EU and ASEAN: is comparing useful?

Rogier Busser, Leiden University

Content

- Framework for analysis of regionalism
- EU – history, objectives and structure
- ASEAN – history, objectives and structure
- Current state, problems and ambitions
- Conclusions
- Discussion – Q and A

Framework analysis of regionalism

- Constitutional economics: regional integration agreements (RIA) require an economic constitution. Keywords: Economic integration and institutional integration
- The term economic constitution, refers to sets of rules and their enforceability, and the contractual nature of the ‘constitution’ itself.
- Neoliberal institutionalism (NLI): a theoretical bridge between liberalism and (neo) realism
- Liberalism: importance of non-state actors, state consists of many actors, end of nation-state
- Realism: the international realm is anarchic and consists of states that are unitary, rational actors competing in zero-sum games; military security
- We concentrate on institutions and take both states, MNC’s and politics as institutions

European Union

- 1952 six countries, European Coal and Steel Community, Schuman, ideals
- 1958 European Economic Community (customs union)
- 1993 Maastricht Treaty
- Community, union or federation but no constitution
- 2004: rejection proposal European constitution
- Democratic deficit?
- Lisbon agreement (2007/9): qualified majorities, stronger parliament: a sort of economic constitution

European Union (28)

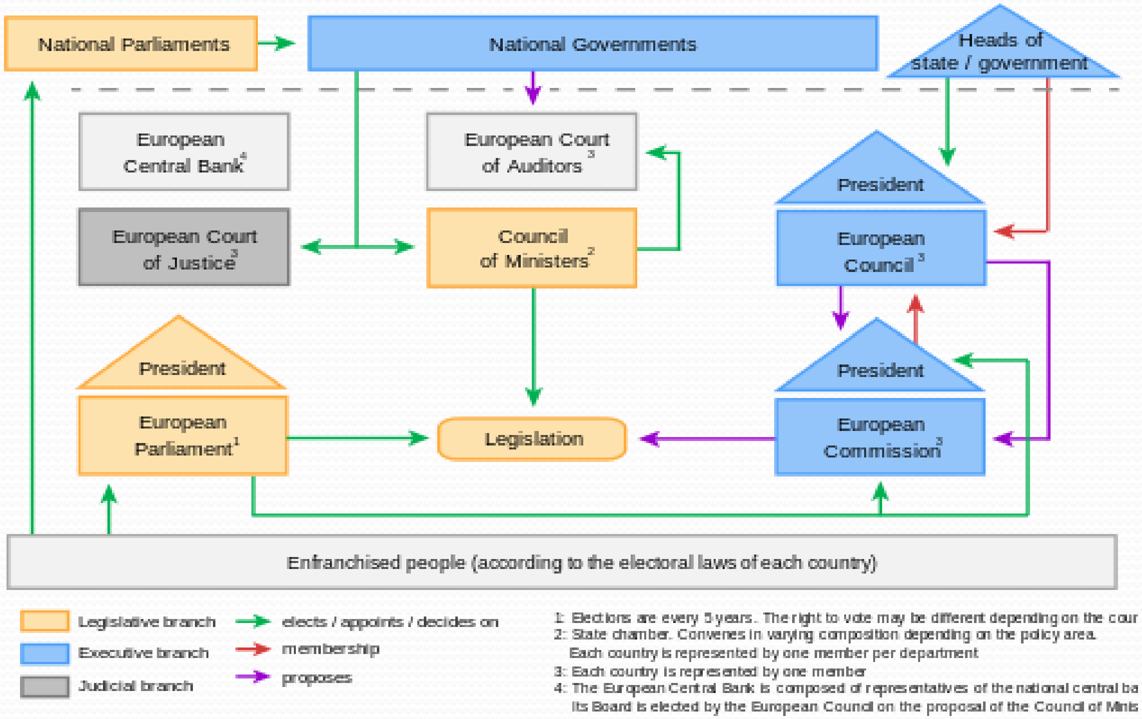
ASEAN

- 1967: five countries
- cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter
- Enlargement(s) to ten countries: 608 million people

