



ASEAN and EU economic integration: a comparative analysis

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Abstract:

By establishing a single market and production base, making ASEAN more dynamic and competitive, ASEAN Economic Community (AEC) aims at deeper and broader economic integration between ASEAN member countries. Although the AEC model is still far from the European Union (EU) - style economic integration, there has been a question commonly asked – will AEC lead ASEAN to EU-style economic integration? Recently, when EU has encountered public debt crisis, the economic integration model of EU, which was considered a successful one, has revealed its own problems. By applying the economic integration theory to compare the model of economic integration in EU and in AEC, the paper's objective is to identify the differences of economic commons in EU and AEC. The paper found out significant differences, especially the level of economic integration of the two models.

Keywords: AEC, EU, single market, economic integration

1. Introduction

Officially established in 1967, the Association of South East Asia Nations (ASEAN) has developed from the first five countries members to nowadays ten consisting Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos, Vietnam and become one of the world's most successful regional organizations. ASEAN covers a land area of 4.46 million square kilometers and has a population of nearly 600 million people, accounting for 8.8% of the world population.

With the initial aim toward the acceleration of economic development, social and cultural progress, regional peace and stability, ASEAN has flourished and achieved remarkable accomplishments. In 2011, ASEAN's combined nominal GDP grew to more than US\$ 2 trillion, total trade reached approximately US\$ 2.5 trillion which made up of 17.7% of Asia total import and export¹.

Despite significant accomplishment of improved living standard, poverty reduction, cultural and social enhancement and political stability, especially in the first ASEAN five Indonesia, Malaysia, Singapore, Thailand and the Philippines, ASEAN nowadays witnesses a fierce competition from the huge emerging neighbor i.e China and pressure from recent crisis of the world economy. This has urged ASEAN leaders to speed up the process of integration to the establishment of ASEAN Economic Community which considered a superior level of integration than it is today. The announcement of establishing ASEAN Economic Community, along with the other two pillars ASEAN Security Community and ASEAN Socio-cultural Community that make up the ASEAN Community, has been paid notable international attention.

¹ www.trademap.org

Prosperity and sustainability are foreseen to the success of this daring project, yet debates are necessary in seeking of the most proper road map for ASEAN to set foot to achieve this goal. Among controversies, the European Union (EU) economic integration model arises and receives heated interest and consideration. What are the difference between the EU-style economic integration and AEC? Is it suitable for AEC to practice EU model in nowadays situation, especially with the downward symptoms in EU performance witnessed recently? As sharing these concerns, this research is a step of finding proper answer for these questions by concentrating on the most fundamental matter: the current economic integration level of EU and AEC. With the name “ASEAN and EU economic integration: a comparative analysis”, the author does wish to contribute a clear understanding about AEC and ASEAN’s economic integration level regarding to that of EU, in order to bring another perspective of the optimal roadmap for ASEAN to achieve AEC.

2. Literature review

Over the world there have been a number of researches and studies concerning to these matters, especially ones which shed in-depth views on the regionalism theory and the integration progress comparison between regional organizations. Among them, remarkable are “Roadmap to an ASEAN Economic Community” by Hew (2005); “Brick by brick: The building of an ASEAN Economic Community” by Hew (2007) and “Comparative Regional Integration: Europe and Beyond” by Laursen (2010).

In work of group of scholars which were edited by Denis Hew in 2005 and 2007, an essential image of ASEAN Economic Community was depicted with clear understanding on concept, costs and benefits. According to Hew (2005), the ultimate goal and also form of integration for the AEC is the creation of a fully integrated market – a common market where good, service, capital and labor are freely mobilized – by 2020. This process can be brought to an even broader term after the deadline of 2020.

Other contributors for the study of ISEAS also suggest several policies including the foundation of a “regional unit” which are operated by member nation’s official to take responsibility of the implementation of common policies adopted towards the AEC or the consideration of a “Custom Union plus” model – a significant high level of integration with regionalism basis.

