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ANALYSIS

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Introduction

The European Union (EU) and the Association of Southeast Asian Nations (ASEAN) are set to resume negotiations in 2022 aiming at an inter-regional Free Trade Agreement (FTA) suspended in 2009 (Arunmas, 2021). This revived process is taking place as a response to the emerging geopolitical and geoeconomic situation in the Indo-Pacific. For the EU aspiring to become a global geopolitical player, this trade partnership with ASEAN will give access to the fifth largest economic bloc in the world with more than USD 3 trillion in GDP and 660 million potential customers (ASEAN Secretariat, 2021). For ASEAN, a deeper trade engagement with a group of countries that is ASEAN's third largest trading partner and external source of Foreign Direct Investment (ASEAN Secretariat, 2022) would significantly boost its economy. The agreement would also strengthen the partnership between the two regions following their long engagement since establishing a dialogue in 1977, the establishment of the Asia-Europe Meeting (ASEM) in 1996 and a 'Strategic Partnership' between the two in 2020.

Nevertheless, the pathway to such an outcome is paved with numerous obstacles around standards and values that involve the interconnected matters of geopolitics, regionalism, technical trade issues and human rights considerations. The ongoing Russia-Ukraine War has also diverted the EU's attention and resources away from the region. This policy paper assesses these four issues against both regions' aim of striking a deal on trade as a foundation for deeper cooperation and develops recommendations for the EU to increase its engagement towards ASEAN and SEA. It is primarily informed by the expert analysis emerging from the Conference 'EU-ASEAN Relations in Light of the War in Ukraine', co-convened by Asia Centre and the Friedrich Naumann Foundation Regional Office for Southeast and East Asia on 17 June 2022. Facts and dates are further supplemented by desk research of primary and secondary sources from ASEAN and the EU, international organisations, media and think-tank reports.

1. Geopolitical Tensions and the EU's Role

With China's increasingly assertive approach in the South China Sea and the US' active military engagements with the Quadrilateral Security Dialogue and AUKUS, its security pact with Australia and the UK, international attention now centres around the long-term geopolitical tensions in the Indo-Pacific area. Throughout the conference, expert analysis urged the EU to actively take part in regional affairs, pointing to the EU's own strategic document emphasising EU-ASEAN cooperation as well as the Indo-Pacific Strategy documents of France and Germany. Taken together, these three documents, many argued, formalise the call for greater European engagement on peace and security in the Indo-Pacific. For ASEAN, they noted, the region has seen intensified US-China competition which poses a direct challenge to ASEAN Centrality in regional affairs.

The ASEAN Outlook on the Indo-Pacific (AOIP) which was adopted at the 34th ASEAN Summit in 2019 stressed: inclusive cooperation of stakeholders in the region, the need for continued ASEAN-led community building and fostering 'strategic trust' through reinforcement of the principles of the Treaty of Amity and Cooperation and 'promoting their application in the conduct of relations between states in a wider Indo-Pacific region'. Fast forward to 2022, the priority areas include climate change, connectivity, economic cooperation, maritime security and SDGs – areas of discussion that need more attention in the context of the ASEAN-EU dialogues. It was suggested that a more integrated relationship with the EU would afford ASEAN a 'third pole' to hedge its bets. Conference speakers noted that it is in this backdrop that an EU-ASEAN FTA is back on the negotiating table. The FTA would reduce ASEAN and EU

dependency on the two 21st century economic giants. It also diversifies the risks rising from the potential economic decoupling between China and the United States – risk heightened from trade tensions and supply-chain disruptions following the COVID-19 pandemic.

Experts pointed out that EU and ASEAN, however, must recognize the restrictions of European Indo-Pacific strategies: the unclear extent to which economic diversification would play out as both blocs will have to decrease economic dependence on the great powers in addition to expanding economic trade with each other; the shortcoming of political will and commitment from EU members who do not see strategic importance of Southeast Asia; and the EU's limited military power projection. Moreover, fixating on the war in Ukraine, EU leaders will inevitably divert their attention and resources to Europe. These could significantly impact the trade deal process and stall further negotiations.

