

What role for regional economic organizations in a fragmented trade world? The case of ASEAN

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Abstract

ASEAN is a case that seems to eschew our understanding based on the dominant arguments in the literature. From a political-economic perspective, it has not been a success in deepening integration and has not, accordingly, really been a credible signal sent to foreign investors or producers, nor a strategic tool for either liberalization at the world level or at the inter-regional dynamics. From a security perspective, ASEAN may have been a factor of stabilization in the region but has clearly failed to ban violence as a means to settle disputes between members. Yet, ASEAN is still very much in motion – even though more visibly in words than in practice. This paper examines whether this momentum can be expected to continue building upon a potential role of the organization in the broader region. On the one hand, ASEAN with its aim to bond members into a “community of caring societies” is examined as a potential source of legitimacy for further economic integration in the region. On the other hand, the paper considers the role of ASEAN in the various initiatives to bring together in a “widening” logic large parts of the Asia-Pacific “geographical” region. ASEAN future looks bright on neither account.

1. Introduction

Ever since the initiation of European regional integration efforts in the 1950s, analysts of international trade have debated over the form, role, place and impact of economic regionalism. Those discussions have long been framed around the controversial issue of the relationship between global and regional regulations dividing the scholarly community between those viewing regionalism as a threat (at least potential) to global trade liberalization and those viewing it as a facilitating dynamics. In particular, work in the late eighties and early nineties, at a time when the Uruguay round of negotiations in the GATT were stalled, emphasized the risk of irrelevance for world integration.¹ At that time politicians were busy developing, promoting or designing large regional platforms or institutions for trade facilitation and liberalization, including the Free Trade Area for the Americas (FTAA), Asia Pacific Economic Cooperation (APEC), or the European Economic Area (EEA). Almost two decades later, relationships between efforts toward trade liberalization and regulation at different geographic levels are still problematic but the dyad regionalism-globalism is no longer at the heart of debates, at least not in the traditional understanding of regionalism (a small group of neighbouring countries).² Attention has been on the understanding of the impressive increase of bilateral free trade agreements in the 2000s and of their impact on global trade liberalization and regulation. In this new context, “traditional” regionalism has somehow fallen by the wayside, with the notable exception of the European Union (EU). But if the EU has remained centre stage whereas other regional integration organizations have not, it is mostly because the EU is much more than a trade liberalization or regulation forum, ever more so. It is from this perspective a *sui generis* case that hides the more general pattern for regional schemes with a more restricted economic integration focus. Furthermore, whereas the evolution of the EU is a source of useful lessons for the evolution of other regional schemes, it should not excessively frame discussions and thinking about efforts in other parts of the world. Accordingly, this paper uses the case of regionalism in South East Asia and the Asia Pacific more broadly to nurture new ideas on the role of regionalism in a world marked by multiple sources of trade regulation. In terms of regional integration developments,

¹ A decade or so later the debate resurfaced with efforts to statistically trace the importance of the GATT in trade liberalization since its creation in 1947. For some (in particular Andrew Rose (2004; 2005; 2005) but see also Drabek and Bacchetta (2004) and Mansfield and Reinhardt (2008)), regional and other preferential trade agreements have been the most important driving force behind the increase in trade flows other the last decade, whereas others have tried to demonstrate the positive influence of GATT membership (Subramanian and Wei 2003), (Tomz, Goldstein et al. 2004; Tomz, Goldstein et al. 2005).

² For the World Trade organization, a regional agreement is any agreement between at least two countries and short of the whole membership of the organization.

whereas Europe has been the ground for consolidation and expansion, Asia Pacific has been the ground for change and new developments. In the 1990s, the creation of APEC became the showcase of new regionalism (Fawcett and Hurrell 1995; Mansfield and Milner 1999), characterized by voluntary commitments from members, openness with the rest of the world and the absence of rigid institutional framework. APEC was also supposed to bring “harmony in diversity” (Dupont 1998a) through a delicate nesting of pre-existing regional institutions within the new forum. Early enthusiasm about the possible achievements of the forum led to a growth in scope to encompass more ambitious goals, in particular the objective of free and open trade and investment to be achieved no later than 2020, but also several measures of trade facilitation and economic cooperation to promote growth and reduce disparities and asymmetries in the region. Whereas most observers were initially optimistic about the ability of members to achieve APEC goals with minimal institutions, the dominant view since the early 2000s has been that APEC is “adrift”, that it is going through a “mid-life crisis,” currently experiencing a “malaise,” that it is not more than a “talk shop”, or a “photo op.” Instead in the last decade the spotlight in Asia Pacific has been on the flurry of preferential trade agreements (PTAs) mostly at the bilateral level, a phenomenon that has led to what has often been coined a spaghetti or noodle bowl. Figure 1, reproduced from Dent (2007), helps visualize the phenomenon, albeit in an incomplete fashion given the pace of new treaty signatures.³

³ For recent surveys and analyses of the phenomenon, see Findlay and Urata (2010), and the special issue of the *Review of International Political Economy*, 17(2), 2010 edited by John Ravenhill.