There are lessons drawn from one of the most thriving regional economic organizations of the world EU on the method to achieve wholly integration level proposed by one of the co-authors Plummer (2005). He comes to his conclusion by going through a thoughtful study using both qualitative and quantitative method. The empirical result reflects the effect of policy on integration process of EU: trade is driven bias towards intraregional when compares to that with the two main non-member trade partner US and Japan though the DFI figure always makes up a remarkable contributing factor. The statistical analysis proves a clear relation between EU policy and the trade flow, both trade creation and diversion among the region and impact on integration innovation in EU. Plummer (2005) also makes further indication when he mentions to the creation of a “Custom Union Plus” by the deadline of 2020 and deeper cooperation in finance and monetary matters.

of common policy on the integration level in EU. This, though not yet come to the

In Hew (2007), Peter. J. Lloyd views the ultimate goal single market of AEC from the perspective of economic integration and The Law of One Price. He comparably discusses these two concepts in term of interpretation, application, progress in seven main regions including ASEAN, EU, and CER which all adopted the goal of single market and then comes to the suggested stages needed for ASEAN to achieve this target. The significant development here is the method Lloyd uses to measure and compare integration level between regions. It is a regional trade agreements based typology. By collecting data of RTAs accomplishment in each region in four markets service, goods, capital and labor and separating in three stages and three measure of border, beyond the border and across the border, integration progress in each region is reflected. This method is prominent in the way that the number of regional trade agreements one region adopts indeed tell how much trade barrier and discrimination are abandoned in that region and therefore indicates the integration progress. However, there are other sides of integration progress needs fully consideration before coming to a comprehensive conclusion. Following this method of measuring integration process, data of RTAs in regions will be updated to recent time and combined with other manner to renovate the comparison between EU and ASEAN economic integration process.

On the side of European Union, however, there are variety of studies and researches regarding approach and method. The history of over 50 years of development into the most powerful economic and political union has given EU huge attractiveness to scholars all over the world. Though studies of EU vary in purpose and perspective, all of them generally provide realization about this regional organization and helpful material for latter exploration in evaluation with other regions. Nonetheless, for the main focus of this research is on comparative work, and specifically on economic integration process, literature review will also look no further than this context. To specify, the research “Comparative regional integration: Europe and beyond” edited by Finn Laursen of The International Political Economy of New Regionalisms Series while hopping to understand European Union and the process of integration in Europe has presented comparison between integration process in Europe with that in other parts of the world. Noticeably among chapters is the research done by Alex Warleigh-Lack: “The EU in Comparative Perspective: Comparing EU and NAFTA”. Starting from the view on old and new regionalism, Warleigh-Lack (2010) attempts to build up a synthetic, pre-theoretical framework for comparative study of regionalization. For the final purpose of modeling this framework is to test the possibility to apply to empirical work by using it to study NAFTA. It focuses on four variables: genesis, functionality, socialization and impact. These four independent variables are then used to investigate the integration process in NAFTA. Undergoing this framework, Warleigh-Lack comes to the conclusion that “it is a useful way to organizing the existing material”. And though Warleigh-Lack previously used this framework to study EU, ASEAN and APEC, it will be practiced in this comparative study receptively to specifically analyze economic integration progress in EU and ASEAN.

To sum up, with the relatively limited understanding about AEC in Vietnam, especially the comparative study between economic integration process of ASEAN and that of EU. This research will strive for analyzing the concept of AEC, economic integration process, practice of economic integration in ASEAN and compare it with that in EU by obtaining knowledge and method from the previously literature, in hope of answering the question whether ASEAN should follow the path of EU in building the ASEAN Economic Community in 2015.

3. Analytical framework

Following the literature review, this section will present the analytical framework of economic integration process and its context including definition, characteristics, effect and manifestation in order to form up the fundamental criterions in the comparison of economic integration process between EU and ASEAN.

What is economic integration process?

