Opinion of the European Economic and Social Committee on 'EU-ASEAN Relations'

(2011/C 21/04)

Rapporteur: **Claudio CAPPELLINI**

On 26 February 2009, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

EU-ASEAN Relations.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 11 May 2010. The rapporteur was Claudio Cappellini.

At its 463rd plenary session, held on 26 and 27 May 2010 (meeting of 26 May), the European Economic and Social Committee adopted the following opinion by 163 votes to with 5 abstentions.

1. **Conclusions and recommendations**

1.1 The EESC stresses the centrality and need for renewed and more incisive relations between EU institutions and ASEAN. To this end, this opinion follows up on earlier EESC opinions on the same issue [1] which more than ten years ago had already stressed how important it was for the EU to focus more on Southeast Asia. They also pointed out the fundamental contribution that the EU could have made to regional integration in Asia.

1.2 The EESC notes, however, that the hoped-for progress in EU-ASEAN dialogue has not progressed as expected. Despite financial and other efforts to promote structured EU-ASEAN dialogue, bilateral negotiations in various areas (political, cooperation, trade, etc.), concrete results are weak and dialogue with and between civil society is still operating below its potential. The intervening decade seems to have been more of a missed opportunity than a time for developing a partnership with a region that is considered strategic to EU interests in the world [2]. Trade negotiations are emblematic of the situation. While the EU and ASEAN agreed to suspend negotiations, ASEAN has concluded trade agreements with other key geo-economic entities (China, India, Australia, and negotiations are underway with the USA, South Korea and Japan).

1.3 Today, in a profoundly different international environment, where political and economic constraints are stronger than they were a decade ago but where new opportunities for integration and dialogue have emerged, this EESC opinion seeks to put forward a number of practical proposals for relaunching EU-ASEAN relations.

1.4 The Committee reiterates the fact that guarantees for decent work that respect human dignity and compliance with the eight ILO Conventions embodying core labour standards remain absolute prerequisites for moving forward in regional partnership. In the case of Myanmar the issue of human rights protection is an insurmountable obstacle to entering into negotiations with this country, as effectively underlined by the European Parliament in January 2008. The EESC nevertheless welcomes the fact that EU-ASEAN trade negotiations are setting more ambitious targets than other trade agreements concluded with ASEAN, especially for labour and environmental standards, and social dialogue [3]. *In this light, the bilateral approach (see point 4.2.2) should be seen as a first step towards regional or multilateral trade agreements, and not their abandonment. In its Opinion on New Trade agreements negotiations (CESE 773/2008) in April 2008, the Committee made it clear that in these as well as other negotiations foreseen in its 'Global Europe' Communication, the Commission should make the 27 conventions listed by the GSP Plus system 'represent the minimum threshold for discussing the Sustainable development chapter in the negotiations with the Asian countries'. This included the negotiations with ASEAN. However, the Opinion recognised that this would need to 'be evaluated on a case by case basis'. This Opinion also made it clear that bilateral agreements (see point 1.2) 'must be seen as compatible with and indeed eventually strengthening multilateralism'.*

1.5 Experience has shown the advantages to both sides of cooperation and dialogue with international partners in various parts of the world. They permit better mutual understanding and a more effective approach to the challenges and problems to be resolved. For this reason, the EESC stresses the need for greater social partner and civil society involvement (at EU level as well as in third countries) in socio-economic sustainability impact assessments on free trade agreements with ASEAN countries. Their involvement is also required in assessing the vulnerability of the social groups most exposed to competition and the need to build the capacity of civil society and foster sustainable development in the EU-ASEAN structured dialogue. It is worth stressing that relations with the EU have been more effective in those ASEAN countries (such as Indonesia, Thailand and the Philippines) where civil society organisations are more deeply rooted. The current challenge is to find effective ways

[1] EXT/132 of 1996; EXT/153 of 1997.

[2] See European Commission Communication on 'Global Europe: competing in the world', 2006.

[3] Although it is clearly impossible to compare the two situations, Chapter 13 of the EU-South Korea free trade agreement could serve as a useful reference model.

of cooperating with the weaker civil society organisations in the other countries of the region.

1.6 The EESC hopes – and is ready – to work with other EU institutions in this area in order to foster and facilitate strengthened dialogue with civil society in ASEAN countries and contribute its expertise to that end, especially with regard to the most vulnerable groups. This could certainly be facilitated and bolstered if carried out in close cooperation and coordination with the new diplomatic service for EU external relations.