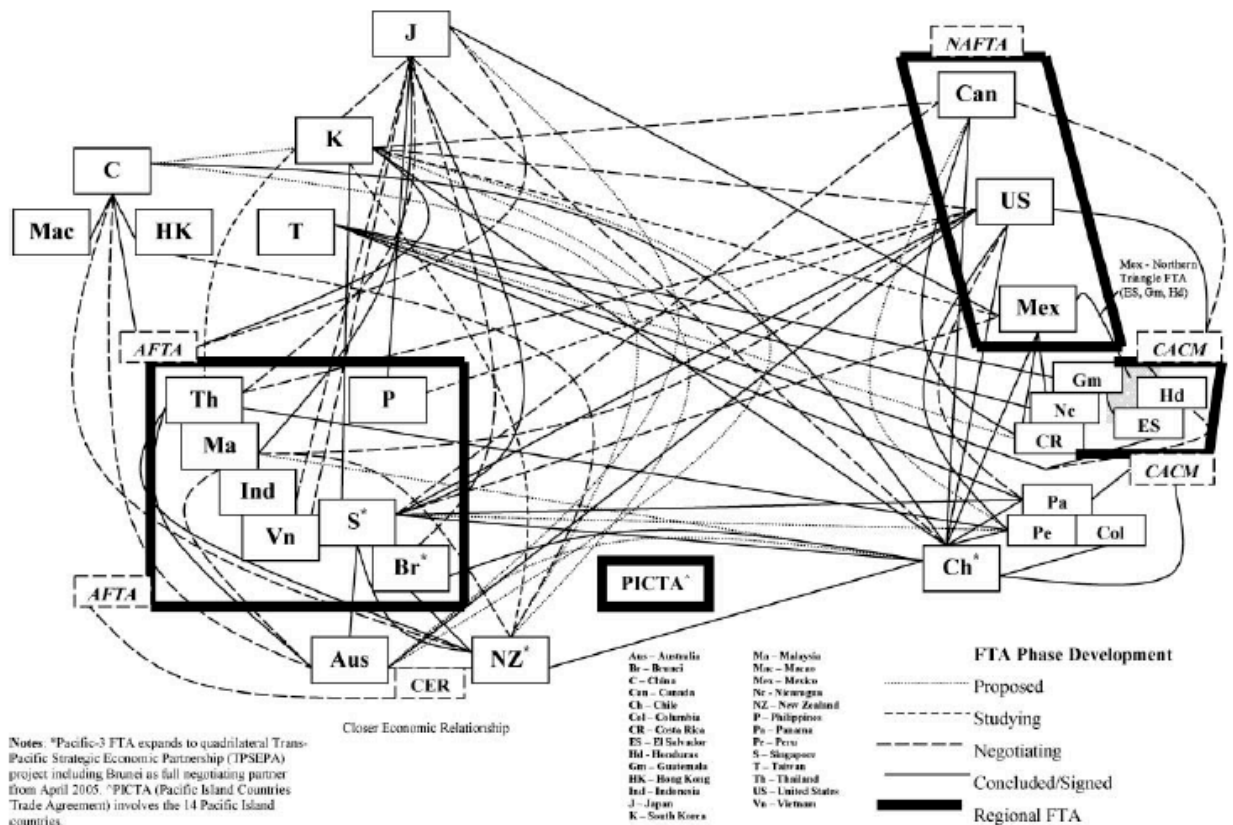


Figure 3 Asia-Pacific FTA projects (by December 2006).

^aPacific-3 FTA expands to quadrilateral Trans-Pacific Strategic Economic Partnership (TPSEPA) project including Brunei as full negotiating partner from April 2005.

^bPICTA (Pacific Island Countries Trade Agreement) involves the 14 Pacific Island Countries.

Figure 1: FTA flurry in Asia Pacific (reproduced from (Dent 2007))

For the purpose of this article there are two major observations to draw from Figure 1. First, there is no indication of APEC as a regional forum, which is generally representative of the view of analysts regarding this organization,⁴ but also probably of many politicians in the region. Second, the Association of South East Asian Nations (ASEAN) is right in the middle of the noodle bowl, which clearly raises questions about its role in the middle of so many new trade instruments in the region. Several observers have already pointed to the risk of irrelevance (Ravenhill 2008) or misfit (Aggarwal and Chow 2010) but in contrast to the case of APEC mentioned above, there is still a political momentum to adapt and reform the organization to keep it relevant, in particular with the adoption of the ASEAN Charter in 2007 and with a series of initiatives to develop relationships with major states in the broader region. This momentum is an important contribution to ongoing regional efforts as acknowledged in the latest declaration of APEC leaders in Yokohama.

⁴ For an exception and related discussions, see Dupont and Huang (2008).

Yet, as it has often been the case in regional integration efforts in Asia and the Pacific, there has been a mismatch between ambitious action plans and very weak implementation machineries. In the 1990s many would have argued that such a statement reflected a western cultural bias in favour of formalism and legalism in contrast to an Asian consensual and informal approach (Ravenhill 1995). In the 2000s, after more than a decade of disappointing performance, most observers seem to have reverted to formal – legal evaluation of ASEAN (Ravenhill 2008) or one based on the “traditional” tools of regime theory in the international political economy literature (Aggarwal and Chow 2010). Other views, emphasizing normative issues, tend to emphasize the security-related aspects of ASEAN more than trade and other economic issues (Acharya 2001; Emmerson 2005; Collins 2007; Goh 2007; Kivimäki 2008; Narine 2008; Stubbs 2008; Jetschke and Rüländ 2009). The purpose of this paper is not to provide a novel empirical assessment of ASEAN but to frame the discussion on the future of ASEAN in the broader context of the current regional “regulatory” fragmentation, which according to the vast majority of observers is a suboptimal situation. It starts from the almost conventional wisdom that ASEAN will not play any significant role as a restrictive club praised for the private benefits (under any form of deep economic integration) to its members. Next, the paper examines two broad ways in which the organization could act as a kind of a platform for the supply of “generic” regional public goods, that is, legitimacy and momentum for integration and cooperation efforts, providing benefits to both members and non-members. With additional uncertainty linked to security concerns, such platforms bring possibilities of consolidation and offer solutions to difficulties without legally binding and enforceable commitments. The paper first reviews the case for ASEAN as a provider of legitimacy, relying on the existing work that has considered the organization as a “norm brewery” (Katsumata 2006) and the associated rhetoric (Narine 2008; Jetschke and Rüländ 2009). It then brings novel light on the question by considering the potential beneficial role of judiciary processes building on the work of French philosopher Paul Ricoeur (1995; 2001). Although ASEAN may contribute to a greater legitimacy of regional efforts via the normative channel, there is more potential in the second channel, that is, ASEAN acting as a “vital fulcrum of East Asia’s regional affairs” (Dent 2010). ASEAN has been directly (as a collective) or indirectly (through decisions of some of its individual member states) at the centre of recent initiatives to develop a region wide economic integration. This paper develops a set of conditions to examine whether ASEAN will be likely to play a significant role in this new dynamics, speaking to a nascent literature on the topic (Dent 2010; Kelley 2010; Hamanaka 2010a).