The term “integration” is used in everyday context as the combining action of different parts into an integral whole. “Economic integration”, however, undertakes various interpretations in the economics literature. For most common, economic integration is understood as the process in which economic borders are abolished among countries and/or regions participant to give place for a free flow of goods, services and production factors. This economic border removal can present under the absence of different forms of discrimination between national economies which includes the emergence of regional trade agreement (RTAs). As the result, RTAs, whether they are in the stage of implementation or stated as a goal in present policies, becomes one of the indicators of economic integration level. Integration process can be regarded as the practice of globalization or regionalism. And for the concentration of this paper is on the latter – the regional economic integration process is argued by Skulska (2010) basing on the vicinity of geography, culture, economic situation and political institution.

Certain level of economic integration process defines the form of integration. According to Balassa (1961), as the levels increase, we have free-trade area, custom union, common market, economic union and complete economic integration. At the initial stage of free trade area, member nations though abandon tariff for each other remain their own policy of tariff for non-member countries. This equalization in tariff policy towards non-member nation is then inclusive in the custom union. The level of common market happens when all forms of economic discrimination against foreign suppliers among the integrated region are eliminated. When a region reaches the level of economic integration which is the goal of both regions in this comparison EU and AEC, especially the latter in 2015, Lloyd (2004) states, they establish a term called a single market. After achieving the level of common market, regional community moves forward to the economic union which concerns deeper to the removal restrictions on goods and policy contributions. The ultimate accomplishment of economic union is to abandon discrimination in policies factors among participating countries. As a final point, a region reaches the highest level also known as the total economic integration when it integrated monetary, fiscal, social, and countercyclical policies. In order to absorb this level of economic integration, a regional authority is needed to make decision for member states as a whole.

Lying in the process of economic integration, a single market is superior to the common market yet does not reach the level of economic union. Adopted by the EU and recently followed by AEC, a single market should obviously worth more understanding and explanation for its importance in the development of the most successful regional community in the world. Despite the fact that the EU now has gone far further than the model of common market and single market to the economic union, this form of integration is worth to explore because it is the direct goal of AEC at this moment. Beginning at the single market model, we share analyze its practice in both AEC and EU economic integration process.

What is a single market?

In attempt to build up framework and criterion for comparison, it would be better to mention the brief history of “A single market” – a common goal of both sides EU and AEC. The 1957 Treaty of Rome triggered the European Economic Community which was first known as A Common Market. As far as this initial European concept concerned, there are four sectors which required free movement and trade in goods, service, labor and capital. Besides, external trade, agricultural, transport and competition were also mentioned in need of “common policies” as a prerequisite. It was not until the 1985 White Paper (Commission of the European Communities, 1985) that the sight of a Single Market was really uncovered by the realization of some 280 trade borders and measure proposal to get rid of them, though the term used back then was a “fully unified internal market” instead of a Single Market. And on 1st July 1987, a Single Market officially went into action by the approval of the Single European Act of 1987.

As free movement of goods, services, labor and capital are all stated by a common market and single market, so what can distinguish between two terms? Regarding to this, Lawrence (1996) proposed a classification of shallow and deep integration with the former determines abolition in tariff and non-tariff traditional borders for goods trade and other barriers to trade in services and factors production whilst the latter refers to that of beyond-the-border measures. To specify, the economic integration process involve three following set of policies: border policies for import into one member country; beyond-the-border policies for import into one member country and harmonization of policies across member countries. The idea of deep integration by Lawrence, therefore, is broadly accepted in other works of regionalism because it refers to both second and third sets of policies. As a result, shallow integration which covers the first set of measures can be understood as a common market and deep integration as foresaid is meant to be the single market.

The EU has reacted to this definition by describing the Single Market as: “an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured”. In another release, The 1985 White Paper stated: “Unifying the market”. The European Union made their standpoint on the idea of a common market that the cross-borders free movements were not enough for a foreign supplier to be on a balance weight with their domestic counterpart in approaching a market. Instead, all member nations in the integrated region should be treated as if there were no geographical borders between them, likewise, there shall be completely no discrimination concerning the source of goods, services and factor productions among the economic integrated region. This is the essential factor in creating the single market in EU.

In short, the process towards achieving a free flow of goods, services, labor and capital by eradicating economic borders among member nations, also known as the economic integration process is becoming the trend of countries in the world. In this process, a number of economic integration levels have occurred as steps with respect to the complete economic integration which is agreed by prominent scholars to be the formation of a Single Market. The 2003 ASEAN Concord II announced the target of a Single Market by 2020, and now to 2015.

