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ADB Working Paper Series

**ANALYSIS OF BREXIT AND ITS
POLICY LESSONS FOR ASIAN
INTEGRATION**

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Abstract

Galvanized by the devastation of the Second World War, European countries achieved a historically unprecedented and unparalleled level of regional economic integration in the postwar period. Intensive cooperation between the two biggest powers of continental Western Europe, France, and Germany, lay at the core of Europe's seemingly relentless momentum toward integration, which the European Union (EU) crystallized. The French–German alliance also provided strong leadership and a sense of direction for the EU, which gained further traction with the admission of Central and Eastern European states after the fall of communism and the establishment of a monetary union among some of its members. However, more recently, the European integration process has no longer seemed to be unstoppable or inevitable. Most shockingly, the United Kingdom, a core EU member and the EU's third-largest economy, has opted to leave the union, triggering the Brexit process. Brexit is not the only sign of growing fractures within the EU. The current standoff between the EU and Italy over Italy's unwillingness to rein in its fiscal deficit is just one additional example of the loss of momentum. The central objective of our paper is to examine the EU's past success and current problems from the perspective of Asian countries, in particular the ASEAN+3 countries, which have achieved some measure of integration, albeit well below that of the EU. It is important to note that both past success and current problems hold valuable lessons for the ASEAN+3 countries as they chart their own course toward regional integration. Given that the level of integration among the ASEAN+3 countries is much lower than that in the EU, it would be unwise to draw lessons, both positive and negative, without the proper context. Nevertheless, the European experience can still provide valuable insights for Asia's integration process.

Keywords: regional integration, Asia, ASEAN, ASEAN+3, Europe, European Union, Brexit, United Kingdom

JEL Classification: F02, F15, F40, F50

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1. INTRODUCTION

The postwar period has given rise to a plethora of global international organizations, most notably the United Nations and the many organizations under its umbrella. The broader objective of these global organizations is to promote the closer integration of countries across the world. For example, the World Trade Organization (WTO), which commenced operation in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT) multilateral trade system, aims to reduce trade barriers and promote freer trade among the global community of nations. At a broader level, the WTO provides the multilateral rules of the game for international trade. The two cornerstone concepts of the WTO regime are reciprocity and non-discrimination. The most favored nation (MFN) and national treatment principles reflect those concepts. MFN means that WTO members must grant each other the same trade privileges—for example low tariff rates—as they grant the most favored nation. National treatment prohibits discrimination between imported and domestically produced goods in terms of internal taxation and other government regulations. Another vital function of the WTO is that it provides a systematic mechanism for resolving trade disputes among member states.

The GATT–WTO multilateral trade regime contributed greatly to the explosive growth of world trade in the postwar period. It is not possible to overstate the critical role of the GATT–WTO regime in the explosive expansion of global trade since the establishment of the GATT on 1 January 1948. There were certainly many other factors behind the postwar wave of trade globalization, in particular dramatic technological progress in trade-related transportation, which containerization and container ships epitomized. Nevertheless, the GATT–WTO regime provided the multilateral regulatory and institutional framework—that is, the rules of the game—for countries to trade with each other, and this was a critical contribution. As of February 2019, virtually all the economies of the world—164 to be precise, including the European Union—are members of the WTO. The dramatic growth of global trade under the GATT–WTO regime helped many developing economies to catch up with advanced economies. For example, the opening up and integration into the world economy of the People’s Republic of China (PRC), which was a major catalyst in the country’s spectacular rise, received a big push from joining the WTO in 2001. More generally, the expansion of global trade under the GATT–WTO regime contributed significantly to the transformation of developing countries, especially in Asia, as a significant economic bloc in the world economy.

Economic globalization is no longer limited to the international trade of goods but increasingly encompasses services. In response to the growing role of services in global trade, the WTO developed the General Agreement on Trade in Services (GATS), which entered into effect in January 1995 and remains the only set of multilateral rules governing international trade in services. Although global trade liberalization made steady continuous progress under the GATT–WTO framework, the progress halted in 1995. More specifically, the last successful round of multilateral trade negotiations (MTNs)—the Uruguay Round, which led to the creation of the WTO—concluded in 1994. The next round of MTNs, the Doha Development Round (Doha Round), kicked off in 2001 with an ambitious agenda of extensive trade liberalization to help improve the trading prospects of developing countries. The grand bargain basically involved advanced countries opening up their markets to exports of agricultural products from developing countries in exchange for developing countries opening up to exports of services from advanced countries, especially financial services. The grand bargain never materialized due to strong opposition from the farm lobby of advanced countries, and the Doha Round suspended its activities in 2006. The failure of the Doha Round represented a major setback for the growth and development prospects of developing countries.

Well before the failure of the Doha Round, there was already significant movement toward the formation of regional trading blocs and, more generally, regional economic integration. The movement was most visible in Europe, which had already reached an advanced level of integration by 2006. Within the European Union, the history of which the next section briefly examines, there is free cross-border movement not only of goods but also of services, capital, and people. The main advantage of global free trade is that it encompasses trade between all countries and can thus catalyze global trade. However, a big drawback is that reaching a global trade agreement requires the consensus of a very large number of countries. The failure of the Doha Round underlined the inherent difficulty of such a multilateral process. The strength of global free trade is the weakness of regional free trade and vice versa. That is, a key disadvantage of regional free trade is that it covers only a share of any country's trade. On the other hand, the smaller number of countries in a region means that reaching an agreement is likely to be easier. Therefore, there is a strong economic rationale behind the proliferation of regional blocs and organizations.

At the same time, while economic factors, especially trade, have been a powerful driver of regional integration, non-economic factors are also at play. In addition to geographical proximity, cultural affinity, similar value systems and ideologies, and a sense of familiarity all contribute to a regional sense of identity, which is ultimately the foundation of regional integration. Economic forces are the dominant drivers behind some regional institutions, such as the North American Free Trade Agreement (NAFTA), which sought to bind the economies of the US, Canada, and Mexico more closely together. On the other hand, some regional institutions are almost devoid of any trade or other economic content. For example, the Arab League is a regional organization of countries that share a common language and culture. It aims to foster political unity and mediate in disputes among those countries. Similarly, the Organization of American States (OAS) and the African Union (AU) are primarily political forums that bring together the countries of a specific region. However, other regional organizations, most notably the European Union, combine strong economic dimensions with political and other non-economic dimensions.

Asia too has witnessed some trends toward closer regional cooperation and integration. The Association of Southeast Asian Nations (ASEAN) has achieved the highest level of regional integration within Asia. The organization, which consists of ten countries, promotes intergovernmental organization and facilitates economic, political, security, and other forms of cooperation (see section 3). One important dimension of ASEAN is the ASEAN Free Trade Agreement (AFTA), which seeks to foster more trade among the ASEAN countries. In fact, intra-ASEAN trade has expanded significantly to the extent that trade with other members now accounts for a substantial share of each member's trade.

