAN Way overrides the formality of conflict management. Moreover, the uncertainty of DSM itself, which is mostly involved with governmental officials and bureaucrats, does not sufficiently ensure the fairness and effectiveness of the DSM process. Regarding the reformation of ASEAN institutional structure, among the old members Singapore has shown its certain position. On the other hand, the new members have so far not initiated a change or opposed the adoption of the ASEAN-minus-x approach and the ASEAN-DSM because the approach is created to help the new members to acclimatize to the new environment while the ASEAN-DSM is not an obligatory means for conflict management

The last component is commitment. Both old and new members have not, to a large extent, demonstrated their commitment and political will to strengthen ASEAN institution. However, pushing for institutional changes by the old members may seemingly sound better than the opposing for changes by the new members. The nascent trend of ASEAN institution has been subdued to some extent by the result of a higher diversity in ASEAN after the enlargement. Nevertheless, this chapter does not suggest that without the enlargement the old ASEAN members would have already created a formal type of ASEAN institution. Nor does it conclude that the enlargement is the most and the only substantial factor to explain the failure of ASEAN in crossing the transitional period of institutional development. The chapter instead suggests that the enlargement has developed a resisting factor for an institutional change, and so far it does not provide evidence that helps fostering the process of situational development. In other words, the enlargement has become an influential factor for staining the existing weak ASEAN institution, and has created more difficulty for ASEAN to change

### 2.3. Performing the Role of Institution in Policy Coordination (Stage Three)

Chapter Six examines the cases of AFTA and AIA in terms of policy coordination which operates under the ASEAN political institution. The three components of policy coordination are negotiation, policy compliance, and conflict management. The conclusion of this chapter exposes the ineffectiveness of ASEAN institution in negotiating for concrete and clear policy guidelines, checking policy implementation, and resolving regional economic conflicts and problems. The collective action of members is low. Low institutionalization makes ASEAN enable to create a leading role in initiating regional policies and solving disputes among ASEAN members. At the negotiation stage, a consensus rule in the decision-making process creates the flexibility of the agreements. Renegotiating on policy outlines and details always occurs after the agreement is signed. In the dispute negotiation, the compliers or guardians do not have the power to bargain-hence they finally become losers, and the violators are in turn the winners.

At the policy compliance stage, a peer review is used in AFTA. The level of policy compliance by both old and new members in tariff reduction of non-sensitive products under the AFTA scheme is outstandingly high. However, non-compliance in the tariff reduction schedule of sensitive products is at the same time frequent with no effective regulation to



handle the problems. With the uncertain mechanism of ASEAN institution to check policy implementation and to guarantee a reward and sanction system, it is the possibility to not comply with the AFTA scheme in sensitive products. The worry of non-compliance has increased when new members such as Vietnam started to follow the old members' behaviors to delay their sensitive products. Moreover, Cambodia has a huge number of its tariff lines remaining in the Temporary Exclusion List (TEL) which has a high chance for a delay in tariff reduction. In the case of AIA, there is no regional body to check policy compliance as in the case of AFIA. However, the AIA mechanism is looser and less functional. The implementation of AIA simply depends upon a unilateral and voluntary act

At the conflict management stage, the ASEAN-DSM has the authority to make legal judgments. However, no AFTA and AMA conflicts have been through the DSM process. Bilateral negotiations are always set among disputers which are also the regular scenario in other trading organizations. However, the conflicts in ASEAN are prolonged and remain unresolved. Furthermore, the members are not encouraged to go through the DSM as in the case of the automotive dispute between Malaysia and Thailand. The reward and sanction system is ambiguous because the violators may not have to comply with compensation.

In short, the role of ASEAN institution to manage regional activities is very low and limited. The authority and ability of ASEAN to unify state behaviors and tackle their deviations is weak. The problems of implementing AFTA beyond tariff reduction, such as the lack of standardization and harmonization, and the issue of non-tariff barriers which are more complicated for regional cooperation will easily produce loose ends in the long run under this weak institution. The new goal of ASEAN to become an economic community or even a free trade area is thus extremely questionable.

### **Policy Implications**

The question at hand is whether it is necessary to institutionalize ASEAN, considering that the members have shown a lack of political will to develop ASEAN institutions. The necessity of institutionalization will depend on the preferences of ASEAN members. Currently, it appears that ASEAN members lack the political will to formalize their regional institution, which reflects their non-urgent approach to creating economic integration. While there has been a recognized shift in the preferences of old members, their actions need to be more concrete, and the new members also need to contribute to the overall sense of economic integration. The shift in preferences among ASEAN members will determine the timing, necessity, and manner in which ASEAN institutions should change and unify members' behavior.