2. Regional economic agreements: rationale, institutionalization and the case of ASEAN

Since the end of the Second World War,⁵ governments have signed regional economic agreements for a series of, often interconnected, reasons, both economic and political.⁶ Economically, regional economic agreements may favour “deeper” and/or quicker integration than global, multilateral accords. As such they may also be chosen for their ability to credibly attract potential foreign investors and for giving access to a larger “domestic” market. Adding a political dimension, regional agreements bring economic gains while keeping protective barriers for some sensitive sectors that would be hurt by global competition. They also help respond to demands for reciprocity and thus help mobilize export-oriented groups (Dür 2010). Strategically, they can be tools to pursue liberalization at the world level, with however a risk of entrenchment (Mansfield and Milner 1999). Finally, they may enhance security by increasing interdependence among members and tying them together in an area of peace and prosperity. Clearly, those reasons do not apply equally to agreements with different sizes of memberships. The smaller the membership, the more the tailor-made the agreements can be, thus responding better to the concerns of specific economic groups and fitting less within a credible security or strategic perspective. Furthermore, both the size of the membership, the prioritization of goals and the expected difficulty in implementing the agreements (due to the distributive consequences of economic liberalization) have influenced the institutionalization, or lack of, of those agreements. Without delving deeply at this stage into issues of institutional design,⁷ regional agreements vary considerably along key dimensions such as the stringency of rules, the extent of centralization and delegation of tasks. High centralization of tasks allows larger reductions in transaction costs (Keohane 1984) particularly if there is delegation of agenda-setting capacities to a “supranational” secretariat. Delegation of monitoring tasks, as well as dispute resolution functions, is a key feature when governments wish to credibly signal their commitment to liberalization or alternatively to promote regional security (Eilstrup-Sangiovanni and Verdier 2005). Institutionalization may also help setting up an “assurance” system for members through for instance the provision of technical and/or financial assistance (Aggarwal and Dupont 2011).

⁵ Although economic regionalism predates 1945, its most ambitious developments have occurred in the last six decades.

⁶ See Ravenhill (2011) for a discussion of regionalism.

⁷ See Aggarwal and Dupont (2011) for a synthesis of these issues.

Against that background, ASEAN reflects the diversity of goals that governments assign to regional agreements. The Bangkok Declaration, which established ASEAN in August 1967, mentioned as the first three aims the acceleration of economic growth “in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian nations”, the promotion of regional peace and stability, and the promotion of an active collaboration and mutual assistance on matters of common interests. In the context of the Cold War, the security dimension was clearly the dominant one but economic prosperity was considered to be a crucial pillar to regional peace. The security-prosperity nexus, with mutual assistance, is still very vivid as expressed for instance in the ASEAN Vision 2020, endorsed in Kuala Lumpur in December 1997:

“That vision is of ASEAN as a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies.” (ASEAN Vision 2020, ASEAN 1997)

The three-pronged objectives have since then been “institutionalized” in the ASEAN Charter, adopted in Singapore in 2007, through a “three pillar” system including a political-security community, an economic community and a socio-cultural community each governed by a ministerial-level summit.⁸ The multi-dimensionality of ASEAN has led to sharp divergences of views among analysts who tend to work along disciplinary and sub-disciplinary lines. This has been particularly true in the recent (in particular in 2007 at the time of the 40th anniversary of the organization) and ongoing discussions on the achievements of the organization. Clearly, though, not much ink needs to be spilled on the third “pillar,” the socio-cultural bonding, and we focus below on a short assessment on the first two, and dominant, goals.⁹

2.1 Acceleration of economic growth and regional prosperity

The average growth rate of the Southeast Asia has been 3.3% between 1981 and 2009 ((ADB 2010), which has greatly contributed to alleviate poverty in the region. Yet, poverty remains a major concern in most ASEAN members, with more than half of the population being under the 2\$ per day poverty line in the most recent members (Cambodia, Lao, Myanmar and Vietnam), and about half of the population in the same situation in Indonesia – the largest (around 35% of ASEAN GDP) and the most populated (around 40% of ASEAN total population) economy – and in the Philippines (Hill and Menon 2010). Thus, if much still

⁸ Article one of the ASEAN Charter lists fifteen purposes that further specify the three dominant objectives of regional peace, regional prosperity and regional solidarity.

⁹ For a brief overview of the socio-cultural aspects in ASEAN Charter, see Sudo (2006).

remains to be done, no one would question the remarkable level of economic growth that the region has experienced since the creation of ASEAN in 1967. The question, however, is about the role played by the organization in this achievement.

A possible link between ASEAN and the economic achievements mentioned above is the impressive importance of trade as a percent of GDP in ASEAN economies. Whereas in the mid-sixties the total trade to GDP ratio of those economies was around 20%, it raised to reach 65% in 1980 and then 130% in 2000, a level at which it has remained until now (Capannelli, Lee et al. 2009; ADB 2010). In comparative perspective, in the European Union the level raised from 30% in 1965 to 42% in 1980, 57% in 2000 and 66% currently, while in East Asia it started below 20% to reach 33% in 1980, 42% in 2000 and 66% currently (Capannelli, Lee et al. 2009; ADB 2010). Even at prima facie it is hard to see any significant role played by ASEAN in this spectacular evolution. First, at the outset of the trend, in the late sixties, ASEAN was almost exclusively dealing with political and security issues. While this began to change with the Bali summit in February 1976 and the launching of the ASEAN Preferential Trading Agreement (APTA) and several projects to promote cooperation in industrial products, empirical evidence has since then shown that these initiatives had no significant effect on increases in trade flows (Hill and Menon 2010). The adoption of the ASEAN Free Trade Area (AFTA) during the Singapore summit in 1992 has not had much more effects either. As Figure 2 shows, the increasing importance of trade for ASEAN economies has not been gained with intra-regional partners but with the rest of the world in general, and increasingly with the rest of Asia (IA-16 in the graph which comprises ASEAN + PRC + South Korea + Japan + India + Taipei, China + Hong Kong China). Furthermore, three categories in the trade nomenclature (HS-27 for oil and mineral fuels; HS-84 for heavy machinery and mechanical appliances, HS-85 for electric and electronic appliances) make up for 51% of intra-ASEAN trade (ASEAN Statistics for 2009), and transshipment via Singapore remains an important driver of intra-regional trade. Despite significant intra-regional tariff liberalization (with average preferential tariffs between 0-4% for the “oldest” members and around 10% for the others), firms prefer not to bother fulfilling the conditions linked to the application of the preferential rates (in particular rules of origins) given that on the dominant categories HS84 and HS85 mentioned above the preference margin over the MFN rate is very low – as low as 0.1% to 0.4% with the USA and between 0.8% and 1% with the European Union (Zhang and Shen 2011).