Furthermore, in recent years, ASEAN has become more integrated with the large East Asian economies of the PRC, Japan, and the Republic of Korea, known as ASEAN+3, which to a large extent is the consequence of powerful economic forces. The PRC, Japan, and the Republic of Korea are the world's second, third, and 12th biggest economies, respectively. As such, they have served as powerful engines of growth for the ASEAN economies in the past and will continue to do so in the foreseeable future. ASEAN+3 constitutes a tightly integrated regional production network or regional supply chain, often called Factory Asia, which has become one of the most important manufacturing hubs in the world.

Although ASEAN+3 is the most advanced form of regional integration in Asia, it lags far behind the EU level of integration. As such, the EU offers valuable lessons on how ASEAN+3 can make progress toward higher levels of integration. At the same time, the

current difficulties that the EU is confronting, most notably Brexit, offer valuable lessons about the potential pitfalls that could disrupt the integration process. The central objective of our paper is to identify both positive and negative lessons from the EU for ASEAN+3 in its own journey toward closer integration. Sections 2 and 3 provide a brief description of the economic integration process of the EU and ASEAN+3, respectively. Section 4 draws positive lessons from the EU's integration success for ASEAN+3's integration. Section 5 provides a brief history of the ongoing Brexit process. Section 6 reviews the negative lessons from the current difficulties that the EU is experiencing, which the Brexit saga epitomizes, for ASEAN+3's integration. Section 7 concludes the paper.

2. ECONOMIC INTEGRATION PROCESSES OF THE EUROPEAN UNION

The European Union is the cornerstone of European policy. It is the political and economic association of 28 European countries, which has common economic, social, and security policies. The EU has three governing bodies: the European Parliament, which EU citizens directly elect as their representatives; the Council of the Union, which represents the government of member countries; and the European Commission, which represents the EU as a whole.

The aftermath of the Second World War left most of Europe in ruins and experiencing economic depression, while the Cold War ensued. To prevent future wars and promote political reconciliation, six neighboring countries—France, Germany, Italy, Belgium, the Netherlands, and Luxembourg—pledged to focus on economic integration. By virtue of the **Treaty of Paris in 1952, they** founded the **European Coal and Steel Community (ECSC), aiming to integrate the coal and steel industries in Western Europe (European Union (EU) 2019)** under a centralized authority.

After five years of successful operation, they expanded their cooperation to include the free movement of people, goods, capital, and services across borders. They signed the Treaty of Rome in 1957, which paved way for the creation of the European Economic Community (EEC). By 1967, the EEC, the ECSC, and the European Atomic Energy Community had acquired the collective name of the European Community.

The group also agreed to abolish customs duties on imported goods within the countries and applied uniform duties on their imports from other countries, which allowed free cross-border trade. In preparation for the creation of a single currency, it formed the Exchange Rate Mechanism (ERM) in 1972, whereby ECC currencies were able to fluctuate against each other within a narrow band for monetary stability.

In 1973, the group had its first enlargement, welcoming three new members: Denmark, Ireland, and the United Kingdom. Greece became a member of the EU in 1981, and, by 1986, Spain and Portugal had also joined. Austria, Finland, and Sweden joined the EU fold in 1995, leading to a total of 15 members. The solid gains from deepening economic cooperation attracted new EU members, which also helped to expand the territory of the EU further.

A significant development was the launching of the Single European Act (SEA) in 1986, whereby EU members were to resolve and reform inconsistencies in their national regulations pertaining to goods, services, persons, and capital by January 1993. This was the major development in the bloc to further political integration and economic and monetary union (EU 2019).

Along with easing trade flows, the members signed the Schengen Agreement in June 1985 to allow easier movement of people by gradually abolishing border checks and harmonizing visa policies in the area. By 1990, this had expanded to complete removal of internal border control and a common visa policy and is now operational in 26 member countries, with only Britain and Ireland opting out of the system.

When communism finally ended across Central and Eastern Europe, this enabled Europeans to become closer and thus prompted further widening of the EU membership to include eight more countries in 2004: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. The Mediterranean countries Malta and Cyprus also formally joined the group. Bulgaria and Romania entered in 2007, and finally Croatia became the 28th member of the EU in 2013.

The Maastricht Treaty finally came into effect in 1993, transitioning the ECC to the modern-day European Union. This established a single market and its four freedoms, freedom of goods, services, people, and money, a significant step toward deeper economic integration but also closer political cooperation. After a few years, the European Monetary Union introduced a single currency, the euro, in 1999 as the bloc's legal tender. Progressively, starting with 11 countries and eventually progressing to 19 countries, the EU adopted the euro.

The EU implemented important reforms of its institutions in 1999 under the Treaty of Amsterdam. These transferred some national government powers to the EU, covering areas of immigration, security policies, and the allocation of more resources to employment and EU citizen rights. The Treaty of Lisbon followed in 2009, forming the constitutional basis of the EU. This enhanced policies on voting, European Parliament powers, the legal personality of the EU, the creation of the President of the European Council, and a clause on secession should a member country wish to withdraw from the EU, among others.

Some challenging events have tested the strength, integrity, and stability of the EU system in the last ten years. The global financial crisis originating in the United States in 2008 presented a prominent challenge on economic and financial fronts when it hit the European continent. It severely affected many European banks and countries. By 2011, a second banking collapse threatened the EU due to the high sovereign debt of its members. The European Central Bank (ECB) then rolled out the €500 billion European Stability Mechanism in September 2012 to safeguard financial stability in the euro area through access to sovereign bond markets. The ECB, together with the International Monetary Fund, also assisted Greece, Ireland, Portugal, and Cyprus to avoid default. Greece was on the brink of economic collapse in 2015, threatening the euro's existence, and the negotiations to secure its financial assistance caused severe disagreements among EU members on how to handle the crisis and prevent similar incidents in the future. The ECB also launched its massive asset purchase program in March 2015 to prevent EU economies falling back into recession. The ECB had spent €2.6 trillion net purchases by the end of December 2018 (Eser et al. 2019) to lift the economic growth of its member countries.

The worst refugee crisis also put the EU's political and security cooperation to the test when it faced around 1 million migrants to the EU in 2015. Though the recent numbers have been falling, the wave is continuing (European Parliament 2017). This, among other outstanding issues, somewhat reignited the anti-EU sentiment in Britain, which led to its request for a new settlement. A referendum on whether the UK should remain in or leave the EU took place on 23 June 2016, with the British electorate voting to leave the EU. The process of leaving under Article 50 is currently ongoing, with three extensions granted so far; the current deadline is 31 January 2020 (Table 1).