Basing on the above concepts of different levels of economic integration, especially the single market, the author will determine and evaluate the economic integration level at time when the goal AEC formation is completed and compare it with the model currently apply in EU. For the research places attention mainly on a Single

market model rather than other forms of integration, investigation therefore will be based on the conditions of this type. There are four sectors which are brought into consideration as they are components of a Single Market: goods, services, capital and labor market. The freedom in moving resources in each market is calculated by trade agreements and efforts implemented by member countries and common regional policies. Subsequently, the level of economic integration level will be drawn out through the clear understanding of situation in four markets goods, services, capital and labor. This approach is hoped to be not only capable in providing knowledge about AEC but also giving it a comparative look from the case of European Union.

4. A comparison between economic integration in EU and AEC

The building of ASEAN Economic Community

Recently became one of some economic regional organization which adopted a Single Market as a goal, AEC has its own way to create a Single Market with separated characteristics.

In Bali Concord II, the ASEAN Economic Community is described to become a single market and production base to allow goods, services and production factors i.e capital, investment and labor to flow freely within the region in order to achieve upper economic integration level and institutional advancement. The detail steps, however, were not mentioned in this declaration. Instead, “a single and coherent blueprint for advancing the AEC by identifying the characteristics and elements of the AEC by 2015” was submitted and approved in the ASEAN Economic Ministers Meeting (AEM) held subsequently in August 2006 in Kuala Lumpur.

ASEAN Free Trade Area

History of ASEAN Free Trade Area (AFTA) started on 28 January 1992 by the signing ceremony of a Common Effective Preferential Tariff (CEPT) Scheme. According to CEPT Scheme, tariff rates on a large scale of products traded inside the regional border are required to decline to 0 to 5 percent. Since 2003, the ASEAN-6 (the ASEAN-5 plus Brunei) have adopted CEPT's Scheme already. Vietnam successfully applied this tariff removal strategy in 2006, followed by Laos and Myanmar in 2008, and Cambodia in 2010. Until now, ASEAN-6 countries are managed to effectively reduce to 0 to 5 percent tariff 99.77% of the CEPT Inclusion List. Further effort in creating a regional free trade area was made in November 1999 when ASEAN Leaders approved the goal of zero tariffs by 2010 for the ASEAN-6 and 2015 for Cambodia, Laos, Myanmar and Vietnam (CLMV).

ASEAN Investment Area

On 7 October 1998, ASEAN Investment Area (AIA) was born with the target to turn ASEAN into an attractive investment environment for both ASEAN and non-ASEAN investors. Signing the AIA agreement, all participating countries are required to reduce and remove all investment barriers and offer national treatment to ASEAN investors by 2010 and others by 2020. As entering AIA, investors, especially ASEAN ones enjoy the advantages of immense access into economic sectors and industries, a lower level of transaction cost resulted from the more competitive and liberal investment policies. On the other hand, investors are simulated to develop production networks and to follow regional investment strategy. Therefore, AIA is expected to perform as a lucrative investment environment which is greatly industrial efficient and cost competitive and able to handle a large scale of industrial activities and labor division.

At the moment, investment fields covered by AIA include agricultural, forestry, fishery, mining, manufacture and supported services for these sectors. Other industry and service sectors, particularly banking and finance, e-commerce, accounting, engineering, insurance, distribution and logistics, tourism, telecommunications, healthcare, education and advertising are brought in consideration for the scope of AIA due to their huge impact on the inflow of investment.

ASEAN Framework Agreements on Services

The major motive behinds the formation of ASEAN Framework Agreements on Services is to abolish intra-regional trade thus allow services to move freely and strengthen the regional cooperation in this sector by 2015. For this reason, on 15th December 2015, ASEAN Framework Agreements on Services was signed. Under AFAS's operation, AFAS is to become a GATS-Plus agreement by going further the WTO's General Agreement on Trade in Services (GATS) in service liberalization. The target of process of service liberalization run by AFAS includes seven services sectors: maritime transport, telecommunication, business services, construction, air transport, tourism and financial services.