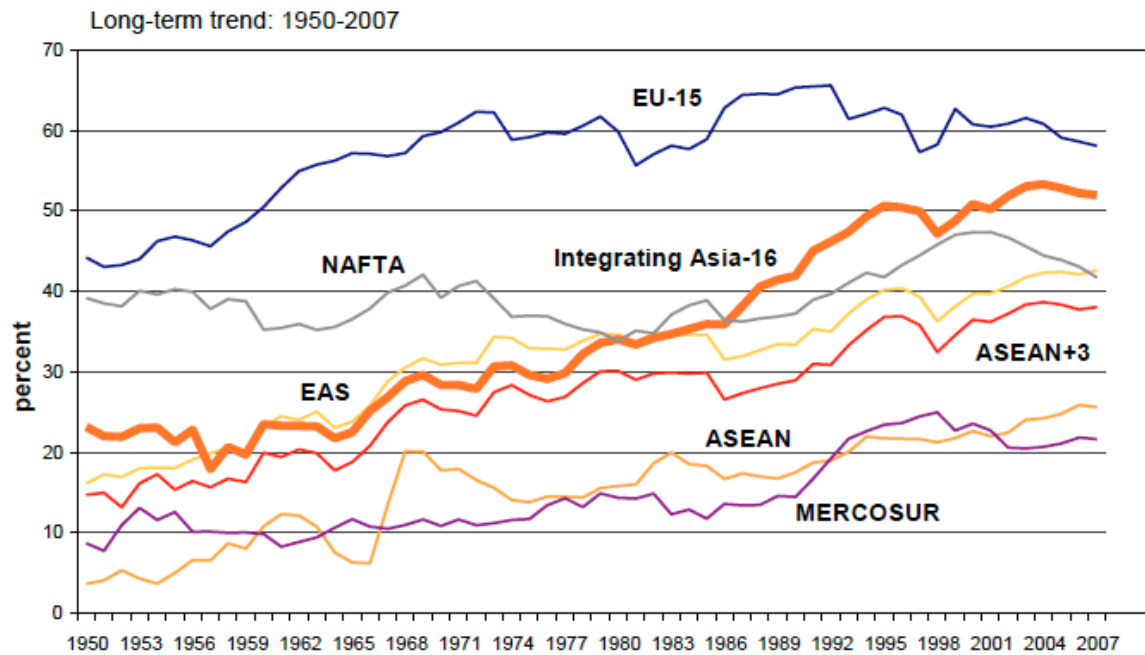


Figure 2: Intra-regional trade (reproduced from Capannelli et al 2009)

Clearly thus ASEAN has been a bystander in the growth generated by the increasing importance of trade for the region's economies. Leaders in the region embarked early on significant unilateral trade liberalization or, more recently, have pursued bilateral liberalization. By early 2011, individual ASEAN countries were implementing, negotiating or conducting studies on 59 bilateral free trade agreements with other countries or groupings. Although the exact impact of such agreements is still a matter of debate,¹⁰ one can safely expect that they may at least scrap the already relatively low margins of preference enjoyed by AFTA. And given that some of those agreements go beyond the coverage of the WTO, they may even make AFTA a burden more than anything else.

ASEAN's role as a magnet for foreign direct investments is more difficult to assess mostly due to lower availability and quality of data (Capannelli, Lee et al. 2009; ADB 2010). The stagnation of intra-regional FDI flows is hardly a surprise despite a number of initiatives, the latest in date being the ASEAN Comprehensive Investment Agreement (ACIA) adopted in February 2009. Indeed, except for Singapore, current members have never been major exporter of capital and cannot turn into one, as strong the incentives given by ASEAN could be. More interesting, however, is the appeal of ASEAN for external capital exporters. Yet, on this account, data is scarce and has been highly affected by the recent global financial crisis. There seems to be some recent sign of an increase of FDI inflows from China but it is clearly too early to know whether this will be a lasting phenomenon and how dependent it is from the

¹⁰ For recent evidence, see for instance Findlay and Urata (2010), Zhang and Shen (2011) or Kawai and Wignaraja (2010).

tail of the global economic crisis (UNCTAD 2010).

In sum, ASEAN's role in the region's economic growth seems at best to have been thin. Given that there has not been any effective willingness by business to engage with ASEAN and demand for more action, one can reasonably infer that ASEAN's future does not reside in focusing on economic integration in a "classical" sense (Ravenhill 2008).

2.2 Promotion of regional peace and security

Has ASEAN been more effective in bringing regional peace and security? In contrast to the issue of economic growth, the literature has been more evenly divided on this dimension. Differences in judgments have mostly stemmed from different approaches to the question, with on one side those focusing on tangible results in the short term and on the other side those adopting a long-term perspective and focusing on processes. Roughly speaking realists tend to cluster in the first category where constructivists dominate the second category. A middle category has however recently emerged bringing a less ideological dimension to the debate.

For those who view ASEAN with optimistic eyes, the absence (until Spring 2011) of military conflicts between ASEAN members would be a definite proof that scepticism is misplaced. One could argue that Kivimäki (2008) produced such a proof (see Table 1) when he showed that ASEAN members tended to have conflicts with regional neighbours before joining the organization but no longer afterward. Yet, at best his study shows a correlation, thus leaving the debate open on the true strength of this "long peace." Has ASEAN become a security community characterized by the dependable expectation of peaceful change (Deutsch 1957; Adler and Barnett 1998)? Whereas Acharya (2001) considered that ASEAN was a "nascent security community," Collins (2007) clearly dismissed even this possibility based on the two dominant arguments that: a) countries have regularly been using military preparations against each other; b) there has not been any bottom-up process of "we-feeling" among citizens of ASEAN countries.¹¹

¹¹ Earlier Alagappa had already somehow settled this debate: „ASEAN facilitated the transformation of a sub-region of turmoil into a more stable and predictable area in which the role of force has been minimised, though not eliminated.“ (Alagappa 1998)

Tableau 1: is ASEAN pacifying intra-regional state relations? (reproduced from Kivimäki (2008))

	All Conflicts	Conflicts with future ASEAN members	Conflicts with ASEAN members
Brunei	3	3	0
Burma/Myanmar	236	0	0
Cambodia	44	18	0
Indonesia	44	4	0
Laos	27	8	0
Malaysia	24	4	0
Philippines	94	11	0
Singapore	3	3	0
Thailand	37	21	0
Vietnam	54	22	0

This is not the place to settle such a debate but recent events along the border between Thailand and Cambodia (claiming more than 20 deaths in the last 6 months) tend to trash the idea that even a nascent mutual expectation of peaceful change is in the making.¹² This cannot be unexpected given the paralysis of the organization in 1999 regarding Indonesia and East Timor and the difficulty to deal with Myanmar. This is not to say that ASEAN has failed all along, however, in its objective to bring peace and stability in the region. The organization has weathered relatively smoothly such difficult regional storms as the Vietnam invasion of Cambodia (Narine 2008) or cyclical tensions with China over the South China Sea issue (Severino 2010). The interesting lesson from those episodes, however, is that ASEAN may be better at contributing to a broader regional peace than at handling strictly internal issues. The organization has successfully engaged regional powers through what Goh (2007) calls an “omni-enmeshment” strategy that consists in a kind of hedging behavior, rather than the classical dilemma between bandwagoning or balancing. At the heart of this alleged influence of ASEAN in the broader region lies the Treaty of Amity and Cooperation (TAC) in Southeast Asia adopted at the Bali summit in February 1976. The treaty provides a kind of broad “code of conduct” (Narine 2008) that has been extended to China, India, Japan and Australia. Building on this momentum, ASEAN has tried to keep a tight control of the ASEAN Regional Forum (ARF), a body created in 1993 to develop consensus-building measures in the broader Asian region.

