

Legal and Institutional Framework for Open Regionalism:

A Case Study of ASEAN

Abstract

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Over the past four decades, the success of East Asian economies in achieving rapid and equitable growth had raised complex questions about the relationship between government, the business firms and the market, and the interaction between laws, institutions and the economic policy used in East Asian countries.

There was no single theory to explain the extraordinary growth of this region. Rather, successful outcomes had been achieved under a spectrum of policies and circumstances. The combinations of multi-factors suitable for each economy and the favourable external environment during that period (1960s-1990s) were all ingredients of East Asian economies' success.

But the implications of the global environment are changing: while both neutral and interventionist outward oriented strategies worked well during the early East Asian miracle, it is doubtful whether all these strategies, common good and intervention instruments are still effective, as some are now prohibited under WTO regulations and some require revision.

Some Asian countries have gone through the sharp swing of the rise and fall of Asia and have realized that to sustain economic growth in today world needs law and policy changes. Most important, those countries, especially ASEAN members, seek a new direction for economic integration aiming at strengthening regional economic

self-reliance cushioning any negative impact from global changes that might occur. ASEAN launched new framework agreements for intra-regional liberalization aiming at higher level of economic integration. Meanwhile ASEAN still commits to outward-looking policies and strengthens its external economic relations. Under these circumstances, ASEAN resorts to the "Open Regionalism" that would facilitate ASEAN regional integration while maintaining its strong economic ties with outsiders and this will further enhance the region to integrate with the world. Open Regionalism is a new paradigm for regionalism a "de facto regionalization", which is suitable to Asian economies.

Open Regionalism needs legal and institutional framework to facilitate the realization of economic integration. Generally, optional models for the implementation of regionalization are

- 1) institutionalized with regional supra institutions as implemented in the EU, facilitating the harmonization of laws, based on mutual recognition, and a degree of regulatory competition;
- 2) federalist regulatory system as implemented in the US;
- 3) decentralized regulatory networks with regulations enforced nationally but coordinated through regional government-to-government procedures.

Decentralized regulatory networks with regulations enforced nationally but coordinated through regional government-to-government procedures are seen as the mechanism suitable to Open Regionalism.