Regarding to the implementation process of AFAS, ASEAN has provided the ASEAN-X principle which is now broadly applied. Following this principal, participating nations can decide the stage they are willing to enter due to their readiness to the liberalization. Also, five specified packages of commitments were also given out to assure commitment among ASEAN countries

Economic integration in service sector in AEC is broaden in architecture, accountancy, engineering service, nursing service, medical practitioners, surveying with the establishment of Mutual Recognition Agreements (MRAs). According to the agreement, sector before joining has to undergo a careful assessment on heaviness of intra-regional trade, technical barriers and interest by member countries.

Economic integration in European Union

The demand of economically integrating in Europe strongly arose after the World War II and was derived mainly in three motivations: the avoidance of a destructive and devastating war, the need of market power and resource to reconstruct the economy and the withstand effort against the Soviet Union influence (thank to this motivation, the integration process in Europe was received greatly assistance from US in early year). The process was kicked start with the essential establishment of the European Coal and Steel Community (ECSC) by the Treaty of Rome signed on March 26th, 1951 with the first six members nation included Belgium, France, Luxembourg, Italy, Netherlands and West Germany. Then, with the aim to limit and control the influence of the US dollar, the European Payments Union was created. Afterward, the community moved on to another aspect of integration process when founding the European Defence Community (EDC) in May 1952 to undertake defence policy for all member countries.

The idea of a Single Market was first revealed by January 7th 1956 when the ECSC approved that steel products imported from Third World countries to be freely moved within the area. In 1957, all the formally six signatories to the Treaty of Rome agreed to take a further step by establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) which aim to obliterate all the trade barriers and found a common external tariff amongst others. Drastic policies went into actions, for instance, compared to the tariff level on industrial products in 1957, that of July 1962 was 50% decreased for all member nations.

Regarding to the agricultural integration, in 1959, a Common Agricultural Policy (CAP) went into practice in accordance with various regulations. This policy was derived from a part of the implementation of crucially creation by the EEC Treaty of Rome the custom union “plus” which also led to the foundation of the European Communities (EC) in 1967.

Continuously, in 1967, the EEC agreed on the principle of the Value Added Tax system and the first medium-term proposal of regional economic policy program’ s aims identifying and fixing for the years ahead as a result of the Council of Ministers decision to harmonize indirect taxes in the community. On the 4th of March 1970, the EEC Council of Ministers received the submitted document on preparation for schedule of the foundation of European Economic and Monetary Union. In May 1971, cooperation in the agricultural sector was tightened monetarily when the Council introduced a compensatory amounts system for trade in agricultural products between member nations so that its operation follows the model of common market.

It took a prolonged endeavor for the European Economic Community to officially become the European Union on the 1st November 1993. Towards the goal of a Single Market where goods, services, capital and labor could be affordable for a free movement within the region by the end of 1992, the Single European Act (1986) had undergone a series of changes in the EEC Treaty of Rome, 284 directives to be exact. The European Community leaders also sought for deeper integration in financial sector with the peak Maastricht Treaty in 1991 which eventually directed to the establishment of European Union (EU). This fundamental of the monetary union indeed came to fruition with a currency “euro” was implemented by 15 member countries. The “euro” adoption made up a turning point in EU integration process since it unified the monetary system into sole currency unit at a prefix euro rate which was the determination for a utterly “hard euro” in 2002.

A comparison: AEC versus EU economic integration level

In this section of comparing economic integration process, the typology by Lloyd (2004) which is mentioned in the literature review will be reused with the updated source of information for ASEAN from the “Roadmap for an ASEAN community 2009 – 2015”. Basically, the idea behinds this method is using the notion of a fully integrated regional market to separate several stages in the progression towards a fully integrated regional market. According to Lloyd, a typical market, say goods, can be distinguished from several types of market organizations. To specify, an area in which there is free trade across national border can be free trade in only goods market or with full national treatment. It can be an area in which there is a single market for all goods or a single (regional) economy. In each categorize, the score of each box is given as – all, some, or none and respectively denoted as “√”, “*” or “x”. For example, regarding to industrial tariff, a sign “√” means the commodity coverage is 100 percent and the percentage cut is 100 percent, with a possible monor exception. The table is designed for 4 major sectors: goods, services, capital and labor market.