In sum, the picture on the goal of bringing peace and stability is a mixed one, with however indications that the intra-regional dimension has been less promising than broader uses, an issue that we will return to in the next sections.

¹² This event did not really come as a surprise in the region; for instance the daily Thailand Business News headlined on May 8, 2011: „Can ASEAN *finally* deliver?“ (italics added)

2.3 Performance and institutional design: Limits of the “ASEAN Way”

Positive assessments of ASEAN record always highlight the virtue of the so-called “ASEAN Way,” which refers to decision-making based on consultation, informality and consensus building:

“The ASEAN experience demonstrates that the rules do not have to be of a hard variety. Soft rules, or ‘operational rules or rules of the game, worked out without formal agreement or even without verbal communication’, are sometimes sufficient” (Sridharan 2008)

[...] ASEAN, defined as a cluster of common procedures, personal relations and common identity, influences matters that the organization defines as its targets.” (Kivimäki 2008)

Informality has surely its merits, in particular because it opens up space for the development of solid inter-personal relationships, which have a positive impact of collective decision-making. But this positive impact has so far been either demonstrated empirically for decisions to launch regional peace operations (Hardt 2011) or theoretically in connection to a pre-existing rich and reliable information (as indicative of a high mutual trust) on the regional partners (Kahler 1995). But one wonders whether such informality can really cope with the implementation a single market and product base that “shall comprise five core elements: (i) free flow of goods; (ii) free flow of services; (iii) free flow of investment; (iv) freer flow of capital; and (v) free flow of skilled labor. In addition, the single market and production base also include two important components, namely, the priority integration sectors, and food, agriculture and forestry. (ASEAN Economic Community Blueprint, p. 6)

In comparative perspective, even the European Free Trade Association (EFTA) that achieved quickly a free trade zone on industrial products with a purely intergovernmental structure based on consensus decision-making in the 1960s had to resort to a heavier machinery to achieve deeper integration in the 1990s jointly with the European Union (EU) via the European Economic Area (EEA) (Dupont 1998b). Given that the quality and availability of mutual information among EFTA partners was clearly much higher than in today’s ASEAN, the latter’s eventual achievement of a single market and product bases without any significant reinforcement of the institutional machinery is a pipe dream.

Yet, the ASEAN Charter does not seem to indicate any major change. The intergovernmental structure is beefed up with a construction that is not without resemblance with the European Union (on the intergovernmental dimension): at the top there is the ASEAN Summit with heads of states; the ASEAN Coordinating Council (Foreign Ministers) is the gate keeper and agenda setter for the ASEAN Summit. Each of the three pillars

(security, economic and social-cultural) is headed by a Community Council, with ASEAN Sectoral Ministerial Bodies overseeing implementation in specific issues. A Committee of Permanent Representatives to ASEAN (National Ambassadors) coordinates, prepares and supports the work of those Ministerial bodies within the pillars. But there is no significant reinforcement of the ASEAN Secretariat and the decision-making mode remains “consultation and consensus” (Article 20 of ASEAN Charter). As probably an anticipation of difficulties to come, the Charter adds: ‘In the implementation of economic commitments, a formula for flexible participation, including the ASEAN minus X formula, may be applied where there is a consensus to do so’ (Article 21.2) opening up the possibility of a smaller group of members moving ahead, yet if others are willing to authorize it.

Clearly, the ASEAN Charter did not deviate from the “ASEAN Way,” which based on previous experience on regional integration efforts around the world and in Asia does not bode well for deep integration achievements within the organization. We now turn to a discussion of its potential role for the broader region.

3. ASEAN potential roles in a larger region

Our discussion so far makes it hard to objectively be impressed by the achievements of ASEAN “in the small.” But looking at the bigger picture in Asia and the Pacific (see Figure 3) brings an intriguing perspective. ASEAN as a group has been at the center of a “widening complex” (Haggard 2011) that started in the aftermath of the Asian financial crisis in the late 1990s and has gained momentum since then. Yet, this centrality has been questioned with the emergence of the Trans-Pacific Strategic Economic Partnership (TPP), launched in 2006 by four small economies, including two ASEAN members, Singapore and Brunei. This initiative has since then attracted the interest of bigger economies, in particular the USA and Australia but also two additional ASEAN members, Malaysia and Vietnam. Furthermore, APEC leaders restated during the Yokohama summit in November 2010 the goal to realize a Free Trade Area of the Asia-Pacific (FTAAP). Is it then the end of prime time for ASEAN?