1.7 The Committee advocates the launch of an **integrated and inclusive platform of EU-ASEAN social organisations** to support key themes in the inter-regional integration process, as well as to support the capacity building of organisations that represent the needs of local civil society, especially in countries where such organisations are weaker. This new instrument for cooperation between EU-ASEAN civil society players would promote an integrated capacity building strategy through experience sharing on specific case studies and various aspects of the integration process, such as socio-cultural dialogue, cooperation in science and production, services of general interest and crisis management.

1.8 With this in mind, the Committee recommends assessing the feasibility of setting up a **European foundation** – possibly with the involvement of the ASEAN Foundation ([4]) and/or the Asia-Europe Foundation (ASEF) ([5]) – specifically geared to EU-ASEAN social, civil, professional and intercultural dialogue. A realistic annual activity programme could then allow useful monitoring to be carried out for interested EU institutions.

1.9 In the short term, the Committee also suggests introducing an '**annual report' on the state of play for participatory models and systems in ASEAN** in order to assess progress made, with specific areas of focus, such as food security, water and health. The report would enable the regular screening and monitoring of activities implemented on the ground in order to promote the socio-cultural dimension. It could also facilitate comparison between similar models and actions implemented by key international organisations, especially the FAO, as well as other international players (e.g. the USA and Japan).

1.10 Finally, in order to promote dialogue and institutional cooperation between the social partners, the Committee suggests setting up a **permanent dialogue between ASEAN officials and delegates to the EESC** to generate opportunities for regular institutional discussions and cooperation, including in connection with the main events of the organisation and the key moments in EU-ASEAN and ASEM structured dialogue. For example, the Commission should promote permanent dialogue between ASEAN representatives at all levels and European (and interested national) organised civil society representatives on the basis of a shared and realistic action programme (e.g. discussion of EESC opinions on ASEAN member states). The results of such activities should provide for forms of quali-quantitative assessment that are easy to understand in all EU and ASEAN languages. An EU-ASEAN forum in this field, promoted by the EESC, could be of interest to various institutions and public and private entities.

2. **ASEAN: characteristics and history**

2.1 Since its establishment, ASEAN has developed gradually and in stages to assume, over time, a different and more complex form. Although it was set up during the geopolitics of the Cold War for reasons of regional stability, to give legitimacy to newly independent nations, and to promote multilateralism, ASEAN has gradually extended its regional integration process, initially economic and commercial, to a more advanced form of institutional, economic, and socio-cultural integration, partly in reaction to the economic crisis of 1997.

2.2 Since the conclusion of the Rome treaties – but even more recently, following the introduction of the single currency and the enlargement to Eastern Europe –, the EU has been a 'natural source of inspiration' for ASEAN, and EU-ASEAN structured dialogue has certainly influenced the more recent developments in Southeast Asian integration. The ASEAN Charter of 15 December 2008 ([6]) gave the association legal personality. At the 14th ASEAN Summit of Heads of State and Government, in 2009, ASEAN outlined a roadmap for establishing a common market by 2015. The ASEAN Community has thus created a three-pillar structure for itself, namely the Economic Community (AEC), the Political-Security Community (APSC) and the Socio-Cultural Community (ASCC) ([7]).

([4]) The ASEAN Foundation was set up on 15 December 1997 in Kuala Lumpur during the Association's 30th Anniversary Commemorative Summit. It aims to promote the livelihoods and well-being of the peoples of South East Asia, as well as better awareness of the advantages of regional integration through people-to-people contact and collaboration with social and academic institutions.

([5]) The Asia-Europe Foundation (ASEF) was founded in February 1997 by ASEM countries. It promotes dialogue and cooperation between Asian and European nations through intellectual, cultural and people-to-people exchanges involving civil society and communities.

([6]) See The ASEAN Charter, Singapore, 20 November 2007. This constitutional treaty, comprising a preamble, thirteen chapters and fifty-five articles, provides the association's architectural framework.

([7]) See the ASEAN Economic Community (AEC) Blueprint (Singapore, 20 November 2007), the ASEAN Political-Security Community Blueprint (Cha-Am, 1 March 2009) and the Blueprint for the ASEAN Socio-Cultural Community (Cha-Am, 1 March 2009).

2.3 The implementation of the Economic Community followed the liberalisation of trade under AFTA (ASEAN Free Trade Agreement) and of investment within the ASEAN area, under the AIA agreement (ASEAN Investment Area), with a 5-year derogation for CLMV countries ([8]). The Political-Security Community remains essentially a matter of intergovernmental dialogue. Socio-cultural cooperation mainly concerns cooperation in education, human resource development, ICT, public employment, welfare, poverty reduction, food security, prevention and monitoring infectious diseases, natural disaster management, the protection of the rights of children, women and the differently abled, and environmental protection.