Table 1. Progress towards Economic Integration in EU and AEC
Goods market

Border measures	EU	AEC
Elimination of Industrial tariff	√	√
Elimination of Industrial NTBs	√	√

Elimination of Agricultural trade-distorting measures	√	√
Elimination of government procurement barriers	√	*
Prohibition of export incentives	√	×
Prohibition of anti-dumping actions	√	×

Beyond-the-border measures	EU	AEC
National treatment	√	*
Prohibition of trade-distorting production subsidies	*	*

Across-borders measures	EU	AEC
Harmonization of product standards-convergence of product standards	√	*
Harmonization of product standards- mutual recognition of product standard	√	*

Regarding to the economic integration progress in goods market, EU has completed all the barriers elimination in border measures and across border measures, there is only minor scope in beyond border measures which is incompleted. Whereas in AEC, there are only few 100% eliminated barriers that are industrial tariff and non-tariff, agricultural which all make progress compares to the result of Lloyd (2004). Thank to the economic integration, especially these trade barrier abolishment in good markets, intra-region trade has shown the continuing growth and proved the constant expansion of regional market. ASEAN intra-region export kept steady growth trend since 2002 and surpassed 1 trillion dollars in 2003. This trend though underwent a slow down recently and has been argued to be reliant on the world economic crisis and ASEAN marginal point show a magnificent impact on ASEAN economy. During 2000 - 2008, twenty of the top 25 export goods of ASEAN witnessed a blooming in intra-ASEAN trade share which led to the increase in the margin of preference. Though the sharp decline in tariff of some products such as electronics and electrical equipment to zero level by the CEPT elimination program of ASEAN resulted in the going down of its share in intra-ASEAN trade, direction of trade of good towards a bias intra-regional cannot be seriously influenced.

*Table 2. Progress towards Economic Integration in EU and AEC
Services Market*

Border measures	EU	AEC
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Market access	√	√
Temporary movement of business person	√	*

Beyond-the-border measures	EU	AEC
National Treatment	√	√

Across-borders measures	EU	AEC
Mutual Recognition of labor standard	√	*

In service market, from the research of Lloyd (2004), market access and national treatment have been added to the schedule of AEC but not completely due to the number of sectors covered is still limited as mentioned in the ASEAN Framework Agreements on Services.

*Table 3. Progress towards Economic Integration in EU and AEC
Capital market*

Border measures	EU	AEC
FNM Treatment	√	√
Rights of establishment	√	*
Repatriation of capital and profit	√	√

Beyond-the-border measures	EU	AEC
National Treatment	√	√
Prohibition of performance requirements	√	x
Prohibition of incentives to foreign investors	√	x
Investor protection	√	√

Across-borders measures	EU	AEC
Harmonization of business law	√	x
Taxes – double treaty/bilateral investment treaty	√	√
Taxes – harmonization of taxes on business	*	x

For many years, foreign trade investment and capital has played the important role in

the ASEAN economic revival. The high demand of capital needed to finance the development of infrastructure and industry within the region source not only from FDI but also loans. This calls for ensuring macroeconomic stability (to minimize macroeconomic risks being embedded in market interest rates) and capital market development and integrated financial markets for greater liquidity, depth, responsiveness, and efficiency in financial intermediation. Among other economic regional integration areas ASEAN is considered more dependent on the foreign capital, therefore, the recently loss of capital which due to the arising of cheap labor markets like China and India has become the driving force in fastening the free flow of capital among ASEAN in order to gain competitiveness against giant neighbors. Apart from the major mechanism of investment liberalization the ASEAN Investment Area (AIA) which is introduced as one of the three building blocks of AEC, ASEAN has undertake measures to facilitate the free flow of capital among regions including the adoption of complete national treatment, FNM treatment to investors in ASEAN (ASEAN Economic Community Blueprint 2008). Nonetheless, the interest in foreign investors is still underweighted by ASEAN according to the research of The AEC Blueprint Mid-Term Review Project comparing to other regions in the world during the past decade up until 2009. In order to improve the competitiveness of the ASEAN region and the AEC by the time of 2015, focus should be spent on the remaining incompleting measures of taxes harmonization and law harmonization and prohibition of performance requirements to enhance the economic openness and investment environment of ASEAN. In terms of actions to achieve these measures, The ASEAN Capital Markets Forum (ACMF) was founded focusing on the development of an integrated capital market in the region with its detailed list of action points under its Implementation Plan under three distinct phases from 2009 to 2015. There remain major challenges, including the large gap in levels of development which impinge on the level of development of domestic capital markets, wide gap in regulatory standards, and a fragmented financial market infrastructure and different market practices.