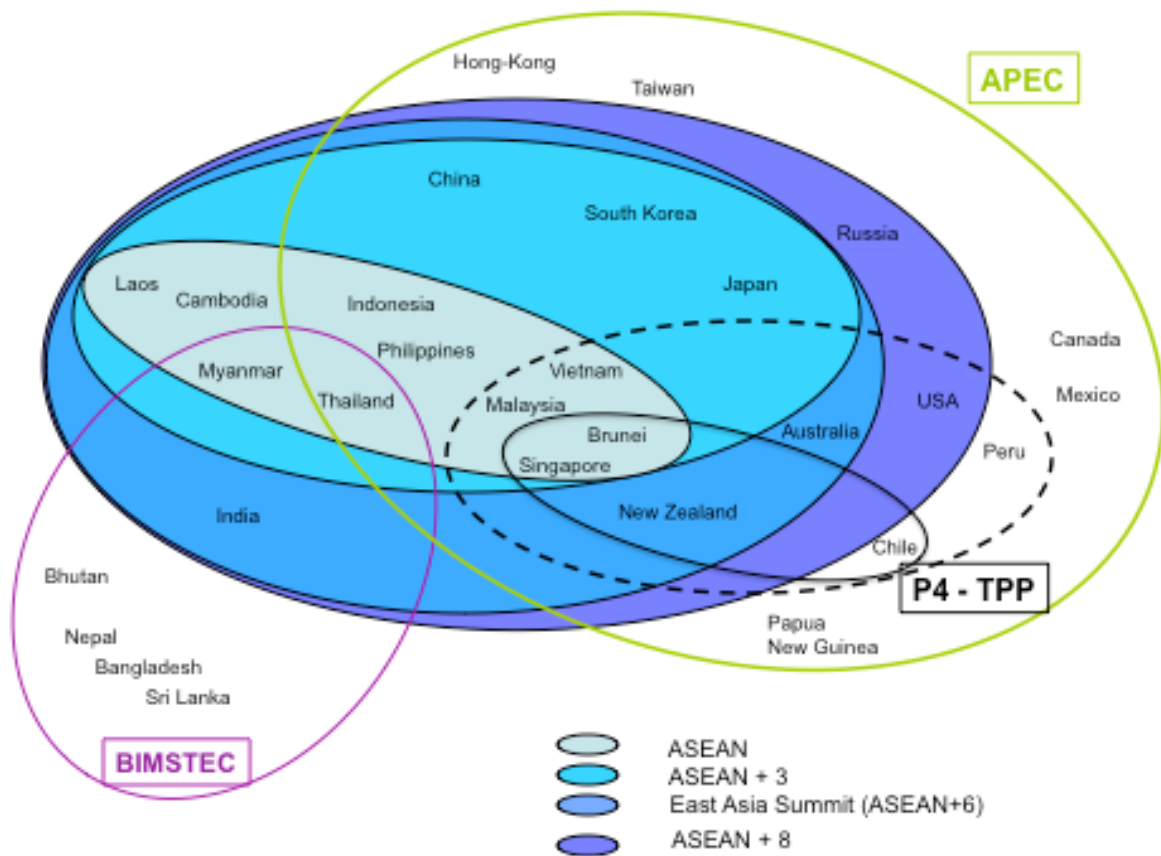


Figure 3: ASEAN and the broader "economic" region

To address this question, this section considers whether ASEAN can continue to provide something specific and useful for the broader region's dynamics. It does so building on two broad perspectives, a "normative" one and an "institutionalist" one.

3.1 ASEAN as a source of legitimacy for economic integration in Asia and the Pacific?

As the oldest and most seasoned organization in the region, the first way ASEAN may help the furthering of economic integration in the most dynamic part of the world is by acting as a "norm brewery" (Katsumata 2006) or producer of working rules that could provide guidance to future processes. Discretion, informality, expediency, consensus building, non-confrontational bargaining, self-restraint, de-escalation and non-threatening behavior, non-interference in domestic affairs and a commitment to the pacific settlement of disputes have so far come out of that brewery (Eaton and Stubbs 2006; Katsumata 2006; Kivimäki 2008; Narine 2008; Sridharan 2008; Jetschke and Rüländ 2009).¹³

¹³ According to Kivimäki (2001): "The so-called Southeast Asian culture of consultation and consensus (*mushawara dan mufakat*) means conflict avoidance principles that include a preference for (a) lengthy negotiations and (b) quiet, (c) non-legalistic, (d) personalized (e) confidence building, aimed at (f) gradual downplaying and prevention (or sometimes resolution) of disputes (g) by means that can be accepted unanimously, (h) using the principle of lowest common denominator."

For most of the observers and analysts that have documented this large bag of mature or emerging norms, they will expand beyond ASEAN to the broader region. As a living proof, they refer to the evolution of the ASEAN Regional Forum since its creation in 1993. This forum that reunites ASEAN members, plus China, Japan, South Korea, India, Bangladesh, Pakistan, Sri Lanka, Mongolia, North Korea, Timor-Leste, Papua New Guinea, Australia, New Zealand, Peru, the USA, Russia, Canada, and the EU aims at fostering a “constructive dialogue and consultation on political and security issues of common interest and concern.” It is chaired by an ASEAN member and opened to any participant who may be considered “to have an impact on the peace and security” in Northeast and Southeast Asia as well as Oceania. It benefits from a small support unit located at the ASEAN Secretariat. Despite some celebrating comments, its achievements have so far remained limited, in particular on the thorniest issue of the Korean peninsula. And thus one can hardly conclude that ASEAN has been able to plant its normative seeds in the wider region. As put forcefully by Martin Jones and Smith (2007), “whatever strategic mutation ASEAN assumes in terms of its wider community building, it can only mask the reality that weaker states cannot shape the fates of stronger ones. Ultimately, ideational and normative constructivism conceals how weak states making a virtue out of the necessity of weakness cannot transform the practices of more powerful actors.” In clear, ASEAN may brew norms but mostly for its own consumption, both at a collective level and individual country’s domestic level (Nair 2010).

A last hope, from a “normative” perspective, may reside in the long-term effect of the apparent willingness within ASEAN to formalize dispute settlement processes, in particular with the adoption in 2004 of the Protocol on Enhanced Dispute Settlement Mechanism. Rather than viewing this development from a “rational institutional” angle as a solution to problems of free riding on commitments, one could approach it from a thicker societal perspective. Formalized judicial processes are social practices that may bring legitimacy to a society (Ricoeur 1995; 2001).¹⁴ Central to this social practice that constitutes the trial, the judgment, along its different stages (from deliberation to a final decision) is “the set of alternatives that a society opposes to violence” (Ricoeur 1995). One should differentiate the short-term finality of the act of judging (as a way to put an end to uncertainty and conflict) from its long-term objective as a contribution to public peace. The trial raises the “art of verbal confrontation at a summit in using rhetorical devices based on the use of probable arguments” and can become an “act of social magic” that transcends the true-false division. As for the act of judging, that is expected to end the exchange of arguments, it does not ends

¹⁴ I owe my use of Ricoeur’s work to Nicolas Dupont.

with consensus but with a sentence (“arrêt”), putting an end to a “virtually infinite deliberation” (Ricoeur 1995).

But the most significant feature of the trial, in the philosophy of Ricoeur, lies in an original articulation of the relationship between violence and discourse. And this not only because “behind the trial, there is conflict, dispute, quarrel, dispute,” and that “in the background of the conflict there is violence,” so that all expressions of the act of judging show “the choice of speech against violence” (Ricoeur 1995). But, more fundamentally, because “the ruling means the repatriation of human homeland (“patrie humaine”), that is to say, the homeland of language.” The judiciary is thus reduced to “its minimum function, which is also its optimal position, namely the task of saying the law,” “not to punish, repair, but say the word that names the crime, and thus puts victim and offender in their proper place” (Ricoeur 2001). In sum, it is the dynamics of mutual recognition between “participants” that a theory of the judicial process inspired by Paul Ricoeur helps us to rethink. The proceedings may help to reveal a society’s “shared values,” and can therefore be considered as a “cooperation scheme.” (Ricoeur 2001)

