

The EU's mistaken approach to ASEAN

Gauri Khandekar

>> While the EU has begun to take Asia seriously, it is focusing on bilateral relations with large Asian powers and neglecting the importance of the Association of Southeast Asian Nations (ASEAN). The EU is guilty of a spyglass view converging on a handful of key countries - China, India, South Korea, Japan, Russia, Afghanistan and Pakistan. South East Asia, in comparison, appears neglected.

Of the EU's ten bilateral strategic partnerships, five are in Asia. It has recently signed a Free Trade Agreement (FTA) with South Korea. It is concentrating hard on finalising an EU-India Comprehensive FTA, which is already in its fifth year of negotiations. It has also begun talks with Japan towards a multi-billion euro free trade deal. All these bilateral efforts are important and overdue. But an over-emphasis on select bilateral relations means the EU is losing out in its relations with ASEAN as a regional organisation.

Some sub-regional strategies are evident. The EU participates in regional forums like the Asia Europe Meeting (ASEM), the ASEAN Regional Forum (ARF) and the South Asian Association for Regional Cooperation (SAARC), and is a candidate to join the East Asia Summit (EAS). But the EU has been unable to anchor its relations firmly with ASEAN. This is an oversight, as ASEAN gains momentum and becomes more important for regional security, commercial and political dynamics.

NEGLECTING ASEAN

ASEAN is turning into a formidable force. The ASEAN economy stands at approximately \$1.5 trillion with an estimated growth rate

HIGHLIGHTS

- The EU is getting serious about Asia, but focusing mainly on select bilateral relations.
- The EU is neglecting the importance of ASEAN as a regional organisation, in both the commercial and security domains.
- Given ASEAN's increasing dynamism this is likely to prove a serious miscalculation on the EU's part.

»»»»» of 7.8 per cent for 2011. ASEAN member states are recovering fast from the 2008 economic slowdown. Politically too, ASEAN stands out prominently in Asia. Since its origin, there have been markedly fewer armed clashes. The block follows a regional ban on nuclear weapons and has been instrumental in setting up a forum for dialogue amongst its own members, as well as the broader region. ASEAN offers a geopolitical middle ground between South Asia and North East Asia, helping to promote stability. ASEAN brings even North Korea to the dialogue table within the framework of the ARF, an Asia-Pacific platform for dialogue and diplomacy on political and security matters. ARF is now central in addressing transnational issues like climate security and maritime affairs.

The EU is ASEAN's second largest trading partner after China; ASEAN is the EU's third largest partner outside of Europe. Bilateral trade in goods and services reached €175 billion in 2010. The EU is the top destination for ASEAN goods and services and ASEAN's biggest source of investment, with a total stock standing at around €125 billion and an average inflow of €9 billion annually during the past decade. But the untapped potential to expand ties further remains vast.

In line with its efforts to support regional integration, in May 2007 the EU embarked upon a region-to-region FTA with ASEAN. Expected benefits from such an FTA would have implied an additional growth of 2 per cent in ASEAN's GDP by 2020 and a rise of 2 per cent in the EU's total exports. The FTA was due for completion by 2015 and would have put the EU in a stronger position vis-à-vis other global powers intending to embed their ties with the region.

However, the EU dropped the idea in May 2009. The main reasons cited were incompatible legal frameworks within ASEAN; the disparities created by two of ASEAN's states already benefiting from the EU's Everything but Arms treaty; and Myanmar's human rights record.

The EU replaced the regional track with the offer of bilateral FTAs to seven of ASEAN's ten members.

Nominally these would create the building blocks for an eventual regional FTA. FTA negotiations were launched with Singapore and Malaysia in 2010. Negotiations with Singapore have advanced significantly after eight rounds. Those with Malaysia are proceeding at a steady pace alongside EU-Malaysia Partnership and Cooperation Agreement (PCA) negotiations. Thailand is considering the scope of a bilateral FTA with the EU. An EU-Indonesia PCA was signed in November 2009, making the latter the only South Asian country to have such an agreement. The Indonesian PCA is expected to be ratified by the end of this year. EU officials have indicated Indonesia as a potential candidate for a Strategic Partnership.

