



The European Union and ASEAN: Two to Tango?

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Executive Summary

The agreement signed in 1973 between the then European Economic Community and the Association of Southeast Asian Nations (ASEAN), a mere six years after the creation of the latter, was the first interregional cooperation agreement ever entered into by Western Europe as a whole with another foreign regional body. This symbolic importance coupled with the tendency of the EU, as part of its soft power approach to international relations generally, to promote regional integration elsewhere gives a unique significance to EU-ASEAN relations. Yet both the EU and ASEAN are very different multi-dimensional regional entities with quite different histories, objectives, structures and capacities. It is this asymmetry that is at the heart of the difficulties in their attempts at inter-regional cooperation.

This study provides an overview of these relations by examining two intertwined dimensions, namely the political and the economic. Two “flies in the ointment” in the political arena are examined namely, the question of the Indonesian annexation of the former Portuguese colony of East Timor and, a continued source of aggravation, the problem of a repressive regime in Burma/Myanmar. On these two issues European interventionist practice within Europe clashes with ASEAN’s sacrosanct principle of non-interference in the internal affairs of a member country.

In examining the economic dimension, the study provides a statistical overview of trade between the two regional bodies and highlights the importance of European FDI in Southeast Asia. However a €30 billion trade deficit with ASEAN, concomitant with declining European enthusiasm for multilateral trade negotiations has seen the European Union since 2006 seeking to sign a Free Trade Agreement with ASEAN as a whole. At this stage these negotiations seem stalled. With these political and economic stumbling blocks in mind, the study concludes with an assessment of the future of EU-ASEAN relations by tacking cognisance of the disparities in the natures of the two regional entities.

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Introduction

In May 2008, on the eve of the French Presidency of the European Union, two major natural disasters brought to the attention of Europeans Asia's importance in the international stage. However both Cyclone Nagis in Burma/Myanmar and the severe earthquake in Sichuan province in China, to a great extent provided images of poor agrarian countries requiring international aid rather the Asia of ubiquitous factories and ever-higher skyscrapers. Yet in the contemporary world, one in which geo-economic concerns, such as market access and access to energy resources and raw materials, overshadow traditional geopolitical concerns it is the latter Asia with which the European Union needs to interact.

In Europe's response to both these disasters the multidimensional nature of the European Union came to the fore once again. In both cases humanitarian aid was provided both by the European Commission, by individual European countries as well as by transnational NGOs. On the political level, in attempting to persuade the Burmese junta to accept humanitarian assistance, Europe spoke with multiple voices. At the level of individual member states, British Prime Minister Gordon Brown and French President Nicolas Sarkozy as well as their foreign ministers, were

to be the voices of Europe. Yet it was the European Commissioner for Development and Humanitarian Aid, Louis Michel, who was to go to Rangoon first in order to assess needs and offer aid. And it was the European Parliament that, once again, was to take the moral high ground as the custodian of a European conscience.

The multi-dimensional nature of the European Union is at the core of this study of its relations with another regional entity, the Association of Southeast Nations (ASEAN). In assessing these relations we propose to juxtapose the particular, highly institutionalised, nature of the European Union with that of its partner ASEAN, another unique multi-dimensional regional entity. In order to do so we assess in the first part of the study the EU's concern in encouraging Southeast Asia's regional integration. However, Southeast Asia's own regional integration experience is historically very different and the kinds of norms, practices and institutions created are of a different nature. Do these differences mean cooperation is fraught with difficulties? What problems are posed by differing agendas on both sides? Is there a gap between expectations on both sides and their capacities to not only achieve common objectives, but even to agree on such objectives? If, as the cliché suggests, it takes "two to tango", is this partnership feasible and, if so, to whose music will they dance?