To put this argument into the context of ASEAN and the wider region, a dispute settlement that would formally and openly put an end to situations of conflict would nurture the seeds of a regional society with public good benefits outside of the organization. Interestingly, the value of the dispute settlement lies as much, if not more, in the adoption of a judgment as in its content. It is therefore less dependent on the existence of a set of precise legal obligations, a criticism often voiced against the effectiveness of any dispute settlement mechanism in ASEAN (Ravenhill 2008).¹⁵ Can the newly established dispute settlement system generate such a scheme of cooperation? Clearly it represents an important step in the institutional evolution of ASEAN and in its general conception looks very much alike the WTO dispute settlement system with first work at the level of panels and then the possibility to appeal to an Appellate Body. But it seems doubtful that the fundamental function of a “sentence” in Ricoeur’s work will apply in ASEAN dispute settlement mechanism. Indeed, reports by panels or by the Appellate Body do establish whether member states are consistent with ASEAN agreements but only recommend “that the Member state concerned bring the measure into conformity” (art. 14(1)). Furthermore, the Senior Economic Officials Meetings (SEOM) that administer the dispute settlement mechanism (art. 2) can decide to reject any report by consensus (art. 9(1) for panels and art. 12(13) for Appellate body). It also seems hard to consider the “societal” function of the process when panel deliberations (art. 12(9))

¹⁵ See Voeten (2010) for a broad discussion of regional judicial institutions and potential lessons for Asia.

and proceedings of the Appellate Body (art. 12(9)) are confidential.¹⁶ Last, but not least, the ASEAN Charter that was adopted after the Protocol refers only to the need for “appropriate dispute settlement mechanisms” (Article 25) with ASEAN Summit as the ultimate resort (Article 26), seeming to indicate that ASEAN members are still hesitant to commit to a specific formalized procedure. It is therefore no surprise that the procedure envisaged in the Protocol has not yet been put into practice.

In sum, there is little evidence that the future of ASEAN could capitalize on a function of producer of norms and “societal” legitimacy for regional economic integration within and outside of its borders. There is hardly any specificity of ASEAN that could not be relatively quickly “recreated” in another forum and therefore make ASEAN irrelevant.

3.2 ASEAN as a pivotal platform for wider regional economic integration?

The combination of the trends illustrated in Figure 1 and 3 above, that is, multiplication of bilateral free trade agreements and an emerging “widening complex”, is not only particularly interesting but also challenging given there has hardly been any precedent anywhere in the world. The dynamics that came the closest took place in Europe between 1989 and 1997 when several combinations of bilateral and multilateral agreements were attempted to address the economic and political challenges after the end of the Berlin Wall. Eventually, however, the situation was solved by the “solar” attraction of the European Union that expanded from 12 to 27 members.¹⁷ Given that there is no equivalent to the EU in the Asia Pacific region, the intriguing questions are both whether the “widening complex” will reach a kind of equilibrium path and if so under which form. To address these questions, our discussion below builds upon previous work in on dynamics in Europe and Asia Pacific (Dupont 1998a; 1998b) and approaches regional organizations or groupings from a rational choice angle. It explicitly considers the potential pivotal role of ASEAN in the dynamics.

We consider that there are two potential generic paths leading to equilibrium in the widening dynamics. We call them a nesting dynamics and an enlargement or multilateralization dynamics (see Figure 4).¹⁸

¹⁶ The text of the Protocol on Enhanced Dispute Settlement Mechanism can be found at <http://www.asean.org/16754.htm>.

¹⁷ For a discussion of the dynamics in Europe both with members of the European Free Trade Association (EFTA) and with former members of the Soviet bloc, see Dupont (1998b) and Dupont and Engelen (2004).

¹⁸ Hamanaka (2010a) contrasts consolidation (via the conclusion of bilateral free trade agreements) and expansion. Kelley (2010), building upon discussions on the EU, refers to logics of „sub-groupings“ and differentiated integration. Dent (2010) prefers to use a logic of concentric circles.

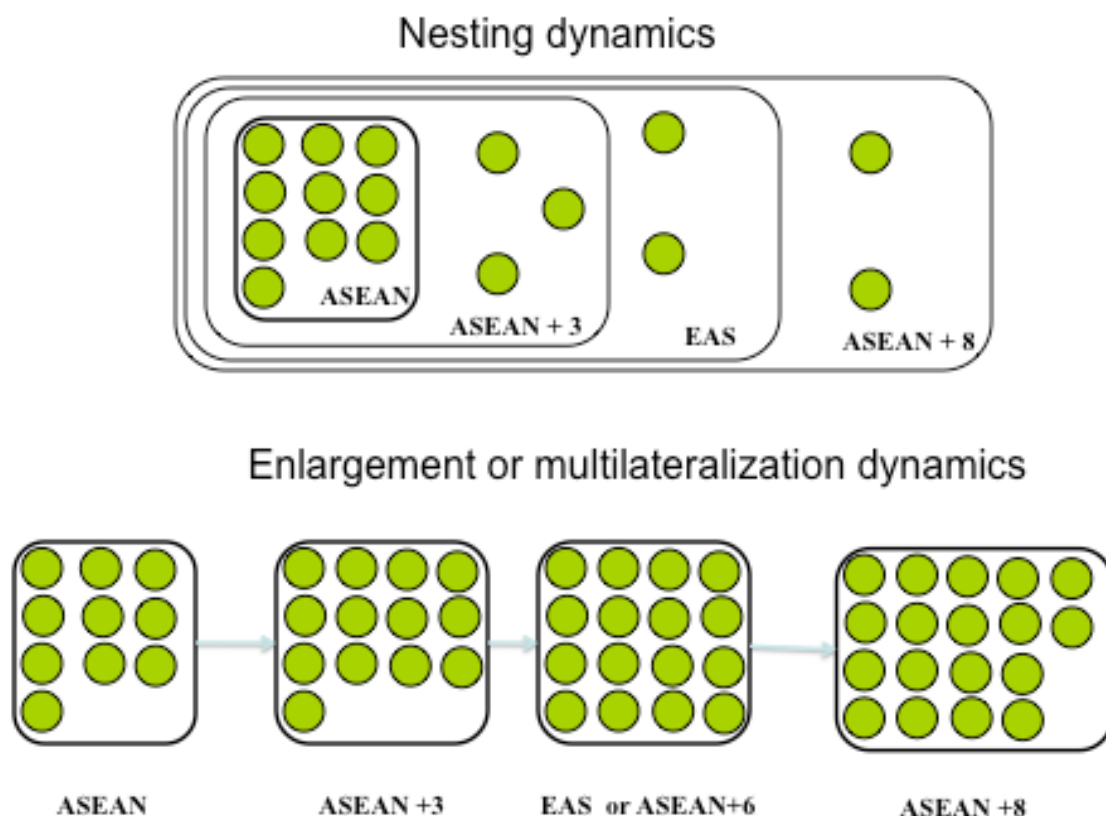


Figure 4: Two logics of widening

The two logics aim at bringing harmony in regional economic integration but while nesting helps preserve diversity the enlargement/multilateralization dynamics eliminates it. In a “Russian doll” nested arrangement such as the one illustrated in the top half of Figure 4, each institutional layer is a self-standing and sustainable grouping. In the multilateralization dynamics the institutional layer gradually shifts to expand new members and possibly new issues. The smaller layer immediately or slowly wanes out.