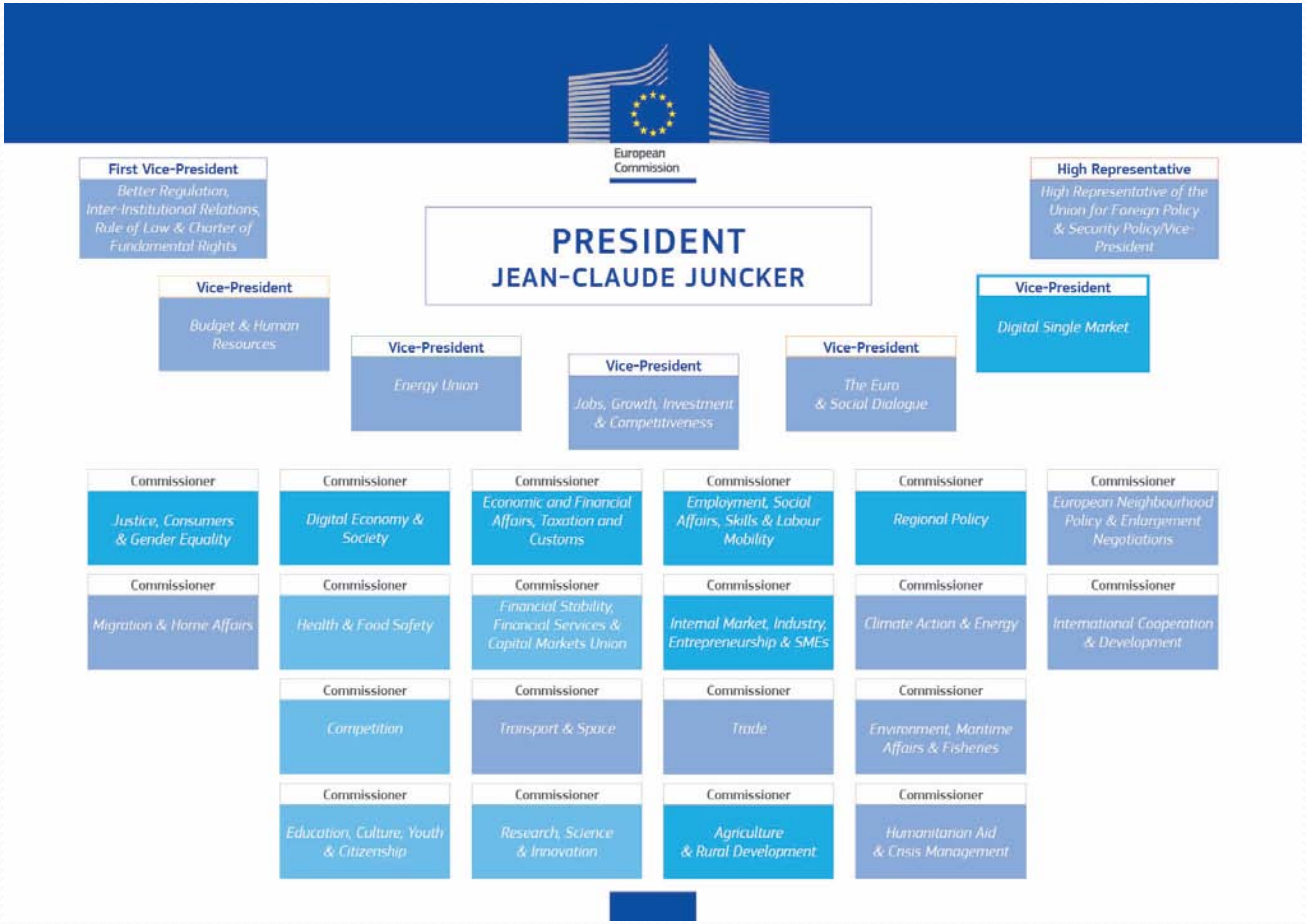
ASEAN


ASEAN Member Countries
LAO PDR
MYANMAR
THAILAND
PHILIPPINES
VIET NAM
CAMBODIA
BRUNEI DARUSSALAM
MALAYSIA
SINGAPORE
INDONESIA