While the EU is weighing its bilateral options, Asia is integrating to historically high levels. According to the Asia Regional Integration Centre, there are currently 238 FTAs in operation in the region, either proposed, under negotiation or concluded. ASEAN already has major FTAs with China, India, Japan, South Korea and Australia-New Zealand. These FTAs will be huge trade multipliers once they enter fully into force. Added to this, ASEAN's key member states like Singapore, Malaysia, Thailand, Indonesia and the Philippines have far-reaching bilateral agreements with key players outside the region. US interest in the region is fast increasing. US trade and investment flows with ASEAN are not far behind the EU's, standing at more than \$200 billion a year. And what the US lacks in trade, it makes up for in security presence. Given the accumulation of regional FTAs, the EU is the one big player which stands to miss out on a piece of the cake.

Embarking on FTAs with each ASEAN country individually is time-consuming and involves a myriad of lengthy negotiating processes, especially if individual PCAs have to be negotiated beforehand. Even with the difficulties encountered, the region-to-region FTA talks opened in 2007 could well have been concluded by now. Diplomats from ASEAN countries insist discrepancies between member states could have been ironed out. Instead, bilateral talks have been halting and still provide little benefit to the EU. The region-to-region FTA could have been

perfected on accrued momentum and political engagement, which are characteristic of FTA dynamics. The region-to-region FTA would also have incentivised ASEAN further to integrate.

The faster the EU grabs available opportunities with ASEAN countries, the better its chances of setting a foothold in the region and bouncing back from the financial crisis. ASEAN diplomats argue that there

must be a degree of compromise in international trade. Halting talks which could be commenced in a large number of areas because of a few problem zones is not constructive. The EU sets high regulatory

standards, which many ASEAN countries may not be able to meet. Countries like China, Korea and Japan have been more flexible in their negotiations with ASEAN, and are likely to reap more benefit.

The EU has been unable to anchor its relations firmly with ASEAN

SECURITY LACUNAE

From a geopolitical standpoint, EU-ASEAN relations are weak. The ASEAN region is volatile and exposed to growing tensions in wider East and South Asia. Hard security is still a decisive factor as Asian countries focus largely on building up their military capabilities, including their nuclear arsenal. Here, it is the US which wields authority as an actor on the basis of its military might. US military bases in South Korea, the Philippines, Japan, Diego Garcia, Jakarta, Singapore, Thailand, Malaysia, and nearby in Hawaii and Guam still provide a powerful presence. The EU has no military or naval bases in the region. The EU's Common Security and Defence Policy (CSDP) missions are clustered in Africa and the EU's own neighbourhood; there are currently none around the ASEAN region. Over more than ten years, only the tiny ACEH mission has been undertaken jointly with ASEAN.

Maritime issues are at the forefront of the Asia-Pacific political and security agenda and of prime

interest to ASEAN member states. The region is highly strategic in terms of diplomacy and navigation, centred on the disputed South China Sea and the narrow Straits of Malacca which play theatre to major power showdowns especially between the two big players in the region – China and the US. The EU has major interests but minimal presence. It is the US which provides the overarching security umbrella to the involved parties against China's assertion of authority. In the absence of a strong common position, the EU chooses to play more of a supporting role to the US in heated debates at the ARF. This is despite a clear demand for an independent EU role from ASEAN member states.

The EU must build on its assets of goodwill and neutrality. At present, its political will is still weak. During the Thai-Cambodian border clashes in early 2011, for instance, the EU's response was limited to an unspecific press release from Catherine Ashton's office. This was despite Cambodian Prime Minister Hun Sen's repeated requests for EU mediation. The EU passed up a perfect opportunity to convince its Asian partners that it has matured into a credible political actor internationally.