Table 1: European Union Timeline

Date	Events
18 April 1951	Treaty of Paris, creating the European Coal and Steel Community (ECSC).
25 March 1957	Treaty of Rome, creating the European Economic Community (EEC).
August 1961	East Germany builds a wall across Berlin.
30 July 1962	The EU starts its “Common Agricultural Policy,” giving countries joint control over food production.
1 July 1968	The six remove customs duties on goods imported from each other, allowing free cross-border trade for the first time. They also apply the same duties to their imports from outside countries.
24 April 1972	The Exchange Rate Mechanism (ERM), created in 1972, is the first step toward the introduction of the euro, 30 years later.
1 January 1973	The first enlargement of the EU, with Denmark, Ireland, and the United Kingdom joining the original six founding members.
10 December 1974	EU leaders set up the European Regional Development Fund.
7–10 June 1979	EU citizens directly elect the members of the European Parliament for the first time.
1 January 1981	Greece joins the EU.
1 January 1986	Spain and Portugal enter the EU, bringing the membership to 12.
17 February 1986	The launch of the Single European Act of 1986.
7 February 1992	The signing of the Treaty on the European Union.
1 January 1993	The establishment of the single market and its four freedoms: the free movement of goods, services, people, and money are now a reality.
1 January 1995	Austria, Finland, and Sweden join the EU (total: 15 members).
26 March 1995	The Schengen Agreement takes effect in seven countries—Belgium, France, Germany, Luxembourg, the Netherlands, Portugal, and Spain.
17 June 1997	The signing of the Treaty of Amsterdam.
1 January 1999	The introduction of the euro in 11 countries (joined by Greece in 2001) for commercial and financial transactions only. Notes and coins will come later.
1 January 2002	Euro notes and coins become the legal currency in 12 EU countries.
31 March 2003	The EU agrees to create an area of freedom, security, and justice for all citizens by 2010.
1 May 2004	Eight countries of Central and Eastern Europe—the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia—join the EU. Cyprus and Malta also become members (total 25 members).
29 October 2004	The 25 EU countries sign a Treaty establishing a “European constitution.” The design aims to streamline democratic decision making and management in an EU of 25 or more countries.
1 January 2007	Bulgaria and Romania join the EU, bringing the number of member states to 27.
13 December 2007	The 27 EU countries sign the Treaty of Lisbon, which amends the previous treaties.
September 2008	A financial crisis hits the world economy. Several European banks and economies also experience difficulties.
2010	Several countries encounter problems with their public finances. The 16 euro area countries back a plan to help them deal with their deficits.
27 September 2012	Establishment of the European Stability Mechanism (ESM).
10 December 2012	The EU receives the Nobel Peace Prize as a recognition of its contribution to fostering peace and reconciliation, democracy, and human rights in Europe in the last 60 years.

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Table 1 *continued*

Date	Events
1 July 2013	Croatia joins the EU, becoming its 28th member.
March 2015	The European Central Bank launches its massive asset purchasing program.
July 2015	Greece is the EU country that the economic crisis hits worst. Discussions on reforms in the country and support from the EU lead to a new deal.
13 November 2015	130 people die in a terrorist attack in Paris. EU ministers agree on tougher border security measures around the passport-free Schengen zone.
19 January 2016	Meeting of the European Council; EU leaders agree on a new settlement for the United Kingdom within the EU.
23 June 2016	The people of the United Kingdom vote to withdraw from the European Union by a margin of 52% to 48% in a referendum.
28 June 2016	Meeting of the European Council; EU leaders discuss the political consequences of the UK referendum.
30 September 2016	EU ministers approve the European Union's ratification of the UN "Paris Agreement" on climate change, agreed in December 2015. This allows the agreement to enter into force.
21 December 2016	The European Commission adopts a package of measures to strengthen the EU's capacity to fight the financing of terrorism and organized crime in the areas of money laundering, illicit cash flows, and the freezing and confiscation of assets.
25 March 2017	In Rome, 27 EU leaders gather to celebrate the 60th anniversary of the signing of the Treaties of Rome that paved the way for a union of peace, solidarity and democracy. They adopt the "Rome Declaration."
29 March 2017	The Prime Minister of the United Kingdom, Theresa May, notifies the European Council of the United Kingdom's intention to leave the European Union.
22 May 2017	The European Council authorizes the opening of the Article 50 negotiations with the UK and nominates the Commission as union negotiator.
6 December 2017	The European Commission sets out plans to enhance the unity, efficiency, and democratic accountability of Europe's Economic and Monetary Union by 2025.
6 February 2018	The European Commission adopts a strategy for six partner countries in the Western Balkans to join the European Union, with Serbia and Montenegro as front-runner candidates that could be ready to join by 2025.
28 February 2018	The European Commission publishes the draft Withdrawal Agreement between the European Union and Britain.
19–20 June 2018	Further UK–EU Article 50 negotiations.
20 August 2018	Greece successfully concludes a three-year stability support program with the IMF.
30 January 2019	The EU rejects calls to reopen the Brexit deal.
31 March 2019	Second extension deadline for the Brexit deal.
31 January 2020	Third extension deadline for the Brexit deal.

Sources: European Union website, <https://europa.eu>; BBC (2019).

Despite the setback of Brexit, the remaining 27 member countries celebrated the EU's 60th anniversary of bringing peace and progress on 25 March 2017, as well as pledging to continue to work for unity and the strengthening of common policies. Members are committed to furthering integration by deepening the EU's Economic and Monetary Union by 2025 in the pursuit of more concrete steps to enhance the unity, efficiency, and democratic accountability of the EMU. The EU has evolved tremendously, and the institution has promised that it will continue to ensure freedom, justice, and security, promote economic and social progress, and assert Europe's role in the world (EU 2019).

3. ECONOMIC INTEGRATION PROCESSES OF ASEAN+3

Indonesia, Malaysia, the Philippines, Singapore, and Thailand signed the ASEAN Declaration (Bangkok Declaration) on 8 August 1967 in Thailand, establishing the Association of Southeast Asian Nations (ASEAN). The alliance aims to strengthen the bonds of regional solidarity and cooperation for peace, progress, and prosperity in the region. At that time, ASEAN cooperation centered on non-military issues, focusing mostly on economic matters, to prevent untoward enmity among its members, and opposing the threat of communist-led insurgency.

The inspiration for the idea of regional cooperation that ASEAN formulated came from lessons learned from other countries' experiences; that is, for smaller, neighboring countries with shared common interests to rely more on each other. ASEAN largely models its structure on the European Community (Khomein 1992). Shortly after its establishment, the first ASEAN–European Economic Community ministerial meeting took place in Brussels in September 1978, which marked the start of the long-standing partnership of these two dialogue partners.