Under which conditions can we expect each of the logics to become enduring processes and not simply follow cyclical, if not erratic, patterns?¹⁹ Regarding the nesting dynamics, we consider two simple necessary conditions:

- (1) (Nesting Static condition; NSC) members of any institutional layer must be convinced of its specific value and have collective control over it;
- (2) (Nesting Dynamic Condition; NDC) the addition of a new larger unit should both preserve the value of existing layers and bring additional benefits to their members.

¹⁹ Hamanaka (2010b) argues that regionalism in Asia is cyclical that is dependent upon the supply of frameworks by leading states in the region, in particular Japan and the USA.

As for the multilateralization dynamics, the basic necessary rules can be stated as follows:

- (1) (Multilateralization Static Condition; MSC): members must respond to one dominant, encompassing institutional layer;
- (2) (Multilateralization Dynamic Condition; MDC): when modifying the boundaries of the layer members must shift allegiance and priority to the newly bounded organization while granting equal power of control to new members;

While the history of the EU is a textbook example of the multilateralization dynamics, a successful example of the nesting dynamics is yet to be found. This can be explained by the fact that nested arrangements are particularly difficult to implement when the activity of different layers, let us consider it as the production of different types of goods (Aggarwal and Dupont 1999; 2000), calls for clearly defined boundaries. This is the case when the consumption of goods is subject to some rivalry and therefore calls for strict rules. Obedience to strict rules at different institutional layers is very likely to clash, pushing member states to give priority to one or a subset of layers, making the other(s) irrelevant thus infirming rule NSC.²⁰

From this perspective, in the current multi-layered ASEAN+ context of economic integration in Asia and the Pacific, a nested arrangement built around ASEAN looks unlikely given the evolution of ASEAN+3 since its creation in the aftermath of the Asian financial crises in 1997. Key here is the willingness of ASEAN+3 members to durably embark on monetary cooperation. Indeed, in May 2000, they established a regional financing arrangement under the Chiang Mai Initiative. This initiative comprised of an expanded ASEAN swap arrangement (ASA) and a network of bilateral swap arrangements (BSAs) among ASEAN countries, China, Japan and South Korea. While the objective of the initiative was to secure quick and deep lines of credit in case of crisis and to set up a monitoring facility and an early warning system, the bilateral pooling of resources raised doubts about any collective dimension of the initiative. As a response, they decided in May 2007 in Kyoto to multilateralize the reserve pooling arrangement with the adoption of the Chiang Mai Initiative Multilateralization (CMIM). To ensure a full and sustainable implementation of this common pool resource exhibiting rivalry in consumption, they created stronger institutions, in particular an Independent Surveillance Unit (ISU) (Sussangkarn 2010). If one adds the prospect of an East Asia Free Trade Area (EAFTA) that would multilateralize free trade from the current sets of ASEAN+1 agreements, ASEAN+3 stands out as the most natural focal point or “integrative center” (Dent 2010). It is unclear what this would mean for ASEAN.

²⁰ For a comprehensive discussion on types of goods, see Cornes and Sandler (1996).

Whereas a role of “intermediary facilitator” (Dent 2010) sounds nice, it is hard to exactly define it and it is furthermore unlikely to survive the emergence of a multilateral free trade agreement. In other words, either ASEAN+3 will emerge as the integration hub and ASEAN’s future will be grim or ASEAN+3 will stagnate and with it the other layers, bringing an end to the ASEAN+ nesting dynamics. In the first case, condition NDC would not be respected, in the second case it would be condition NSC.

ASEAN’s role does not look more promising in a multilateralization dynamics. There is for the moment no consensus within the organization to accept condition MDC. According to the ASEAN Charter, members must agree by consensus on the admission of new members and in addition those new members should be located “in the recognized geographical region of Southeast Asia” (art. 6). Given that the biggest economy may want to preserve ASEAN as a tool in the larger forum of the G-20 and that Laos, Cambodia and Myanmar may not want to jeopardize their current level of comfort within the group, it is hard to see how a true multilateralization dynamics could start from ASEAN and AFTA. It may, however, still stem from the smaller TPP, also known as P4, a grouping in which the two wealthiest economies of ASEAN, Singapore and Brunei, have participated since its creation in 2005. As previous theoretical work has shown (Downs, Rocke et al. 1998), multilateralization processes that start with smaller membership leads to deeper arrangements than those with large membership. Current discussions to extend the initial agreements to the USA, Australia, Peru and two additional ASEAN members, Vietnam and Malaysia, have generated significant concern in other countries with a fear of missing the “good train.” Regarding ASEAN members, their behavior is a clear lack of respect of the “centrality of ASEAN in external, political, economic, social and cultural relations” mentioned as a core principle of the organization (art. 2 ASEAN Charter). In sum, ASEAN seems out of contention for any role in a multilateralization dynamics in Asia and the Pacific.

4. Conclusion

This paper examines whether the apparent pivotal role of ASEAN in the multiplication of initiatives to consolidate economic integration at the level of the broader region is likely to offer the organization a brighter future than the one linked to integration in the “small.” The verdict does not bring much comfort though. The current centrality of ASEAN, in particular through the ASEAN + process, is unlikely to subsist. Either the “widening complex” will unravel or it will consolidate at the larger layer of ASEAN+3 or via the TPP dynamics. In the

first case ASEAN will lose its control over the new integration hub and with it will be further diminished. On the other hand, it risks between “hollowed out” by the defection of members. It thus appears that the engagement of ASEAN with its broader region and in particular the three big economies – China, South Korea and Japan – risks becoming a kiss of death if these economies do take up the call. At best, it will turn to have been a distraction with possible deleterious effects. More broadly, the paper indicates that, in the current fragmented trade world, organizations that promote regional economic integration have more than ever an utmost need of significant achievements and that there is no easy escape via new roles of conveners or facilitators of widening dynamics.

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