Looking beyond the issue of "necessity," what are the expected benefits if ASEAN members were to formalize their ASEAN institution? Institutionalization would strengthen ASEAN in two ways. Firstly, it would help to maintain the strength of intra-regional trade and stimulate a regional network in complementary industries. A formal regional institution would facilitate the reform of government policies and align them with unified trade standards and measures. With the conclusion of the AFTA tariff reduction, the rise of non-tariff barriers (NTBs) and other technical issues is expected. An effective regional body to monitor policy

compliance and a transparent dispute settlement mechanism would ensure the active participation of ASEAN members in AFTA and other regional economic policies. Such a body can only be established under a rules-based institution. Secondly, an institutionalized ASEAN would enhance its leadership in forums such as the ASEAN Plus Three and the East Asian Summit. A strong institution with a higher level of economic integration would solidify ASEAN's importance in designing an institutional architecture and shaping intergovernmental cooperation in East Asia.

This research project further suggests six points of policy implications for the improvement of ASEAN institution as a long-term goal. These implications support ASEAN to be a formal type of institution, which believes to create effectiveness in policy coordination and contribute to higher economic integration. Six recommendations are explained as follows:

First, ASEAN should define and narrow the power of political officials in economic affairs, especially the overpowering status of ASEAN Foreign Ministers. To define the power of ASEAN Foreign Ministers will draw a certain line and clarify their responsibility in political, not economic affairs. This situation will help ASEAN to unlock information flows which has been kept and influenced by the political side.

Second, ASEAN should generate the different methods of decision-making processes in economic and political meetings. The consensus method can continue to be used in the political meetings. However, the voting method can be utilized in the economic meetings. The choice to exercise either consensus or voting should be independently initiated by its own council (security, economics, and socio-culture). Currently, the political side has dominated the development of ASEAN institution including the style of decision-making process in economic affairs.

Third, The ASEAN secretariat and the Secretary-General can monitor policy compliance and initiate cooperative projects under the ASEAN agreements. However, in practice they do not have ability to do their jobs. ASEAN should empower them to be independent from the political pressures and make them to be an effective body in order to oversee policy implementation and pioneer new projects cooperating with research institutes.

Fourth, ASEAN should eliminate politics in the economic DSM by reducing the power of senior officials in its process. The senior officials should not be authorized to adopt or reject the result of the panel and/or appellate review. This will help restore members' confidence in the ASEAN-DSM and eliminate the possibility of political intervention.

Fifth, ASEAN should allow increasing the participation of the non-governmental groupings in the process of forming regional policies and agendas. ASEAN does not have an election for appointing representatives in the ASEAN parliament like in the EU. The regional policies and strategies therefore are solely decided by the heads of the states. The involvement of the private business groups and other civil society organizations can assist ASEAN to set agendas in a more practical and holistic way.

Sixth, ASEAN should make a connection among ASEAN policies such as AFTA, AIA, IAI, and AISP, and establish a strategic plan. The strategic plan itself will target to stimulate the complementary industries through the above ASEAN policies. The specific plan should be drawn to reinforce the complementarities of ASEAN economies and take advantages of those to create a regional/global production base.

## **Discussion**

### **ASEAN Enlargement and Intra-ASEAN Trade**

The expansion of ASEAN membership to include Cambodia, Laos, Myanmar, and Vietnam (CLMV) was anticipated to bolster intra-ASEAN trade, thereby fostering greater economic integration within the region. This expectation has been a focal point of quantitative analysis, particularly through the application of the gravity model—a statistical approach commonly used to predict trade relationships between countries and compare the efficacy of regional trading arrangements.

A seminal study by Jeffrey Frankel and Shang-Jin Wei (1995) utilized the gravity model to analyze ASEAN trade data in the early 1990s, prior to the accession of CLMV countries. Notably, they examined the trade participation of three out of the four new ASEAN members, excluding Myanmar, as influential parameters within the ASEAN trading arrangement. While their study did not directly consider the influence of CLMV countries, it holds significance as one of the earliest statistical investigations into trade dynamics within ASEAN. Despite the absence of specific analysis on CLMV countries in early studies, subsequent research endeavors have sought to fill this gap. By incorporating CLMV countries into the gravity model framework, scholars have examined the impact of ASEAN enlargement on intra-ASEAN trade dynamics. These studies have yielded mixed findings, reflecting the complex interplay of factors influencing trade patterns within the region. For instance, empirical studies employing updated datasets have highlighted the role of CLMV countries in shaping intra-ASEAN trade flows. These studies have underscored the importance of considering CLMV's influence on trade dynamics, particularly in sectors such as food and animal livestock, manufacturing, and machinery and transport equipment—sectors of strategic significance within the ASEAN economic landscape. Furthermore, Bobowski (2017) comparative analyses of intra-ASEAN trade before and after the accession of CLMV countries have provided insights into the evolving nature of regional trade patterns. Such analyses have revealed nuanced shifts in trade intensity and composition, reflecting the dynamic nature of economic integration within ASEAN.

However, it is essential to acknowledge the limitations inherent in quantitative approaches to assessing the impact of ASEAN enlargement on intra-ASEAN trade. While statistical models offer valuable insights into trade dynamics, they may overlook qualitative aspects of economic integration and policy coordination. Moving forward, future research endeavors should aim to adopt a multidimensional approach, combining quantitative analysis with qualitative insights to provide a comprehensive understanding of the impact of ASEAN enlargement on economic integration. By integrating diverse methodological approaches, researchers can capture the multifaceted nature of intra-ASEAN trade dynamics and policy

coordination, thereby informing evidence-based policy interventions aimed at enhancing regional economic cooperation within ASEAN.