The first expansion of ASEAN membership happened after 17 years, when Brunei Darussalam joined in 1984, followed by Viet Nam in 1995. In its 30th founding year in 1997, the Lao People's Democratic Republic and Myanmar became members. Cambodia finally gained approval to join in 1999, making up the current ten member countries of ASEAN. The region is a market of about 642 million people and has a GDP worth \$2.8 trillion as of 2017.

Slowly but surely, ASEAN has put in place several milestone agreements to further integration within the region, akin to the EU's type of common market. In 1992, the group signed the ASEAN Free Trade Agreement (AFTA), which lowers and provides preferential tariffs on goods from fellow ASEAN member countries. It was a serious step for ASEAN members toward integrating into a single market, boosting export and investment sectors to increase the region's growth potential. The ASEAN Trade in Goods Agreement (AtiGA) replaced the AFTA in 2010 and consolidated all the initiatives, obligations, and commitments on trade in goods in ASEAN. The members agreed the Bali Concord II in 2003 to convert the association into an ASEAN community by 2020. It comprises three major pillars, the ASEAN Political–Security Community (APSC); the ASEAN Economic Community (AEC); and the ASEAN Socio-Cultural Community (ASCC), and a blueprint guides each pillar.

The formal establishment of the ASEAN Community Agenda finally came into force in 2015, with the leaders of the 10 countries reaffirming their commitment to the ASEAN Charter and pledging to continue the ongoing process of ASEAN community building (ASEAN 2015). In 2007, the signing of the ASEAN Charter took place, which gave the association a legal and institutional framework with a rule-based and people-oriented organization.

Integration with the rest of the world was also important for ASEAN. The region has forged seven free trade agreements, and another five are still under study or at the proposal stage with its major economic partners over the years, reaching out to Australia; the PRC; Japan; the Republic of Korea; India; Hong Kong, China; and New Zealand (Asia Regional Integration Center 2019). It also started the East Asia Summit (EAS) in 2005, in which the expanded group of ASEAN+3, Australia, New Zealand, and India have a forum to discuss various common issues. The Russian Federation and the United States also joined the EAS in 2011.

For other areas of cooperation, ASEAN created the ASEAN Regional Forum as a venue for dialogues and security cooperation within ASEAN and with other countries in Asia and the Pacific in 1994. To enhance mobility, ASEAN implemented a visa exemption in 2006, which allowed ASEAN nationals to visit other member countries for up to 14 days. A single ASEAN visa is awaiting implementation in 2020; this is similar to the EU's Schengen visa and will help to encourage tourism to boom within the region.

ASEAN's de facto integration has intensified over the years, with about 23% of trade happening between ASEAN countries in 2016. Intra-ASEAN investments, the biggest contributor to FDI flows in the region, reached a record high of \$27 billion in 2017, contributing 19% to the total inflows, mostly from Singapore, Malaysia, and Thailand (ASEAN 2018).

It has not always been smooth sailing within ASEAN. While trade and investment links have flourished, institutional integration in ASEAN is less than de facto integration due to the way in which ASEAN conducts its affairs. Its principles of non-interference, long consensus, consultations, and informality—which sometimes show shortcomings in the form of a lack of political will, trust, and sincerity toward one another (ASEAN 2017b)—resulted in prolonged decision-making processes. ASEAN seems to have a haphazard way of deepening institutional integration, maybe due to the absence of a willing and prominent political power to lead the group. It was a trickier problem with its expansion to ASEAN+3. Despite these limitations, no member country has ever left the association. ASEAN has celebrated its 53rd anniversary and is still the sole regional organization for Southeast Asian affairs.

In December 1997, the ASEAN+3 cooperation started when ASEAN leaders agreed to strengthen and deepen East Asian cooperation in the areas of economic, social, political, and other areas (ASEAN 2017a) with the three major economies in Asia: the People's Republic of China, Japan, and the Republic of Korea. This was the first time that ASEAN expanded its cooperation within Asia at the time when globalization was firmly taking hold in the region. Against the backdrop of the Asian Financial Crisis, ASEAN+3 aimed to achieve financial integration through financial cooperation based on the Chiang Mai Initiative, which later morphed into the Chiang Mai Initiative Multilateralization, a single contractual agreement with a total size of \$120 billion (Sussangkarn 2010) to protect the region from external financial shocks through a currency swap agreement (Table 2).

Other highlights of the APT cooperation in finance are the launching of the Asian Bond Markets Initiative in December 2002 to develop further the local currency bond markets in the region and the endorsement of a new Medium-Term Road Map of the ABMI in 2008. The presence of the three East Asian powers has reinforced the intraregional trade network as a dynamic trade zone and complementary production networks in the region as well as shifting the focus of ASEAN+3 to financial cooperation, which plays a crucial role in building an East Asian community.

Table 2: ASEAN Timeline

Date	Events
8 August 1967	Establishment of the Association of Southeast Asian Nations (ASEAN) between Indonesia, Malaysia, the Philippines, Singapore, and Thailand with the signing of the Bangkok Declaration.
24 February 1976	Signing of the Treaty of Amity and Cooperation in Southeast Asia, which provides for mechanisms for the peaceful settlement of disputes. It also commits ASEAN members to respect each other's sovereignty mutually as well as non-interference in internal affairs.
September 1978	The first ASEAN–European Economic Community ministerial meeting in Brussels.
1984	Brunei Darussalam joins ASEAN. Total members: six.
1992	Member countries agree on a common effective preferential tariff (CEPT) scheme for the ASEAN Free Trade Area (AFTA) to foster economic cooperation in the region.
1994	The creation of the ASEAN Regional Forum (ARF), which focuses on security interdependence in the Asia and the Pacific region. The ARF serves as a venue for dialogues on political and security cooperation with other countries in the Asia and the Pacific region.
July 1995	Viet Nam joins ASEAN. Total members: seven.
July 1997	The Lao People's Democratic Republic and Myanmar become members of ASEAN; onset of the Asian financial crisis. Total members: nine.
1997	ASEAN Vision 2020 charting a course to “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.”
December 1997	First meeting of ASEAN+3, comprising leaders of the 10 ASEAN members and their counterparts from East Asia—the PRC, Japan, and the Republic of Korea.
April 1999	Cambodia becomes the 10th member of ASEAN.
4 November 2002	Signing of the Declaration of Conduct of Parties between ASEAN and the PRC.
December 2002	The launch of the Asian Bond Markets Initiative (ABMI) to develop local currency bond markets.
2003	Bali Concord II, which aims to establish a single ASEAN community with three pillars: the ASEAN Security Community, the ASEAN Economic Community, and the ASEAN Socio-Cultural Community.
December 2005	First meeting of ASEAN+6, also called the East Asia Summit, comprising the ASEAN countries plus the PRC, Japan, the Republic of Korea, India, Australia, and New Zealand.
23 July 2006	Signing of the ASEAN Framework Agreement on Visa Exemption. Visa-free travel within ASEAN for ASEAN nationals.
13 January 2007	Fast tracking of the implementation of the ASEAN Vision 2020 from 2020 to 2015.
20 November 2007	ASEAN signs a charter giving its 10 member states a legal identity, the first step toward its aim of achieving a free trade area by 2015.
24 March 2010	ASEAN+3 establishes the Chiang Mai Initiative Multilateralization (CMIM), which is a multilateral currency swap arrangement among ASEAN+3 members.
22 November 2015	The Kuala Lumpur Declaration on the 27th ASEAN Summit formally establishes the ASEAN Community, a deeper and more unified ASEAN identity by 2025.
9 February 2016	Establishment of the ASEAN Macroeconomic Research Office to provide independent regional surveillance in ASEAN+3 as an international organization with a full legal personality.
8 August 2017	ASEAN celebrates the 50-year anniversary of its establishment.
2018	ASEAN works on the ASEAN Single Window (ASW), e-commerce, and the ASEAN Smart Cities Network.