2.4 ASEAN's institutional strengthening has been accompanied by a greater international role. On 1 January 2010, free trade agreements came into force with Australia and New Zealand, with China and with India. The ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) provides for free trade in goods (99 % of major products from Indonesia, Malaysia, the Philippines and Vietnam), services and investment.

2.5 The China-ASEAN Free Trade Area (CAFTA) abolishes customs duty for 7 000 product groups (about 90 % of customs headings), creating an integrated market for a population of about 1,9 billion, with a trade volume of about 4,5 billion dollars. A transition period ending in 2015 has been granted for CLMV countries.

2.6 The ASEAN-India Trade in Goods Agreement (TIG) provides for a gradual tariff liberalisation for over 90 % of traded goods, including 'special products' such as palm oil, coffee, tea and pepper. In this case, again, the agreement establishes a massive integrated market for a population of over 1,8 billion.

2.7 ASEAN also has privileged political and economic cooperation relations with South Korea, Japan and China (ASEAN+3) and the USA, which, as we know, has strategic interests in the Southeast Pacific and has already concluded a free trade agreement with Singapore. President Obama's proposal (negotiations have been ongoing since last March) to expand the Trans-Pacific Partnership (TPP) (currently comprising Brunei, Chile, New Zealand and Singapore) to the USA as well as Australia, Peru and Vietnam is of particular strategic interest.

3. **EU-ASEAN relations: state of play**

3.1 The importance of EU-ASEAN relations is amply demonstrated by trade and financial relations between the two geo-economic entities. The European Commission's Communication on 'Global Europe: competing in the world' (2006) identifies ASEAN as a priority market due to its significant growth potential. Between 2004 and 2008, EU-ASEAN trade in goods and services grew by more than 25 %, reaching EUR 175 billion in the latter year (DG Trade data).

3.2 ASEAN is now the EU's third trading partner after the USA and China, accounting for about 7 % of its total imports. The EU's trade balance with ASEAN shows a significant deficit, amounting to about EUR 25 billion in 2008 (Eurostat data). The EU mainly imports machinery (EUR 29,2 billion in 2008) and agricultural products (EUR 12,4 billion in 2008). The service sector, however, shows a trade surplus (+EUR 2,6 billion in 2007, Eurostat data).

3.3 With regard to investment, during the 2005-2007 period, EU-ASEAN capital flows increased by 200 % in value (up to a total value of EUR 105,4 billion, Eurostat data). European investors contribute about 27 % of total FDI in ASEAN, the vast majority of which goes to Singapore (65 %), followed by Malaysia (9 %), Thailand, Indonesia, Brunei and Vietnam (5-7 % each), with only 1 % going to the other countries. Nevertheless, the same period also saw a significant increase in ASEAN-EU flows, from EUR 29,7 to EUR 43,6 billion in 2007 (Eurostat data). However, 85 % of outgoing flows from ASEAN come from only two countries, namely Singapore and Malaysia ([9])

3.4 Despite growth in trading and financial relations, ASEAN markets maintain significant tariff and non-tariff barriers. The removal of such barriers through an EU-ASEAN free trade agreement would entail clear benefits for the EU, especially in the services sector. There would also be advantages for ASEAN, where – although the impact would vary from country to country – the general tendency is for greater benefits to come with a higher the level of integration (see TSIA, DG Trade) ([10]).

3.5 Trade negotiations launched in July 2007 between the EU and seven non-LDC ASEAN countries ([11]) were nevertheless suspended by mutual agreement, in March 2009. The significant diversity of ASEAN partners from an economic point of view (they vary in terms of human development, life expectancy, poverty levels and public spending priorities) and the range of trading policies, but also profound political differences (suffice it to consider the military dictatorship and human rights issues in Burma/Myanmar) proved insurmountable obstacles even to trade negotiations. On this issue, the EESC holds the same position as the European Parliament, which, in January 2008, expressed the view that it was not advisable to conclude a trade agreement with Burma/Myanmar under the current military regime.

([8]) CLMV is the acronym for the organisation's most recent members (Cambodia, Laos, Myanmar and Vietnam).

([9]) Eleven of the eighteen ASEAN multinationals included among the top 100 at the international level are located in Singapore and Malaysia (UNCTAD data).

([10]) DG Trade, Trade Sustainability Impact Assessment (TSIA) of the FTA between the EU and ASEAN, June 2009, TRADE07/C1/C01 – Lot 2.

([11]) Indonesia, Malaysia, Singapore, Brunei, Thailand, Philippines and Vietnam.