### **Policy Implications**

The question of institutionalizing ASEAN, amidst apparent hesitance among member states to formalize regional institutions, raises pertinent considerations regarding the necessity and feasibility of such measures. At the heart of this discourse lies the issue of political will among ASEAN members to foster deeper economic integration and institutional cooperation within the region. Currently, there appears to be a prevailing lack of political will among ASEAN members to institutionalize regional mechanisms—a sentiment reflective of a broader non-urgent approach towards advancing economic integration. This hesitance underscores the complexity of aligning diverse national interests and policy priorities within the ASEAN framework.

While Roberts (2010) there has been a discernible shift in the preferences of some older ASEAN members towards institutional development, manifested in incremental steps towards institutionalization, the concrete actions of member states remain crucial in substantiating their commitment to regional economic integration. The reluctance to formalize ASEAN institutions may stem from concerns over sovereignty, divergent national agendas, and the perceived trade-offs between regional cooperation and domestic priorities. Moreover, the participation and contribution of new ASEAN members are essential factors in shaping the trajectory of regional integration efforts. As emerging economies, the engagement of Cambodia, Laos, Myanmar, and Vietnam (CLMV) is integral to fostering a cohesive sense of economic integration within ASEAN. However, their role in influencing institutional dynamics and policy coordination remains contingent upon their capacity and willingness to align with the broader objectives of the ASEAN community.

The evolving preferences of ASEAN members will ultimately determine the timing, necessity, and manner in which ASEAN institutions evolve to facilitate deeper economic integration and policy coordination. Davies (2013) mentioned institutionalization may offer potential benefits in terms of enhancing regional cooperation and governance, its realization hinges on the delicate balance of accommodating diverse national interests and fostering consensus among member states. Moving forward, concerted efforts are needed to bridge the gap between rhetoric and action within ASEAN, fostering a collective sense of ownership and commitment towards institutional development. This entails fostering an inclusive and transparent dialogue among member states, enhancing institutional capacity-building initiatives, and promoting greater stakeholder engagement in the regional integration process.

In conclusion, the policy implications of institutionalizing ASEAN are contingent upon the evolving preferences and actions of member states, particularly in navigating the complex interplay of national interests and regional aspirations. By fostering a conducive environment for dialogue, cooperation, and consensus-building, ASEAN can chart a sustainable path towards institutional development and deepen economic integration within the region.

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## Conclusion

In conclusion, this research project delves into the impact of ASEAN enlargement on economic integration, with a focus on intra-ASEAN trade and policy coordination. The quantitative analysis, employing the gravity model, reveals that the accession of CLMV countries has significantly influenced intra-ASEAN trade. Vietnam emerges as a key player, especially in the food and live animals, and manufactured goods sectors. While East Asian economies still exert influence, there is a growing independent effect of ASEAN on its intra-regional trade.

The ASEAN Free Trade Area (AFTA) is credited with successfully reducing import tariffs, particularly in the manufacturing and machinery and transport equipment industries. However, the research highlights challenges in achieving deeper liberalization, especially in sensitive sectors, due to the weak institutional framework. The study emphasizes the need for improved regional policies and institutions to ensure sustained growth in intra-ASEAN trade.

The qualitative analysis explores the impact of ASEAN enlargement on policy coordination. The research identifies three stages: analyzing new members' preferences, changes in ASEAN political institution, and assessing the institution's role in policy coordination. New members (CLMV) join ASEAN to gain international legitimacy, access global markets, and benefit from the ASEAN Way's non-interference principles. The study suggests a positive relationship between institutional strength and policy coordination.

However, the research finds that the ASEAN political institution, characterized by the ASEAN Way and non-interference, faces challenges. While some old members advocate for formalization and institutional changes, new members resist alterations to maintain domestic sovereignty. The analysis of policy coordination in the ASEAN Free Trade Area (AFTA) and ASEAN Investment Area (AIA) reveals weaknesses in negotiation, compliance, and conflict management.

The study concludes with policy implications, advocating for the formalization of ASEAN institutions to strengthen intra-regional trade and enhance leadership in regional forums. Six recommendations include defining and narrowing the power of political officials, diversifying decision-making processes, empowering the ASEAN Secretariat, eliminating politics in the economic Dispute Settlement Mechanism (DSM), involving non-governmental groups, and establishing a strategic plan to connect ASEAN policies.

The research underscores the significant impact of ASEAN enlargement on intra-ASEAN trade and policy coordination. It highlights the challenges and opportunities for economic integration, emphasizing the need for institutional improvements to ensure the long-term success of ASEAN as an economic community.

## Future Research Agenda

The future research agenda will focus on 1) examining the development of ASEAN institution in the era of the ASEAN Charter and its relationship to policy coordination, and 2)

narrowing the empirical study of intra-ASEAN trade to identify the specific industries and formulate policy outlines and linkages as a strategic plan for higher economic integration in ASEAN.

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