Sources: ASEAN website, <http://www.asean.org>; AMRO website, <https://amro-asia.org>; Reuters (2007); ASEAN (2017b).

4. LESSONS FROM THE EU'S SUCCESS IN INTEGRATION FOR ASEAN+3

The European Union remains the gold standard for regional integration. The EU has become a single market with free movement of goods and services, capital, and people. Furthermore, EU integration extends to political, security, diplomacy, and many other non-economic fields. Over the last few decades, the EU's integration has deepened to reach more advanced stages and its membership has expanded from a core group of a few Western European countries to encompass much of Europe. ASEAN+3 can draw many valuable lessons from the resounding success of the EU as a vehicle for regional integration. While ASEAN+3 has made great strides in terms of regional cooperation and integration, its level of integration is far below that of the EU. More specifically, official cooperation and integration lag far behind *de facto* integration, which is especially evident in the economic sphere. The ASEAN+3 countries trade heavily with each other and invest a large amount in each other. For example, the ASEAN+3 countries have shown no signs of turning to the CMIM swap agreement to protect their financial stability during times of stress, such as the global financial crisis.

Perhaps the single biggest lesson from the EU's integration for ASEAN's integration is the fundamental importance of political cooperation. Revilla (1984) identified political reliability and political interaction as the driving forces of the EU's political cooperation. In-depth political cooperation between member governments is an absolute prerequisite for economic, security, and other forms of integration, a process that continues to develop and evolve. In short, politics dominates economics when it comes to regional integration. It is true that Western European countries form a single economic bloc and depend heavily on each other as trade and investment partners. This is also true for the newer members from Central and Eastern Europe, for which it was precisely the prospect of closer economic links with Western Europe that provided the motivation to pursue EU membership with such determination and enthusiasm. However, what ultimately enabled the expansion of the EU to Poland, Hungary, the Czech Republic, Slovakia, and other new members was the political commitment and consensus among the existing members. Closer economic links can encourage closer institutional integration, but deeper ties and membership expansion are ultimately a political decision that requires conscious and deliberate political cooperation. Therefore, the EU experience suggests that it would be a mistake for ASEAN+3 to assume that closer official links would naturally follow closer *de facto* links, especially economic links, in the absence of concerted political cooperation to advance the integration process.

In this context, the EU benefited enormously from the joint leadership of the two leading powers of continental Europe, namely France and Germany. More precisely, the success of the EU project would simply not have been possible without the two-headed Franco-German leadership. The EU project is essentially a political project aiming to prevent another devastating war in Europe, which was the epicenter of the two world wars of the 20th century. In a fundamental sense, the EU was the outcome of a grand bargain between France and Germany that would bind their economies closer together and link their economies more closely with those of Italy and the Benelux countries. The ultimate goal was shared economic prosperity, which would make military aggression and hence another war unthinkable. The Franco-German co-leadership gained considerable traction from Germany's sense of guilt concerning its military aggression, which caused unfathomable suffering in Europe. This explains why Germany has, in effect, been funding the EU project. It has been the largest EU economy that has consistently paid substantially more into the EU budget than it has received from the EU; for example, in 2017, Germany contributed €19.6 billion to the EU budget, while the EU

spent €10.9 billion in Germany (EU 2019). Analytically, one can think of Germany's financial contributions to the EU as a kind of war reparation.

Unfortunately, in ASEAN+3, there is no clear leading power or powers that can play a leadership role similar to the role that France and Germany play in the EU. Armstrong, Drysdale, and Tay (2019) observed that there is no hegemonic leadership in Asia. Indeed, there is no ASEAN+3 country or countries that proactively wield power. Perhaps the lack of leadership explains the biggest single criticism of ASEAN, namely that it is a toothless organization that fails to engage in any meaningful action due to its non-interference principle. The principle discourages members from criticizing each other even when they engage in, for example, widespread violation of human rights (Ramcharan 2000). For ASEAN+3, however, the picture changes dramatically. The PRC, Japan, and the Republic of Korea are among the world's 12 biggest economies. In fact, the PRC and Japan are the world's second- and third-largest economies. Given the disproportionate weight of the PRC, Japan, and the Republic of Korea in ASEAN+3, especially the PRC and Japan, it will be necessary to base any concerted push toward closer integration on intensive political cooperation between the PRC and Japan. In other words, there is a natural analogy between the role of France and Germany in the EU on the one hand and the role of the PRC and Japan in ASEAN+3 on the other hand. The major problem is that political cooperation between the two East Asian giants has been notable largely for its absence.

The obvious implication is that deeper integration among the ASEAN+3 countries will have to await a comprehensive, genuine political rapprochement between the PRC and Japan. There are deep-seated historical issues that continue to divide the PRC and Japan as well as the Republic of Korea. In addition, geopolitical tension between the PRC and Japan is to some extent inevitable for the same reason that geopolitical tension between the PRC and the US is inevitable. The PRC is the rising power on the global stage vis-à-vis the US and on the Asian stage vis-à-vis Japan. History tells us that rising powers always collide with incumbent powers. In fact, the PRC has overtaken Japan as the dominant economic force in Asia to the extent that even Japan has become heavily dependent on exports to the PRC. In any case, the PRC and Japan must sort out their differences and join forces politically to give a big push to the ASEAN+3 project. A strong external shock that brings the region closer together could speed up the Sino-Japanese reconciliation process. For example, the current threat of global protectionism that forces outside the region have triggered may encourage the two Asian giants to settle their political differences and jointly lead a more tightly integrated ASEAN+3 economic bloc that can mitigate the adverse effects of global protectionism.