3.6 As moves towards closer economic and trading ties ran out of steam, EU-ASEAN relations on the political and institutional front – albeit exclusively intergovernmental – have recently begun to slowly pick up. Examples include the ASEAN-EU Programme for Regional Integration Support (phase I and phase II) ([12]), the Trans-Regional EU-ASEAN Trade Initiative (TREATI) ([13]) and the Regional EU-ASEAN Dialogue Instrument (READI) ([14]).

3.7 In addition to these agreements, the two organisations have also concluded a joint declaration on combating terrorism (14th ASEAN-EU Ministerial Meeting in 2003) ([15]), and at the 16th ASEAN-EU Ministerial Meeting in Nuremburg on 15 March 2007, they adopted a joint plan of action to implement an enhanced partnership (Nuremberg Plan of Action for 2007-2012).

3.8 The EU and ASEAN maintain political cooperation in the form of joint meetings between their foreign ministers and senior officials. The 17th EU-ASEAN Meeting of Foreign Ministers, held in Phnom Penh, Cambodia, on 27 and 28 May 2009, provided an opportunity to take stock of the first two years of the implementation of the Nuremburg Plan of Action, and to address emerging issues (such as the global recession and risks relating to an A/H1N1 pandemic). It culminated in the 'Phnom Penh Agenda', which sets priorities and objectives for 2009-2010.

3.9 Although not part of EU-ASEAN dialogue, it is worth noting the positive experiences of ASEM (Asia-Europe Meeting), which currently remains the principal channel for multilateral relations between Europe and Asia ([16]). In addition to holding biennial intergovernmental summits ([17]), ASEM hosts the Asia-Europe People's Forum, the Asia-Europe Parliamentary Partnership and the Asia-Europe Business Forum, as well as an internet network of scientific cooperation for education and research communities, the Trans-Eurasia Information Network (TEIN) ([18]).

4. **Key themes of EU-ASEAN relations**

4.1 Without any pretensions to being exhaustive, the EESC believes it would be useful to focus attention on a number of priority areas and critical issues considered strategic to the future development of EU-ASEAN relations in order to provide guidelines and options for concrete action.

4.2 As already pointed out, EU-ASEAN trade negotiations are currently suspended. In order to maintain its commitment to the region, the EU has launched bilateral trade agreements with some ASEAN member states (starting with Singapore and Vietnam).

4.2.1 It is undeniable that ASEAN countries are still very diverse from a political and institutional point of view (ASEAN includes democratic, moderately democratic, and authoritarian states, as well as outright military dictatorships such as Burma/Myanmar) as well as an economic point of view (e.g. there is a clear disparity for all socio-economic development indicators between the ASEAN-6 economies and the four new CLMV countries). Moreover, ASEAN institutions (secretariat and presidency) do not have a negotiation mandate. There is also caution regarding the social cost of deep economic integration for CLMV countries ([19]).

4.2.2 Nevertheless, bilateral negotiations remain a classic 'second best' option and ASEAN countries themselves have severely criticised the exclusion of certain countries (Burma, Cambodia and Laos) from negotiations. In addition, the need to promote truly regional negotiations is essential to strengthen Europe's presence in the region and to facilitate greater dialogue with China, given the close ties between the region's economies. Viewed from this angle, the launch of bilateral negotiations with ASEAN countries should be seen solely as a first step towards broader regional partnership, partly in the light of Asia's centrality to international politico-economic balances and, indirectly, EU-China relations, and partly in the light of the aim

([12]) The *ASEAN-EU Programme for Regional Integration Support* (APRIS I), signed in Jakarta in September 2003, with a contribution of EUR 4,5 million towards the attainment of the Vientiane Action Programme's goals, the implementation of the ASEAN Single Window for harmonising customs procedures, the reduction of technical trade barriers, and the alignment of quality standards in the region and technical assistance to the ASEAN secretariat. The key objectives of APRIS II (see *ASEAN-EU Programme for Regional integration Support* (APRIS)-Phase II, Jakarta, November 2006), however, are: with respect to trade, to promote the alignment of ASEAN standards with international standards; with respect to investment, to promote the adoption of an action plan to speed up the abolition of barriers to the inflow and free movement of capital in the region; and at the institutional level, to promote the strengthening of the ASEAN Dispute Settlement Mechanism and provide assistance to the ASEAN secretariat to ensure its efficient functioning. APRIS II regulates the 2006-2009 period and its financial coverage is guaranteed by an initial EU commitment of EUR 8,4 million. In 2007, an additional commitment of EUR 7,2 million was made in support of APRIS II initiatives, with special emphasis on achieving common standards for countries in the region in the agri-food, electronic, cosmetic and timber product sectors.

