



Uniwersytet Ekonomiczny  
we Wrocławiu

# **ECONOMIC INTEGRATION PROCESS IN EUROPE AND ASIA. COMPARATIVE ANALYSIS**

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## 1. Introduction

- The dynamic development of the regional integration process in the globalised economy has become a fact.
- The European Union is an example of a formation in which this process is most advanced, and its analysis may give valuable insight into conditions and factors conducive to the intensification of the economic integration.

## 2. Economic integration in the global economy

- Integration is a process which may be considered a manifestation of the idea of economic globalisation. This is the case of global integration embracing the whole world and occurring above all on the market level, which amounts to eliminating barriers which impede the flow of goods, services and production factors. In the long run – according to Boyer – this will lead to the lack of correlation between the domestic demand and supply, while the consequence of the process will be the full internationalisation of the selling market and the supply market for enterprises (and other business entities).
- On the other hand, we are faced with the economic regional integration (*regionalism*) which is based on the proximity (geographical, cultural, economic) of a particular group of countries and usually has a strong institutional (political) superstructure.

- Munakata points to the fact that the term “regionalism” has a more institutional nature, in contrast to the notion of regionalisation, that is the economic integration process occurring by means of market mechanisms. The political markedness of the notion of regionalism may lead to the excessive attributing the *quasi* mercantile (defensive) nature to this process.
- In the initial period of the European integration process economies constituted an instrument, and the political integration – the goal, while today the political will is subordinate to economic goals, and not monetary priorities.

- Therefore, the European integration is neither the effect of the strictly economic determinism, nor the result of the operation of the political will or leadership.
- This historical context in a way negates the postulates formulated by numerous conventional theories of economic integration: they are based particularly on the increasing economies of scale, the reduction of transport costs and transactional costs, or the symmetry of macroeconomic shocks to estimate the probability of the success of a regional integration project.

- On the contrary, political initiatives prove to be inefficient as a guarantee of successful economic integration in the case when there is no proper system of factors and incentives promoting and intensifying the exchange among the countries.
- As a consequence, the regional integration ought to be analysed in the context of a broader instrumentarium which represents all the political, legal, and economic dimensions.
- The process of the economic and financial integration in the European Union puts an increasingly greater emphasis on the problem of the accessibility of public goods connected with the mobility of the workforce and capital, as well as with the competition on the products market. The European Union considers the security and the development of the internal market a priority.

### 3. The Asian model of economic integration

- The development of the economic integration processes, which will ensure the maximisation of their benefits, is possible if a proper policy is pursued in this region at all three levels: regional, national, and global.
- Firstly, **on the regional level**, cooperation in shaping the trade, investments, and finance policy is indispensable to strengthen and extend economic bonds between Asian partners. Regional cooperation is necessary to intensify and strengthen the liberalisation process, to direct bilateral negotiations towards consolidation within one regional agreement, and finally – to shape complementary multilateral liberalisation framework for the support of integration in the global dimension.



Regional cooperation remains particularly important for the progress in integrating structures of financial markets which suffer from the underdevelopment of market processes. Cooperation in this area focuses on three basic aspects:

- creating a regional agreement concerning the support for the liquidity of financial systems of individual countries in order to prevent currency attacks, contagion processes, and currency crises;
- creating mechanisms of monitoring the situation in the region and a forum for exchanging opinions and consultations concerning the financial situation of the region, performed at the level of ministries of finance and central banks;
- developing the Asian bonds market in order to decrease the dependence of economies on the long-term foreign capital.

The economic challenges of the future seem to increase in the area of the regional exchange rate system, macroeconomic policy, or mechanisms of feeding investment project savings with transfers.

- Secondly, **in the dimension of domestic policies**, cooperation is indispensable for creating a uniform and effective regional environment for business. The liberalisation of commercial and capital flows executed in a large number of countries has resulted in the barriers' crucial for the regional integration losing their significance in the context of performing international transactions. A collection of legal and institutional considerations has been created, though, within individual economies, which discriminate against some sectors of the economy.

- A proper reference to these much more complex barriers remains a significant challenge for the new generation of political reforms which are directed at increasing the transparency and compatibility of a range of regulations and standards.
- Analyses conducted by P. Dee have proved that benefits resulting from that scale of the reforms may be significant – increasing, at least indirectly, the benefits resulting from the introduction of certain forms of the liberalisation of trade.
- Regional cooperation is necessary to reach that scale of harmonisation – by providing the best practices, it may support indispensable political decisions which need to be taken within individual economies.
- The decisions made facilitate coordinating actions at the domestic level and enable creating uniform regional frameworks.

- Finally, **at the global level**, cooperation is necessary as to initiatives which will make the Asian region play a constructive role in the global process of taking economic decisions.
- The progressing economic transformation of Asia is characterised by such a scale of dynamics and scope that it is possible to observe a range of serious implications and the need to adapt to the considerations of individual regions of the world.
- Although the key Asian economies – Japan, China, South Korea, Singapore – have already been playing a significant role in the sphere of global economic relations – by being involved in the process of global integration – their influences may be subject to intensification due to regional cooperation.

- All the indicated goals require that Asia reaches a higher stage of uniformity in the economic sphere both in intraregional relations and on the forum of global institutions.
- Although the new ASEAN and ASEAN + 3 initiatives have contributed to the increased sense of community on the Asian continent on the threshold of a crisis, those institutions still have not achieved a high political potential.
- The economic progress of Asia will depend on the ability of the region to further reduce political tensions between the economies of the continent and of the rest of the world.

#### **4. Differences between integration processes in Europe and Asia are the following:**

- Intensification of economic integration processes in Asia proceeded in 1990s and in the 21<sup>st</sup> century, that is much later than in Europe, which means in the reality of greater global correlations. At the same time, Asian economies are strongly integrated with countries both within and beyond the Asian continent, due to which they largely contribute to the sphere of global relations.
- The financial cooperation in Asia has a short history which dates back to the period of the 1997-98 crisis. Since then numerous Asian economies have formed strong relations with global financial markets. In contrast, capital markets of a large number of European economies have been developing in a way simultaneously to the progress of the regional cooperation process.

- The European regionalism was initiated in a small group of economies which were at a similar stage of development, gradually incorporating neighbouring countries which were at a lower level of economic development. In contrast, the Asian pro-market integration course combines economies strongly differentiated in terms of development.
- At the turning points of the European integration process the strongest countries of the region – usually cooperating with one another – played a crucial role in stimulating cooperation processes. In Asia, however, cooperation is stimulated by economic impulses.
- While cooperation on the Asian continent focused on the economic sphere, European integration comprised political and social issues, with the media and civil society playing a significant role.

## Conclusion

- The Asian regionalism is being shaped in extremely diversified considerations, as opposed to the European one. This is connected with the fact that it is faced with the challenge to reconcile high economic, political, and cultural diversification, and it is shaped in the reality of a much strongly globalised economy.
- Some economic issues discussed on the Asian forum are identical to the European challenges; thus, Asia has the possibility to use the valuable European experience. Nevertheless, the goal, dynamics, sequence, and form of the Asian regionalism naturally remain divergent.
- The Asian regionalism ought to be evaluated not from the angle of copying the European model, but of the correspondence and effectiveness as far as the reality of the Asian continent (and consequently the whole world) is concerned.



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