5. BRIEF HISTORY OF BREXIT

The United Kingdom of Great Britain and Northern Ireland, more popularly known as Britain, has an on-off relationship with its continental neighbors. From a bird's eye view, its issues with Europe centered on the extent of national sovereignty circumscribed to wider European institutions, as its political and economic dominance declined from its former heyday of the British empire (Robbins 2002). For most of its dealings with the EU, Britain has supported the union, as Margaret Thatcher's work to complete the single market and Tony Blair's work on European security exemplified, except in a few areas in which it has shown reservations (Cooper 2012).

Despite being the industrial center of Europe, the kingdom decided not to join the European Coal and Steel Community (ECSC), the precursor of the European Union, in

1952. When the European Economic Community (ECC) formed in 1957 to bring about economic integration, Britain remain unaffected by the growing solidarity in Europe. However, by 1961, Britain had decided to apply for ECC membership, which France's President Charles de Gaulle strongly opposed. After more than a decade, Britain finally joined the ECC on 1973 after France dropped its objections following De Gaulle's resignation (EU 2019).

In 1975, Prime Minister Wilson, faced with splits among his ministers on Europe, decided to hold an "in-out" referendum on membership. Britons voted 67% to 33% to stay in the ECC in 1975, with most of the 68 administrative counties, regions, and Northern Island affirming their wish to stay and only Shetland and the Western Isles opposing the membership.

Despite PM Thatcher's support in the campaign to stay in the ECC in 1975, her premiership became divided on the issue (EU 2019) and at times heated with other EU leaders as Britain started to press the bloc to reduce the British payments to the ECC budget. At that time, relative to other countries in the bloc, they were higher due to the presence of fewer farms in Britain. Farm subsidies made up about 70% of the total EEC expenditures under the Common Agricultural Policy. PM Thatcher negotiated the reduction of Britain's contribution to the total budget from 20% to 12%, known as the "UK Rebate" (Pruitt 2017).

Britain also belatedly joined the European Exchange Rate Mechanism (ERM) in October 1990; this mechanism aimed to prepare the member countries prior to the full adoption of a monetary union, working as a means to reduce exchange rate fluctuations and achieve monetary stability in Europe. However, just two years into the ERM, the British pound fell due to heavy pressure from currency speculators in 1992. The ERM forcibly removed the British pound on 16 September 1992, when the British government failed to keep it above its agreed lower limit in the ERM despite raising interest rates from 10% to 15% and authorized the buying up of the sterling pound in the market. This was called "Black Wednesday," and it cost the UK Treasury \$3.3 billion to defend the pound (Financial Times 2018). While it was a tough lesson for Britain to experience, Budd (2004) believed that Britain's ERM membership was not a very worthy episode but somehow helped to reduce inflation via inflation targeting.

The formation of the European Union in 1993 appeared to be the means to integrate further the economic and political policies of the group. This EU policy even spanned a common foreign policy, citizenship rights, and a single currency. However, Britain opted out of four policy areas: Schengen acquis; the adoption of the euro as a common currency; the charter of fundamental rights; and the area of freedom, security, and justice.

Still in the wake of the euro debt crisis that started in 2009, several affected EU members were on the verge of defaulting again. To address this, the EU attempted to draw up a new accord to tighten the budget rules in the bloc. However, PM David Cameron vetoed a revision of the Lisbon Treaty to tackle the ongoing euro debt crisis in 2011, a first since Britain joined in 1973, to protect its financial sector. The EU was increasing its clamp on the regulation of financial services, which had a 6.5% share in the total UK gross national product, with the largest concentration in London. Other changes included migrant payments and easier ways for Britain to block EU regulations.

His speech in 2013 centered on the promise to renegotiate Britain's membership of the EU and hold an in-out referendum if his party won a majority in the May 2015 general election. The rise of the UK Independence Party, the primary objective of which is to cut the ties of Britain with the EU, earned substantial support from the British public. People viewed the in-out referendum as being more to appease the growing dissent of the

populace regarding the burgeoning EU migration crisis and the trailing effects of the European debt crisis.

The Conservative Party eventually won, and PM Cameron started working on securing the special status of Britain within the EU (BBC 2016). Britain renegotiated its membership terms, in addition to the UK rebate and its four opt-outs, which the EU leaders approved on 19 February 2016. It should take effect after the UK referendum if “remain” wins. The UK set the referendum date as 23 June.

With these concessions in hand, Mr Cameron still believed in the benefits of continued EU membership and campaigned for “remain,” confident that its economic ties with the EU will help to secure the campaign. More than 40% of all British exports went to other countries in the UK, and around 50% of its imports came from the bloc. However, it was a significant blow to the “remain campaign” when some strategic members of his cabinet and the mayor of London supported “leave” campaigners.

In the referendum held on 23 June 2016, the majority of the UK electorate (51.9% vs. 48.1%) voted to leave the European Union, with a national turnout of 72% or more than 30 million voters participating in the referendum. The vote has also indirectly rejected the renegotiated terms of the EU–UK membership in February 2016. Both Scotland and Northern Ireland voted to remain in the EU, while England and Wales chose otherwise. PM Cameron resigned as soon as he had announced the referendum results.

Theresa May succeeded David Cameron, formally signing and lodging Article 50 of the Treaty of EU, which triggers the UK’s separation process from the EU, on 29 March 2017, starting the two-year process for Britain’s exit from the EU, hence the coined term “Brexit” (Walker 2019).

After months of gridlock, Britain and the EU reached a draft agreement on Britain’s terms of departure on 13 November 2018. The agreement contains the highly contested backstop issue of the Irish border, which avoids having a hard border between Ireland and Northern Ireland after Brexit.

The British Parliament rejected the draft agreement three times, and then PM May requested a second extension until 30 June 2019. However, lengthy and heated debates in the UK Parliament could not agree on the Withdrawal Agreement by October. The current PM Johnson requested a third extension until 31 January 2020, and the EU approved it (Table 3).

As this book goes to press, we cannot ignore the possible changes that will influence a revised deal that is acceptable to all the parties to prevent a chaotic departure without a deal. Economic analysts have warned that quitting without a deal could lead to a recession, with a -1.2% to -4.5% drop in the gross domestic product growth in the event of no Britain–EU agreement (Latorre et al. 2019).