Structure of the European Union



The European commission



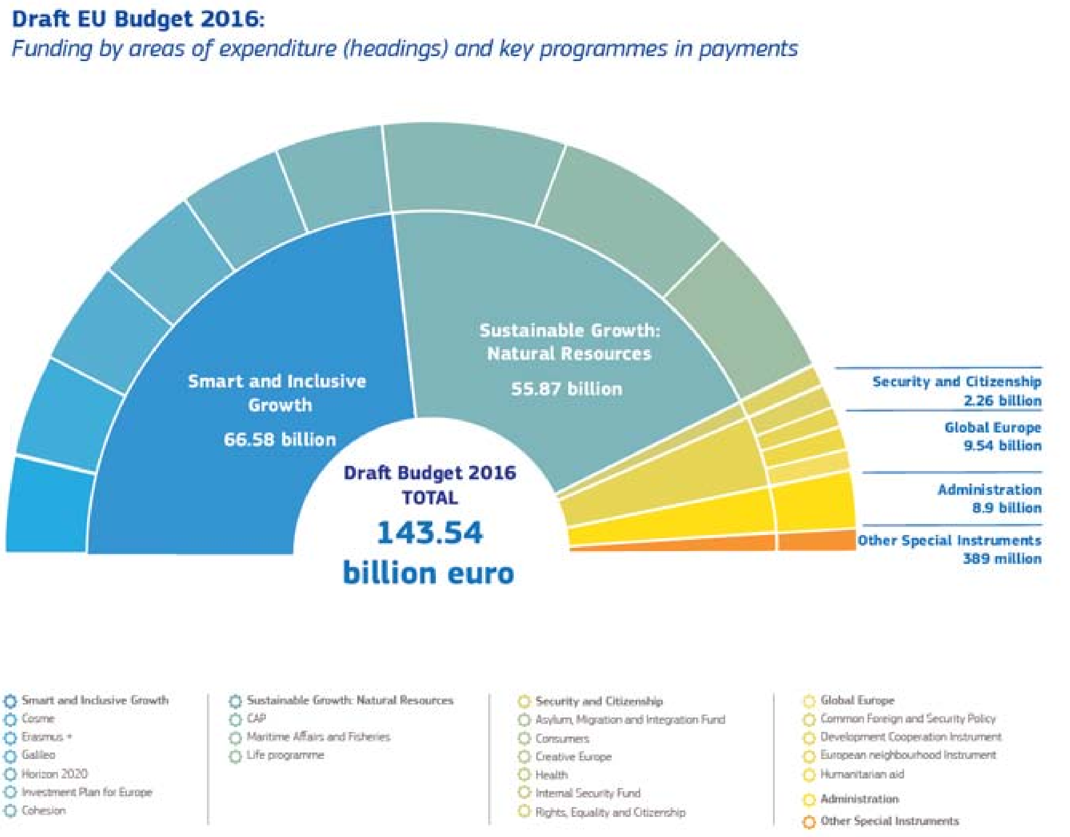
European commission

- is the "government"
- submits proposals for new legislation to the Parliament and to the Council
- implements EU policy and administers the budget
- ensures compliance with EU law ("guardian of the treaties")
- negotiates international treaties
- based in Brussels

How is the EU financed?

- a small percentage of gross national income (usually around 0.7%) contributed by all EU countries - the largest source of budget revenue. The underlying principles are solidarity and ability to pay – though the amount may be adjusted to avoid over-burdening particular countries.
- a small percentage of each EU country’s standardised value-added tax revenue, usually around 0.3%.
- a large share of import duties on non-EU products (the country that collects the duty retains a small percentage).

EU budget



Draft EU Budget 2016:
Funding by areas of expenditure (headings) and key programmes in payments
Smart and Inclusive Growth
66.58 billion
Sustainable Growth: Natural Resources
55.87 billion
Draft Budget 2016
TOTAL
143.54
billion euro
Security and Citizenship
2.26 billion
Global Europe
9.54 billion
Administration
8.9 billion
Other Special Instruments
389 million
Smart and Inclusive Growth
Cosme
Erasmus +
Galileo
Horizon 2020
Investment Plan for Europe
Cohesion
Sustainable Growth: Natural Resources
CAP
Maritime Affairs and Fisheries
Life programme
Security and Citizenship
Asylum, Migration and Integration Fund
Consumers
Creative Europe
Health
Internal Security Fund
Rights, Equality and Citizenship
Global Europe
Common Foreign and Security Policy
Development Cooperation Instrument
European neighbourhood Instrument
Humanitarian aid
Administration
Other Special Instruments