([13]) A programme of technical assistance that the EU has committed to provide to Southeast Asian nations to facilitate the attainment of ASEAN integration targets for agro-food and industrial product standards and technical barriers to trade. See the Trans-Regional EU-ASEAN Trade Initiative, Luang Prabang, 4 April 2003.

([14]) READI covers all non-trade areas of cooperation and promotes political dialogue in sectors of common interest, such as the information society, climate change, civil aviation safety, employment and social affairs, and energy, science and technology.

([15]) See *Joint Declaration on Cooperation to Combat Terrorism*, Brussels, 27-28 January 2003.

([16]) ASEM's current 45 partners represent half of the world's GDP, almost 60 % of the world's population and 60 % of global trade (European Commission data).

([17]) The 8th Summit will take place in Brussels in October and will focus on 'Improving the Quality of Life'.

([18]) The TEIN3 project (http://www.tein3.net/) is a gateway that promotes scientific cooperation between 8 000 research centres and academic institutions in the Asia Pacific region and their participation in projects with their European counterparts. Telematic cooperation between European and Asian research is ensured via connectivity with the GÉANT network.

([19]) In compliance with the special and differential treatment provisions adopted by the WTO, the EU is prepared to take into consideration the different levels of development in partner countries. It should be borne in mind that exports from Laos and Cambodia already benefit from preferential access to the EU market under the Everything but Arms initiative.

of Southeast Asian nations to set up a common market by 2015, an objective that the EU supports technically and financially.

4.3 The EU is currently negotiating specific agreements for broader cooperation with ASEAN countries (Partnership and Cooperation Agreements – PCAs) and supports the Initiative for ASEAN Integration (IAI) and initiatives for sub-regional growth areas ([20]). Furthermore, cooperation has also been strengthened in the areas of education and vocational training with the key objectives of raising teaching standards and promoting language learning and the use of modern information and communication technologies ([21]).

4.3.1 Since food security is a sensitive issue, the EU also intends to strengthen cooperation with FAO in the area. FAO has already cooperated with ASEAN in drawing up an ASEAN Integrated Food Security Framework (AIFS) and the corresponding Strategic Plan of Action for Food Security (SPA-FS) and is currently carrying out ten country studies on the impact of the crisis on food security in the region. FAO is also working on a Memorandum of Understanding with ASEAN to formalise reciprocal relations and facilitate technical assistance in the area of food security in the region.

4.3.2 In view of the region's socio-economic vulnerability to external shocks, and any likely additional effects that the conclusion of free trade agreements would undeniably have on the vulnerability of certain member states and social groups most exposed to competition, closer attention to certain aspects of economic cooperation is advisable, including with respect to knowledge sharing with other international institutions and research centres.

4.4 Political cooperation between the EU and ASEAN is still decidedly intergovernmental and is evolving through regular (biennial) meetings between foreign ministers and senior officials. These ministerial meetings have, however, helped the parties to find more common ground on foreign policy. The EU, for instance, has requested access to the ASEAN Treaty of Amity and Cooperation and ASEAN has, to this end, agreed to extend the treaty to supranational entities.

4.4.1 Socio-cultural cooperation for the 2009-2010 period is regulated by the Phnom Penh Agenda, which sets common objectives to be pursued in the sectors of health security, science and technology, vocational training, and the protection of the artistic and cultural heritage. However, even in the area of social cooperation, civil society involvement remains paradoxically modest. Indeed, at present there are not enough bodies to allow full expression of the social partners' and other citizens' needs and expectations vis-à-vis the current situation and future prospects for EU-ASEAN cooperation ([22]).

4.4.2 Finally, with regard to human rights protection, the recent establishment (with the ASEAN Charter's entry into force) of an ASEAN Intergovernmental Commission on Human Rights has to be welcomed. Although this body lacks powers of enforcement or sanction (at least for the moment) and is therefore tasked with promoting rather than safeguarding human rights, it is undoubtedly a first step towards more comprehensive human rights protection, which the organisation will be called upon to achieve in the coming years. The Committee nevertheless emphasises that due to the current human rights situation in Burma/Myanmar, it is not possible to take negotiations forward with the current military dictatorship in this country.

Brussels, 26 May 2010.

The President
of the European Economic and Social Committee
Mario SEPI

([20]) Five joint projects are currently underway for a total budget of EUR 55,5 million.

([21]) Priority is to be given to projects on vocational training, transport, energy and sustainable development. See the Regional EU-ASEAN Dialogue Instrument, Kuala Lumpur, 2005.

([22]) The only (partial) exception is the Brussels-based ASEAN-EU Business Network, set up in 2001 to promote trade relations between the parties.