Table 3: Brexit Timeline

Date	Events
1961	Britain applies to join the EEC for the first time.
1967	Britain applies for membership for the second time.
1975	Britain negotiates the UK Rebate, the reduction of its contribution to the total ECC budget.
1990	Britain joins the Exchange Rate Mechanism (ERM).
1992	Signing of the Maastricht Treaty. Britain leaves the ERM.
1997	Signing of the Amsterdam Treaty.
2011	British Prime Minister David Cameron vetoes a revision of the Treaty of Lisbon to protect the British financial sector.
23 January 2013	British Prime Minister David Cameron promises a referendum on Britain's membership of the EU if the Conservative party wins the next general election.
7 May 2015	British voters elect a majority Conservative government. PM Cameron confirms in his victory speech that there will be an "in/out" referendum on European Union membership.
20 February 2016	PM Cameron announces that he has negotiated a deal with EU leaders that will give Britain "special status." He confirms that he will campaign for Britain to remain in the 28-nation bloc. He sets the referendum date for June.
24 June 2016	Britain votes to leave the European Union. PM Cameron says he will resign in light of the results because Britain needs "fresh leadership" to take the country in a new direction.
13 July 2016	Home Secretary Theresa May becomes prime minister.
29 March 2017	The British government formally triggers Article 50, setting in motion a plan for Britain to leave the EU on 29 March 2019.
7 July 2018	PM May and her Cabinet endorse the so-called "Chequers Plan." Brexit Secretary David Davis and Foreign Secretary Boris Johnson resign, favoring a more complete break with the EU.
25 November 2018	EU leaders approve a withdrawal deal reached with Britain after months of difficult negotiations. PM May urges the British Parliament to do the same.
12 December 2018	Conservative lawmakers who back a clean break from the EU trigger a no-confidence vote in May over her handling of Brexit. She wins by 200 votes to 117, making her safe from another such challenge for a year.
9 January 2019	The House of Commons then commences the Brexit debates.
31 March 2019	Deadline of the second extension of Brexit.
24 July 2019	Boris Johnson succeeds Theresa May as prime minister.
31 January 2020	Deadline of the third Brexit extension. UK formally exited the EU and will be in transition until end 2020.

Sources: Thatham (2009), and Walker (2019).

6. GROWING OPPOSITION TO THE EUROPEAN UNION ACROSS THE EUROPEAN UNION

The ongoing messy Brexit highlights the growing opposition to the EU project due to economic reasons or cultural issues. However, this phenomenon is not solely happening in Britain. Broader euroskepticism, while not yet reaching the high levels of acrimony, also abounds within Europe. Schmidt (2016) attributed this resentment to the result of European integration hallowing out national politics. Over the years, various forms of disenchantment with the EU process have occurred, especially in those countries that were experiencing nonsymmetric burdens of adjustment. While people regarded the EU as having helped to solve problems that national governments could not settle, it has somewhat watered down the authority of national governments on these matters.

Schmidt (2016) believed that the EU citizens feel that they have little direct say over the policies that affect them and have turned to public displays of apathy as signs of protest to exert some influence on European-level decisions.

The issues generally center on three major strands: (1) the economic and budgetary policy crisis; (2) the migrant crisis; and (3) claims for sovereignty. For countries in the single currency area, EU institutions now have fiscal and monetary authority. They have to follow strictly the rules in the Stability and Growth Pact for economic stability, which mainly focus on regulating debt and deficits. The EU has stripped member countries of independent monetary policy tools that would enable them to respond in a timely manner to shocks or crises, such as raising interest rates or devaluing their currency. Taxation, however, remains the responsibility of each member country.

The Greece debt crisis is a clear example of the intricacies of navigating economic policy and sovereignty in a union environment. After disclosing in late 2009 that it had underestimated the country's budget deficit and that this had breached the EU limits, the Greek economy lost steam and plunged into the doldrums. It approached the EU bloc for help, but it took a long time for EU leaders to act. The EU financial assistance that it forged with the International Monetary Fund came with conditions of fiscal austerity and structural reforms that resulted in hard living conditions, causing widespread anti-austerity protests against these policies in Greece.

The contagion spread through the continent, and economic hardship hit Ireland, Spain, and Portugal. As these countries approached the EU for bailouts, intense debates occurred between the so-called northern countries—Germany and France—and the southern countries, exposing a delicate issue regarding whether compliant eurozone countries have the responsibility to bail out those members that did not practice a prudent economic policy. These countries eventually received assistance, but the view was that it was too little and too late to address the underlying problems in a timely manner. Instead of bringing relief, stifling prescriptions accompanying the assistance made the burden of adjustment even harder, leaving a trail of EU member countries with still low growth and high unemployment rates. Hall (2016) argued that, while these reforms aimed to provide positive long-run effects, the short-run economic consequences are difficult and often have negative effects. There is also a mismatch of the economic prescriptions given to southern European economies, which are more domestic economy led, and those given to export-led northern economies. As a result, public apathy and support for anti-EU political parties in Spain and in Portugal have risen. The eurozone debt crisis has exposed a weak link in an economic union: that, without the bound of a strong political union, the fruits of economic integration are not safe.

There is also a growing sentiment that it is important to leave a country's budgetary matters to the country itself and not allow the EU to determine them centrally. In 2018, Italy's populist government clashed with the EU bloc when it openly rebelled against the EU guidelines on fiscal deficits, citing that it needed to boost spending to stimulate its economy. The opposition of the populist government reflected the feeling of the broader population, especially younger voters, who blamed the EU for the fiscal austerity that caused them economic hardship. It has been most difficult for policy makers to pursue domestic reforms with curtailed power of the purse. France's President Macron called on the EU to create a centralized countercyclical fiscal policy that all members can immediately tap into in the case of an asymmetric downturn, but this proposal faced opposition from the bloc.

Immigration policy is another thorny issue, especially the influx of migrants from outside the territory. Based on the November 2018 Eurobarometer survey, immigration ranks first in the two most important issues facing the EU at the moment (the other one is terrorism) and 53% of EU citizens have a “fairly negative” to “very negative” feeling toward the immigration of people from outside the EU.

The war in Syria saw the rise of asylum refugees and economic migrants from other parts of the world heading toward Europe (European Parliament 2017). While some EU residents welcomed migrants, particularly in Germany, which has an open-door policy, other recipient countries felt that there had not been thorough consultation on the idea of burden sharing, and, when migrants came in swelling numbers, they were unprepared to assimilate them properly into their society. This was true for Greece and Italy, the two countries that are the most accessible via the Mediterranean Sea, which became overwhelmed with huge numbers of migrant arrivals.

It also did not help that the placement of migrants among the EU member countries came at the time when most of them were still reeling from the severe effects of the eurozone crisis. The quota’s distribution across the EU members was not fair, leading to more public distress. Concerns about the influx of Muslims and rising terrorism associated with the arrival of migrants also caused immigration anxiety, adding another strain to intra-EU relations. Hungary’s current prime minister, Orban, criticized the EU’s policy on mass immigration, as Hungary received disproportionately seven times more asylum applications than the EU average in 2015. Austria’s Chancellor Kurtz also criticized the EU, saying that the focus should be more on securing EU borders to prevent future arrivals.

Sovereignty claims and too much intervention in national affairs are Poland’s and Hungary’s issues with the EU. The EU was hawkish about the current Polish government’s influence on its media and judiciary and Hungary’s concerns about freedom of expression, academic freedom, the rights of minorities and refugees, and other issues. The European Commission believed that these actions had breached its core democratic values; hence, it invoked Article 7 against Poland in 2017 and Hungary in 2018, which suspended their right to vote in EU decisions. Poland and Hungary have offered each other political support as they both battle with the Commission.

