

Regional Trade Integration: Empirical Investigation of Trade within the European Union versus Association for South East Asian Nations

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Abstract : Abstract— With the advent of globalization, different countries have liberalized their trade policies to enhance economic integration and developmental processes but the advantages accrued vary greatly from region to region. This study specifically examines European Union (EU) and Association for South East Asian Nations (ASEAN), two regions that show contrasting integration patterns. EU shows most successful integrations versus the slower paced integration in the ASEAN region. A comprehensive panel data empirical investigation of EU and ASEAN in the context of economy size, geographical distances, language, ethnicity, common border and regional trade agreements (RTA) is conducted for a period of 1985 - 2015. The empirical investigation through the augmented gravity equation shows that the real effectiveness for enhanced intra-regional trade is significant when specific examination of export and import components is conducted in the presence of non-tariff barriers. These barriers surface in the form of terms of trade openness, inflation, exchange rate, common borders, common language, ethnic similarity, and presence of a formal regional trade agreement (RTA). Thus, these factors can be utilized by the EU and ASEAN regions in order to formulate effective policy tools to enhance trade within their respective spheres of influence.

Keywords : Association for South East Asian Nations, European Union, Gravity Model, Regional Trade

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