Five crises in the EU

- Refugee crisis
- Low growth rates
- Monetary crisis
- (Civil) wars in neighboring countries or areas
- Euroskepticism

Refugee crisis

- Syria, Afghanistan, African countries
- Greece, Italy
- European policy?
- Political divide within Europe
- Political divide within Germany

Low growth rates

- EU 2015 1.5%
- USA 2015 2.4%
- China 2015 6.9%

- Unemployment:
- EU 10.9%
- Germany 6.4%
- Spain 22.0%
- Greece 25.1%

Solutions to slow growth

- Liberalization of markets:
- Energy market
- Capital market
- Transportation market
- Digital market

Monetary crisis

- Greece (11/2009): announcement on larger debt
- Financial markets lost trust, Grexit?
- Troika stepped in: IMF, ECB and EC – bailouts
- Austerity measures: budget cuts, tax increases
- Structural reforms: pension system, tax evasion, number of civil servants
- Strong protests from left to rightwing, Grexit?
- Dismantling the welfare state
- Relationship with Germany, France and Italy

Monetary crises

- Spain (99%), Portugal (130%) and Ireland (110%)
- Austerity measures
- High unemployment
- Migration
- Housing prices
- Political change

Deepening the EMU

- Coordination of economic policy-making between Member States
- Coordination of fiscal policies, notably through limits on government debt and deficit
- An independent monetary policy run by the European Central Bank (ECB)
- Single rules and supervision of financial Institutions within the euro area
- The single currency and the euro area

Main actors in EMU

- The European Council – sets the main policy orientations
- The Council of the EU (the 'Council') – coordinates EU economic policy-making and decides whether a Member State may adopt the euro
- The 'Eurogroup' – coordinates policies of common interest for the euro-area Member States
- The Member States – set their national budgets within agreed limits for deficit and debt, and determine their own structural policies involving labour, pensions and capital markets
- The European Commission – monitors performance and compliance
- The European Central Bank (ECB) – sets monetary policy, with price stability as the primary objective and act as central supervisor of financial Institutions in the euro area
- The European Parliament - shares the job of formulating legislation with the Council, and subjects economic governance to democratic scrutiny in particular through the new Economic Dialogue

(Civil) wars in neighboring areas

- Arab spring (Egypt, Tunisia, Libya)
- Syria
- Ukraine
- Turkey
- Association agreements with over 20 countries
- European Neighbourhood Policy promotes reform, the rule of law, stable democracies and prosperity