2. Regional Integration

There was broad agreement that an FTA with the EU would set ASEAN towards becoming a more interconnected and stronger trading bloc. Not only would this move be beneficial for ASEAN to stand ground in its objectives and aims amidst tensions in the Indo-Pacific, speakers from the conference also noted that the FTA would align well with a theme of the EU foreign policy: the promotion of regional integration. Central to this thinking is the tenet that the EU's cooperation with a like-minded bloc would bring peace and prosperity to both.

Throughout the relations, the EU, by means of soft power, has aimed to convince ASEAN to deepen its regional integration. It has led by example to incentivise ASEAN as a bloc to pursue the EU's successful economic model: ASEAN FTA was established in 1993 and proceeded to become ASEAN Economic Community (AEC) in 2015, thanks in part to EU norm diffusion. As part of this effort, the view expressed at the conference was that the ASEAN-EU FTA can potentially set aside internal differences with ASEAN and see both blocs working under the same standards on customs, dispute settlement as well as environment and labour regulations. In this way, every ASEAN member could share the same standard as the EU,

and technical barriers within the region would be lifted. This could also spur the lessening of border restrictions to accommodate the movements of goods and people.

Concluding the FTA would boost intra-regional integration. ASEAN can utilise the FTA as a stepping stone to enhance the ASEAN Common Market to the next stage – the Single Market – in which the people of ASEAN could enjoy the freedom of movement of goods, capital, services, and workers. A common idea of a 'ASEAN citizenship', aspired by ASEAN leaders, as noted by Abhisit Vejjajiva, the former Prime Minister of Thailand during the first FTA negotiation process, during the conference, would also take root. This is however, a goal that is far away. Despite the limited success of Southeast Asian regionalism, aspirations to go beyond a common market and reach the European level of economic integration are constrained when the principles of non-interference and consensual decision-making remain intact. The EU should therefore position the FTA as vital to integration, not only with the European market, but for ASEAN themselves to be more interconnected.

3. Trading Arrangement Challenges

Despite promises of prosperity and strategic gains, there still remains overdue technical disagreements which have ground the FTA negotiations to a halt. Speakers pointed to the issue of deforestation and its impact on climate change in the palm oil industry in Southeast Asia as a major point of contention. Civil society groups in the EU were influential in steering the EU policy into discouraging importing palm oil. Malaysia and Indonesia criticised this stance as palm oil is a fragile sector in their countries, and accepting the deal would lead to internal political implications. According to conference speakers, this points to political buy-in of concerned government authorities: the EU's version of the FTA includes matters that could be politically sensitive and therefore loses the support of some ASEAN countries. Such disagreements have caused both the EU and ASEAN to miss out the opportunity to maximise trade between the two regions.

When compared to other trade agreements in the region, the ASEAN-EU FTA has more rigid criterias and broader conditions. ASEAN-China FTA and the Regional Comprehensive Economic Partnership (RCEP), hence, are understood as a 'pragmatic' alternative to a value-based trading arrangement epitomised by European standards. RCEP partners reserve differences on the matter of labour rights, environmental standards, as opposed to the EU which sees such standards as pillars to economic partnership. With regard to data privacy, the EU demands FTA partners acquire Adequacy Decisions in

order to ensure the free flow of data under the General Data Protection Regulation (GDPR). The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), meanwhile, prioritised the freer use of data (Tamura, 2022). Because of the demand to meet such criterias and conditions, expert analysis noted that ASEAN members hesitate to join the ASEAN-EU FTA and choose instead to focus more on maximising less strict FTAs.

While the easier-to-deal agreements have contributed to prosperity in this region, they also come with risks. The more ASEAN maximises the ASEAN-China FTA and relies more on China's economy, the more it provides economic leverage to China. CPTPP, on the other hand, would tie SEA economies with the US-bloc. In the context of the US-China strategic competition, these two choices tighten ASEAN's capabilities to drive future trade negotiations in the region. Speakers said that these actions widen the internal division among ASEAN members who are relying more on the Chinese market and those who are trying to divert themselves away from it. These outcomes stand to undermine the ASEAN Centrality and its long-practised hedging strategy.