There have been no high level EU political visits to ASEAN countries since President Barroso's visit in 2007. Only trade commissioner Karel de Gucht has travelled to the region. Is this a sign that the EU is interested in being solely an economic actor? For ASEAN member states, high level political visits count for a lot. They provide their leaders with the preferred ground on which to build relations. It is not quite clear to Asians exactly what the EU is. Since the signing of the Lisbon Treaty, neither High Representative Catherine Ashton nor President Herman Van Rompuy have visited South East Asia. The same is true for other top European politicians like Nicolas Sarkozy, Angela Merkel and David Cameron who travel to India and China bypassing Asia's South East. In contrast, the bulk of the US leadership, including President Barack Obama himself, has visited ASEAN's member states.

Political leadership from the EU is tied up by its stance on human rights. The EU supports human



»»»»» rights in the region through its bilateral Human Rights Dialogues, contacts with National Human Rights Commissions, activities carried out by local EU Delegations, and sanctions in a small number of cases. But over many years of efforts the EU has had only limited results in helping to improve human rights protection on the ground. To have more impact, human rights issues cannot be considered in isolation, but must be linked to other policy initiatives in the areas of security, development, climate change and disaster relief. A narrow focus undermines the development of a robust policy of political engagement beneficial to human rights protection.

A concrete example of this is Myanmar. The EU's policy towards Myanmar over the years has been one of isolation. Despite recent events in Myanmar - national elections after 20 years, the release of Aung San Suu Kyi, a first civilian president - which suggest timid signals of progress towards a more open political system, the EU responded by renewing its sanctions. It is worth considering whether a policy of constructive engagement would have been more productive in the light of China's deepening inroads into Myanmar. Chinese trade policies do not come with conditionalities; they do not contribute to a rise in the local standard of living either, given that Chinese companies employ Chinese nationals. The expanding ethnic Chinese community is further adding to ethnic imbalances and clashes. Isolation implies a suspension of cooperation on other issues like climate change or disaster reduction which may sometimes be the principal causes leading to human rights abuses like the displacement of people and food shortages. An EU FTA with the region could have provided a positive opportunity to engage Myanmar, embed it within the region and bring the chance of political change to the country through increased trade and improved standards of living. Engagement would not be a panacea; but the policy of ostracism has not worked. A carrots and sticks policy is rendered ineffective when the carrots are of limited appeal. The EU must enhance its policy offers and connections on all issues simultaneously to empower its voice on human rights in the region.

CONCLUSION

The EU's economic interests in Asia need to be reinforced with greater political presence. Its entire political outlook towards South East Asia in particular needs to be carefully calibrated. To this effect, a dynamic EU-ASEAN strategy would be helpful in guiding the EU's ambitions for the future of its partnership with the region.

Clearly this region is an active hotspot. The ASEAN economy is the third largest after China and Japan. Politically its dynamic reverberates in the entire Asia Pacific from China to the US and Australia. ASEAN and the entire region is, as such, central to European interests and the EU must ensure these interests are protected and enhanced. While the time may not be politically ripe to make ASEAN a strategic partner, it should increasingly be treated as one. In this regard, annual summits would be valuable.

The Lisbon Treaty provides the basis for consolidating the EU's influence on security and political developments in the region which the Union will need to confront and help manage. The EU must not be left behind in contributing to developments in the Asia Pacific region. Even just more EU visibility in the region from top European political leadership could bring manifold positive results.

The EU could also offer its role as a mediator, which is supported by a demand from the ASEAN side, and the EU's perceived neutrality. Freedom of navigation in Asia and particularly South East Asia is staunchly in the EU's interests too with its growing number of FTAs with Asian countries. Contributing to this would allow the EU to exercise more political actorness in the region. Lastly, despite the economic upheavals at home, the EU must not forget that its future growth is indeed tied to international markets, and in particular to Asia. Broadening its spyglass would allow the EU a much clearer vision of its own future.

Gauri Khandekar is a junior researcher at FRIDE.

**e-mail: fride@fride.org
www.fride.org**