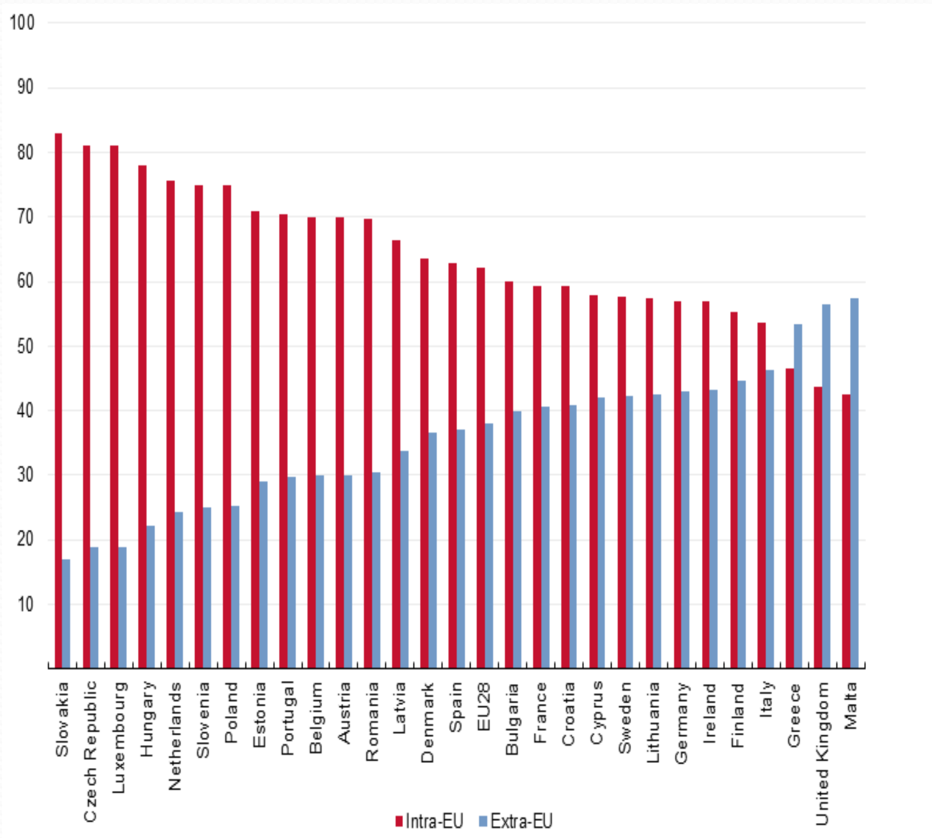
Euroskepticism

- Weakening the nation state
- Undemocratic
- Too bureaucratic
- Radical rightwing parties
- Special position UK

Brexit?

- Referendum on British exit (summer 2016)
- Overregulation
- Retain market access (Norway or Swiss)
- No payments to EU budget
- Trading freely with non-EU partners
- Immigration issue