Within the countries of the so-called guardians of the EU, political clamors against the EU are brewing in Germany, France, and Italy. Strong populist political forces, such as Marie Le Pen’s National Front in France, have openly expressed their antipathy toward the EU. Germany expressed its displeasure about some EU members that are not following the established rules, and footing the bill of undisciplined members is creating frustration. A German euroskeptic party called Alternative for Germany (AfD) complained that the government is using its taxpayers’ money to fund EU projects instead of focusing on home country needs. In France, the National Rally party is gaining ground as it campaigns for the return to nation states. The proliferation of EU rule-bending members, which seek financial support from the EU but in turn do not share solidarity with the bloc’s common goals, could stoke further anti-EU sentiment among the Germans and French. Until such time as the EU is able to resolve the political differences in running its affairs between northerners and southerners, euroskepticism could flare up and spur disintegration.

7. LESSONS FROM BREXIT FOR ASEAN+3

The Brexit experience holds a number of valuable lessons for further integration in ASEAN+3. It is necessary to emphasize that Brexit is the most dramatic and significant example of the slowdown of momentum toward ever-closer integration among European countries. As such, it is useful and helpful to think of Brexit not as an isolated one-off episode but as part and parcel of a broader trend. Of course, the United Kingdom had its own unique idiosyncrasies that separated it from continental Europe. Above all, from the outset, its commitment to the EU project was less intensive and deep seated than that of its continental neighbors. The UK always looked to its traditional transatlantic ties with the US as the cornerstone of its geopolitical and diplomatic framework, which explains why it joined the EU relatively late and was content to play second fiddle to France and Germany within the EU despite its economic weight. Nevertheless, disillusionment and opposition to the concept of ever-closer union has spread far beyond the UK to large swathes of the EU.

Indeed, hostility toward the EU project is evident even in founding member states, most notably Italy and France, as the previous section discussed. Even Germany has witnessed the emergence of an electorally significant far-right political party. To a large extent, the broad and deep erosion of popular support for the EU is directly attributable to the rise of populist, anti-globalization, anti-capitalist sentiment. As a political institution that people widely view as remote and unaccountable yet powerful and influential, the EU offers an easy target and scapegoat for angry EU voters. Fairly or unfairly, the EU is closely associated with immigration and other unpopular phenomena.

Perhaps the single biggest takeaway from Brexit for ASEAN+3 is that regional integration is reversible in the face of growing erosion of popular support for integration. Until shortly before the global financial crisis, the momentum of closer and deeper integration among European countries seemed unstoppable and inevitable. However, the Brexit saga underlines an altogether different reality—it is possible not only to slow down the momentum of integration but also to reverse it. Even though the United Kingdom was always a somewhat reluctant member of the EU, Brexit came as a complete shock to the British and European political establishments. The fact that Brexit was such a huge shock suggests that European governments are dangerously out of touch with their citizens when it comes to regional integration. In that sense, it was a rude wake-up call to EU governments to consult more closely with their citizens before they proceed further with the EU project. The widespread popular support for the EU at the early stages of Western European integration, and the euphoria that greeted the accession to the EU of Central and Eastern Europe, has all but dissipated. Since regional integration ultimately depends on popular support, it is reversible when popular support falters.

The reversibility of regional integration, which the Brexit shock and a clear weakening of support for the EU across the EU underline, has an important corollary. More specifically, governments should consult closely with their citizens whenever they are planning a major EU-wide policy or policy coordination. Forcing major policies on voters without adequately consulting them can provoke a strong backlash. The likelihood of a backlash is stronger when there is economic hardship, which explains why the anti-EU public mood has intensified across the EU since the global financial crisis. One well-known example of the EU failing to consult its citizens properly is the strong opposition of many EU countries to the German-led imposition of quotas for settling refugees from the Syrian civil war.

There are two inter-related fundamental implications for the integration of the ASEAN+3 countries from the Brexit shock. First, firm political commitment and consensus of the member countries are necessary for a robust ASEAN+3 integration pathway that will be relatively less vulnerable to shocks such as the global financial crisis. In particular, without a genuine and deep-seated political understanding among members as well as concrete common medium- and long-term objectives, the union is likely to unravel in the face of major shocks. Robust political consensus, especially among key members such as the PRC, Japan, and the Republic of Korea, can contribute to a deeper and more substantive ASEAN+3 and, just as importantly, promote the resilience of ASEAN+3 against shocks. Second, related to the first point, it is absolutely vital to gain ordinary citizens' approval of the integration process and to consult them continuously as the integration project proceeds. In the absence of deep-seated and genuine popular support, it will be impossible to mobilize the political commitment and consensus required for sustainable regional integration.

8. CONCLUDING OBSERVATIONS

Lack of progress in global integration, which the failure of the Doha Round of multilateral trade liberalization epitomized, has given a further push to the growing momentum of regional integration. Regional integration has both clear advantages and clear disadvantages vis-à-vis global integration, and the formation of regional economic blocs started well before the collapse of the Doha trade talks. The gold standard of regional integration remains the European Union, which is often the benchmark for regional integration efforts around the world. One of these initiatives is ASEAN+3, which brings together East and Southeast Asian countries that have become tightly integrated economically in terms of trade and investment. Despite their rapid de facto integration into a regional production network, often called Factory Asia, official cooperation and integration lag far behind. The key takeaway from the EU's successful integration for ASEAN+3's future integration is that de facto integration does not automatically translate into institutional, systematic EU-style integration. What it requires is concerted political efforts on the part of the region's governments to settle their political differences and engage in tight political cooperation.

More recently, the seemingly unstoppable momentum of ever closer and deeper integration among EU countries has given way to widespread concerns about the future of the EU. The immediate catalyst of pessimism is the shocking referendum outcome of Brexit—that is, the majority of UK voters voting to leave the EU. The UK is not just another EU country but one of the group's biggest economies and has long been a robust advocate of pro-market policies within the EU. Furthermore, people see Brexit not just as an isolated one-off event but as a symptom of broader discontent about the EU across the EU. The key implication of Brexit for ASEAN+3 is that it is necessary to build the regional integration process on a firm foundation of political commitment and consensus, which, in turn, should rely on continuous consultation with and proper information dissemination to the general public. Without such a foundation, which renders the group resilient against and hence less vulnerable to big external shocks, such as the global financial crisis, integration is always reversible, as Brexit has clearly shown. Regional integration is always a challenging and fraught process, but learning the right lessons from the EU and Brexit will help ASEAN+3 to achieve a deeper, more advanced stage of regional integration.

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