Conference speakers proposed that the ASEAN-EU FTA could serve ASEAN as an alternative FTA that would deter the risks mentioned above. To move forward on this, the EU will have to accommodate ASEAN members to break through barriers

and reach its standards over time rather than simply stand still in the negotiation process. The EU should comprehend each ASEAN country's internal limitations in the negotiation process and expand the time period that supplementary provision on sensitive sectors can be met. Given national considerations of each of the ASEAN member states, an FTA limited in scope can also kick start a deeper trade partnership. For the near future, bilateral FTAs can also serve as a stepping

stone for the EU and ASEAN as a bloc to come to an agreement. Singapore and Vietnam, which succeeded in reaching EU standards, have set an example for other ASEAN countries to follow. They serve as building blocks for wider regional trade collaboration. These bilateral agreements include issues such as the protection of labour rights, sustainability and the environment which are contentious during the first rounds of EU-ASEAN FTA negotiations (EU, 2019a; EU, 2019b).

4. The Value Dimension

Central to disagreements on technical points of the deal were differences in values. Speakers agreed that the EU's core values characterised by human rights and liberal democracy have shaped its identity and guided its foreign trade policies. ASEAN, meanwhile, is a project whose members gathered to pursue common benefits. Differences, often concerning human rights violations in member states, speakers noted, are posited as critical to ASEAN Centrality and its principles of non-intervention and consensual decision-making.

These differences have caused misunderstandings and bogged down the deepening of EU-ASEAN cooperation. Conference speakers noted that the EU's refusal to trade fundamental values for economic gains is viewed by ASEAN members as 'inflexible' and obligatory human rights due diligence is accused of being a form of trade protectionism. For example, concerns over human trafficking across the region, such as in the case of the Thai fisheries sector, were contentious and led to EU sanctions on Thailand (AP, 2016). And accordingly, negative perceptions toward the EU among ASEAN countries affected by the EU valued-based foreign policy grew (Seah et al., 2022; Portela, 2010). ASEAN, for its part, is unwilling to acknowledge that the principles that have brought together the members are becoming obsolete and unfit for the new realities. ASEAN members' overprotectiveness of national

sovereignty has thwarted any attempts to alter the existing decision-making process to increase ASEAN's effectiveness in managing human rights issues.

Throughout the cooperation, the EU has used economic incentives as a means to convince ASEAN to embrace their values. This approach has proven to be insufficient, given that serious and massive human rights violations continue to be reported (see Asia Centre, 2020; Asia Centre and CALD, 2020). Moreover, the popularity of liberal democratic values has not diffused to a wider audience, despite the Union's continued efforts. Instead, experts suggested that the EU facilitate opportunities for local actors to make changes in values from within. This could be achieved by a grassroots, human-centric approach with a focus on civil society. The change in values among people in the region would lead ASEAN to incorporate these values into its structure. Two current issues in Southeast Asia that the EU can engage on with local civil society organisations are migration (OHCHR, 2022) and post-COVID-19 socio-economic recovery (EESC, 2021). Effective responses to these two issues will naturally involve cooperation on human rights dimensions that are important to the EU. The EU can act as a bridge that brings civil society organisations from different ASEAN countries together to help tackle these issues.

5. Policy Recommendations

Based on the inputs distilled from the conference, this policy paper recommends the following to the EU:

- Develop and articulate a clear and shared strategic vision for an EU-ASEAN FTA that is mindful of ASEAN's AOIP
- Craft a realistic negotiating strategy that accommodates ASEAN member states' concerns over national sovereignty
- Recognise in its negotiating strategy the importance of the People's Republic of China for members of ASEAN
- Frame the future FTA in light of the models provided by the existing bilateral FTAs with Vietnam and Singapore
- Adopt a long-term and phased approach towards Southeast Asian countries achieving core European values dimensions

6. Conclusion

Recent geopolitical developments have brought the EU and ASEAN back to the trade negotiating table. The ASEAN-EU FTA stands to generate prosperity and serve both blocs' strategic interests. It also holds the framework for ASEAN members to deepen their regional integration. However, there still remain long standing disagreements and differences over standards and values which have stalled the negotiations. However, the overwhelming sentiment expressed at the conference was that the EU should find ways to enable ASEAN to meet the EU's standards and embrace its values-based approach to cooperation. If the trade agreements cannot be concluded, it will be a loss for both parties.

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