

## Both Australia and the region would benefit from a single market in Asia

Written by Fariborz Moshirian, Professor of Finance, Director of the Institute of Global Finance, UNSW

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The Association of Southeast Asian Nations (ASEAN) has achieved important milestones in recent years, such as the [establishment](#) of the ASEAN Economic Community and the ASEAN Free Trade Area.

But these were just the first steps towards a single market. Removing trade and other barriers among ASEAN countries would create a more effective regional block, representing a combined economy of US\$2.6 trillion and over 622 million people.

Not only could this raise the incomes of people living in the ASEAN region, it is a huge opportunity for Australia to export technology, higher education, agricultural products and natural resources such as gas.

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**Read more:** [\*The ASEAN-Australia Special Summit marks a step toward a deeper relationship\*](#)

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ASEAN [has experienced over 7% growth](#) per annum over past decades.

Total trade in ASEAN [increased by nearly US\\$1 trillion](#) between 2007 and 2014, with trade between ASEAN countries comprising the largest share.

Rapid economic growth has also created a lot of demand for capital to finance economic development. ASEAN [attracted](#) US\$136 billion and US\$121 billion in foreign direct investment in 2014 and 2015 respectively, accounting for 11% of total global foreign investment inflows.

## Advantages and disadvantages of ASEAN

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ASEAN [was established in 1968 to strengthen regional co-operation](#) and to deal with geopolitical challenges following the second world war and the cold war.

These events instigated decolonisation in Southeast Asia, leading to the emergence of independent and sovereign nations. There was a need for new relationships and co-operation within the region to prevent outsiders stepping in once again.

An organisation like ASEAN was also required to protect heavily agriculture-dependent economies in Southeast Asia against fast-growing and large countries like China and India.

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**Read more:** [\*The Australia-ASEAN partnership at 40: past dilemmas and future prospects\*](#)

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But there are challenges to ASEAN integration without implementation of full regional economic and financial systems.

This is exemplified by the [Asian Financial Crisis in 1997](#) . Pressure on Thailand's currency forced the government to devalue the baht. This soon [spread to the Philippines, Indonesia and Malaysia](#)

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## Political issues with increased integration

As Michael Heng [points out](#) , the crucial difference between the European Union and ASEAN is that countries in the latter grouping have not been willing to surrender their national sovereignty in the interests of building a community.

The differences between ASEAN and the European Union with respect to supranational bodies

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may be due to their respective histories.

Heng argues that European nations share a common understanding of Greek philosophy, Judeo-Christian cultural heritage and Roman structure, which form the European identity.

In contrast, ASEAN, following the relatively recent decolonisation process, has formed newly independent countries without a foundational heritage or history.

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**Read more:** [Can ASEAN become the global champion of sustainable growth?](#)

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But we shouldn't forget that the concept of the European identity did not stop the Europeans from having many political and religious wars over centuries.

Trade, investment and technological tools are removing the barriers to nations increasing their economic and political integration in the 21st century.

Past shared history and/or cultural, ethnical or religious homogeneity can no longer be the only determinants of the level of co-operation among nations.

## Moving Forward

ASEAN, despite its various shortcomings, has established one of the most stable regional intergovernmental organisations.

Moving forward, ASEAN should remain resilient among political and economic pressures, and persevere with its "[ASEAN Economic Community 2025](#)" vision to achieve improved economic

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co-operation.

There is value to “enhancing participation in global value chains”. To achieve this, it may be important to acknowledge ASEAN’s co-operation with China, South Korea and Japan, known as “ASEAN Plus Three”.

Similarly, having Australia, New Zealand and India as part of the process of economic and financial integration (ASEAN Plus Six) will accelerate the pace of integration among the ASEAN countries.

Australia, New Zealand and India bring complementary perspectives and values that could modernise the overall architecture of ASEAN, facilitating deeper integration with ASEAN and assisting integration with other major Asian countries.

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*Fariborz Moshirian does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.*

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