EU trade

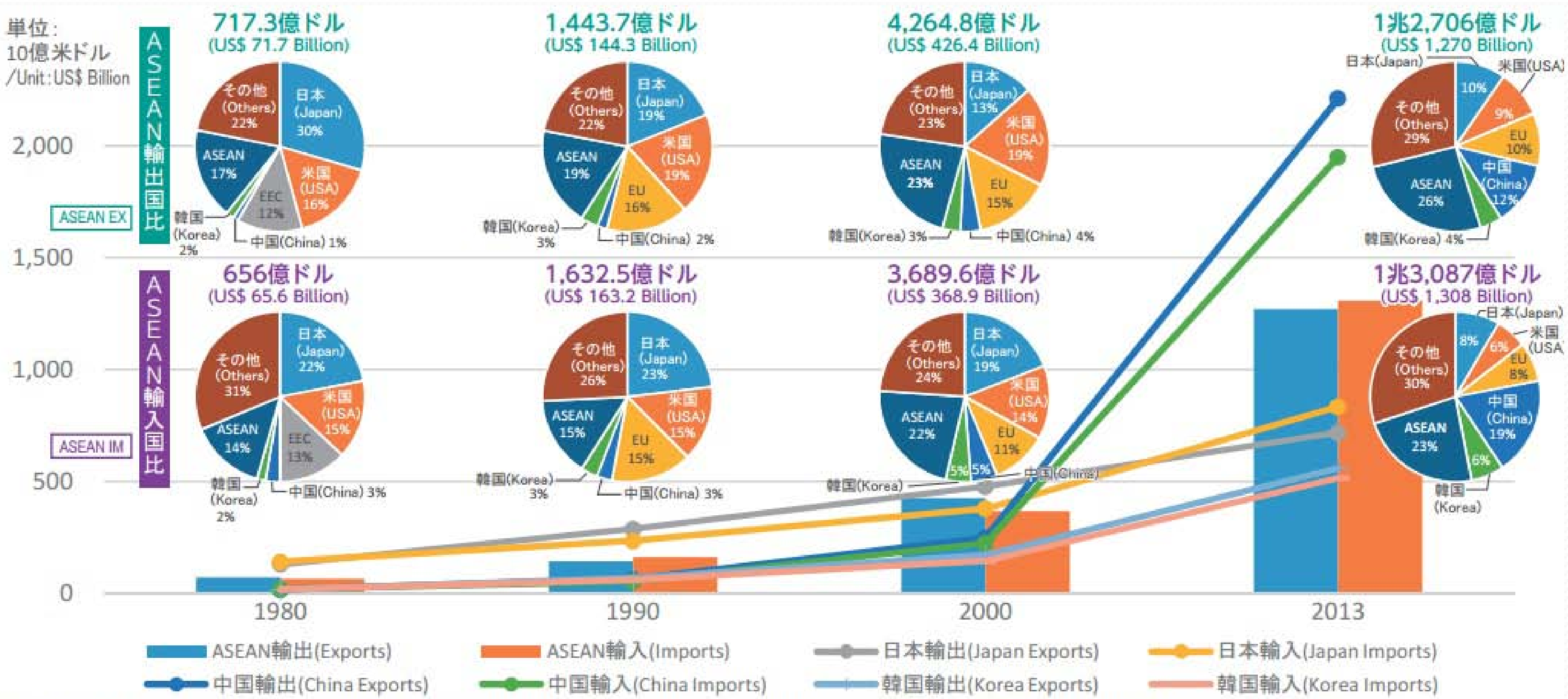


	Proportion of trade with EU-28 partners 2002	2013
EU-28	68.3%	62.0%
Belgium	75.5%	70.1%
Bulgaria	62.3%	60.1%
Czech Republic	86.3%	81.1%
Denmark	69.9%	63.5%
Germany	63.7%	57.0%
Estonia	81.7%	71.0%
Ireland	66.0%	56.9%
Greece	61.1%	46.6%
Spain	74.9%	63.0%
France	65.2%	59.3%
Croatia	66.1%	59.2%
Italy	61.7%	53.7%
Cyprus	57.8%	58.0%
Latvia	77.8%	66.4%
Lithuania	69.3%	57.4%
Luxembourg	88.3%	81.0%
Hungary	85.4%	77.9%
Malta	47.4%	42.6%
Netherlands	80.5%	75.7%
Austria	76.1%	70.0%
Poland	81.5%	74.8%
Portugal	81.4%	70.3%
Romania	74.1%	69.6%
Slovenia	77.3%	74.9%
Slovakia	90.1%	83.0%
Finland	61.2%	55.3%
Sweden	58.6%	57.7%
United Kingdom	61.4%	43.6%

ASEAN objectives

- Single market
- Integration and single production base
- Step by step approach
- Low tariffs
- Capital markets
- Relative high growth
- ASEAN plus 3 and who benefits?

ASEAN trade



Source：International Monetary Fund World Economic Outlook Database, http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx

FDI in ASEAN


TOP 10 INVESTORS
value in 2022 ($ bn)
value in 2023 ($ bn)
% of total
19
17
22.80
21.32
15.23
9.71
9
9
12.15
10.49
10.44
7
7.86
8.64
4
4.37
4.52
3
9.13
3.76
3
3.52
2
2.49
2
5.57
2.31
Japan
Asean
Netherlands
United Kingdom
China
Hong Kong
United States
South Korea
Belgium
Luxembourg

ASEAN structure (neoliberal institutionalism approach)

- ASEAN intergovernmental organization. The decisions are made under the procedure of consultation and consensus, without any independent dispute settlement body or parliamentary assembly or a representation of societal interests (NGO's).
- Strong diversity in economic development
- More open than Europe in the 1950's
- No bureaucracy
- Role for (foreign) enterprises

ASEAN: Economic constitutionalism

- ASEAN charter lacks effective compliance mechanism or punishment for noncompliance.
- No elements of an economic constitution: a court-based system; compensatory mechanisms; leadership of the constitutional structure, a budget
- Disagreements regarding leadership and territorial disputes. There is considerable cultural, legal, economic and political heterogeneity, and little willingness to cooperate on issues affecting national interests and sovereignty.
- There is a lack of a political will to bring about compensation policies

Comparison

ASEAN

- 608 million, 10 member states
- AEC but modest ambitions
- No economic constitutionalism
- No imminent crisis and no need for change
- Military cooperation limited

EU

- 510 million, 28 member states
- Far reaching ambitions
- Economic constitutionalism
- Number of political and economic crises and need for more institutional coherence
- EU and NATO

Conclusion

Historical, geographical and political factors influence regional integration

EU model difficult to apply to ASEAN

Economic constitutionalism versus neoliberal institutionalism

Need for new approaches

Thanks for your attention!