*Table 4. Progress towards Economic Integration in EU and AEC
Labor market*

Border measures	EU	AEC
Temporary movement of natural persons	√	*
Permanent movement of natural persons	√	×

Across-borders measures	EU	AEC
Mutual recognition of labor standard	√	*

Capital and labor market see some changes to the result of Lloyd (2004) which indicates that some barriers has been removed. However, ASEAN's leaders to take action in these two markets in order to achieve the goal of free movement in capital and labor of AEC in 2015.

Table 5. Progress towards Economic Integration in EU and AEC

Single market measures

	EU	AEC
Regional competitive law-convergence of competition law	√	√
-Bilateral cooperation agreement(s)	√	*
Intellectual property	√	√
Monetary union	√	×
Fiscal union	*	×

As a result, we can see the comparison towards complete integration of the major RTAs. Among the objective areas, EU undoubtedly steps nearest to the complete integration. The AEC though has much progress since the initial research was taken in 2004, still in need of numerous efforts until the accomplishment of total integration. Nonetheless, in terms of single market measures, AEC has made a huge step when successfully establishing the regional competitive law – the law of one price which has engaged with the concept of A Single Market in ASEAN region. Also, significant development has been seen in several criteria like in the concern of elimination of government procurement area from zero achievement in 2004 to witness some at the recent time. From the scoring result above, we can first come to the simply words about integration level in AEC and EU. While the European Union has successfully adopted a Single Market started to show some characteristic of an economic union, the AEC which currently perform nearly as an economic free trade area , by the time of establishment in 2015 will also share some characteristics of a single market.

5. Conclusion

As achieving the completion of the building of ASEAN Economic Community by 2015, ASEAN is closing the gap towards the goal of a single market. This goal, though varies in interpretation among several regional trade agreement which adopted it, shows a great determination and effort of ASEAN leaders in helping ASEAN become a powerful community in Asia and all over the world. The goal of Single market by 2015 of AEC requires much effort from all member nations but AEC has the right to be confident for the path they are moving.

The Single Market envisioned by AEC leaders is a market where “all goods, services, capital and labor are flown freely across the region”. Under this definition, numerous actions have been taken to bring this goal into practice including announcement and action plan in very Summit conference of ASEAN. Significant outcome can be noted as the foundation of three building blocks of the AEC which are ASEAN Free Trade Area, ASEAN Investment Area and ASEAN Framework Agreements on Services. The elimination of many trade barriers border measures, across border and beyond border in the entirely four sectors of goods, services, capital and investment have rewarded ASEAN initial fruition of growth in intra-region trade. Compared to the economic integration in the European Union, that in AEC shares some interesting similarity and difference. First, the institutional situation that ASEAN faces in the 21st century is far different from what EU dealt with 50 years ago, plus international economic today is much more different. However, ASEAN nowadays enjoy the advantage feature of a economic background, income, social and cultural diversity,

this would result ASEAN to a good complementary among participating countries in the region. In term of economic integration progress, EU is undoubtedly more developed than AEC with the majority of market barriers are now completely removed. With the present position approaching the political union, EU's accomplishment would encourage AEC much in fasten the process of economic integration to achieve AEC by 2015, especially in sectors which shows remarkable gap like capital and skilled labor.

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