I - The EU and the Promotion of Regional Integration in Southeast Asia

On 5th June 2007 at the ASEAN Secretariat in Jakarta the European Commission officially launched a €7.2 million programme to support the ASEAN integration process.¹ Behind this symbolic event, observers of the EU's foreign relations cannot help but be cognizant of the fact that the European model of regional integration, despite disclaimers in a 1995 Communication of the European Commission (1995: 8), is at least promoted as reference point for regional integration elsewhere.² For former Commission president Romano Prodi the European model of integration was one to be exported. In noting the strengthening of regional regimes such as ASEAN, the EU High Representative for the Common Foreign and Security Policy, Javier Solana was even more emphatic predicting that 'in the years ahead these inter-regional dialogues will steadily reshape the nature of international politics and forge new mechanisms to manage global interdependence and tackle cross-border problems.' (quoted in Farrell 2007: 299)

1 www.asean.org/20650.htm

2 This is certainly the experience of this author in numerous two-track dialogue meetings throughout Asia and in his appreciation of the political objectives behind the significant financial support provided to European Studies centres in Asian universities (Camroux 2008a).

The promotion of regional cooperation elsewhere is, as Karen Smith cogently argues “clearly an EU foreign policy objective that stems directly from its own internal identity” (Karen Smith 2003: 95). That identity is one forged by a unique historical experience, one that has led to the following succinct argument in one of the standard textbooks on European Union foreign policy:

There is thus a “propensity of the (European) Community to reproduce itself... advocating its own form of regional integration” (Bretherton & Vogler 2006: 249), even if such a policy objective cannot be found in the various EU treaties. Nevertheless the narrative of the European project with its conscious or unconscious projection into a future utopia is one aspect of European soft power (Nicolaidis & Howse 2002). In the overseas “market” for a European model, the ten-member Association of Southeast Asian Nations (ASEAN) would appear to be a priority niche. The European Commission’s approach to ASEAN is expressed in its Communication of July 2003, “A New Partnership with Southeast Asia”. First amongst the six priorities elaborated in the communication is:

This approach has a larger ambit than Southeast Asia to encompass all of Asia. The European Commission’s “Strategy Document on Regional Programming for Asia 2007-2013” (European Commission 2007: 2) issued in May 2007 lists once again as its first priority the support for regional integration. The other priorities are policy and know-how based cooperation and support for uprooted people. Behind these declarations can be discerned an appreciation of a new international order involving strengthened regional entities as the structuring elements of international relations (Katzenstein 2005). In this regard the relations between the European Union and ASEAN are perceived as having a unique importance. First of all the agreement between the then EEC and ASEAN dating from 1973 was the first inter-regional agreement signed between the precursor to the EU and another regional entity. Writing some seventeen years afterwards, Manfred Mols (1990) could describe these relations as a “success story”, while some thirty-five years later it has been argued that the “ASEAN-EU relationship is widely considered the model of interregional relations” (Hanggi & Ruland: 2006). In other words there is for Europeans a good deal of symbolic significance in store in the EU-ASEAN rela

tionship.³ Seen from Southeast Asia the recognition of ASEAN as a serious international player, provided by another regional entity, the European Union, serves a legitimizing function for the Southeast Asian actors (politicians, public servants, civil society groups) who have invested a deal of political capital in strengthening the organization.

³ However, in counterpoint, a salutary reminder of the relative unimportance of ASEAN to the EU can be found in Christopher Hill & Karen Smith's collection of key documents in European foreign policy: out of the 211 documents collated, two only concern ASEAN with another two devoted to Burma/Myanmar (Hill & Smith 2000: 435-439).

II - ASEAN and the European Integration Experience⁴

A useful template for comparing regional integration in Europe and Asia is provided by Richard Higgott (2006), amongst others, who make a distinction between “de facto economic regionalisation” and “de jure institutional regionalisation”. Neither of these exists independently without the presence to some degree of the other form, however these levels vary considerably from one regional entity to the other depending on the role, and preferences, of State actors in the processes. European regional integration is, compared to all other examples of regional integration, highly institutionalised. In Asia, on the other hand, there are few regional institutions and those that exist lack capacity and compliance mechanisms. The fundamental element that lies at the heart of the differences between regional integration in Europe and in Asia in general and East Asia in particular, concerns the question of national sovereignty. Both the European Union, on one level, and ASEAN are intergovernmental organisations. However, despite the activities of regional civil society bodies (NGOs, think tanks, the ASEAN People’s Assembly, etc), ASEAN remains basically only an intergovernmental organisation

⁴ For opposing views of ASEAN’s success as a regional entity see, on the one hand Acharya (2001), Hund (2002) and Narine (2002) who stress the development of an ASEAN identity and a security community and, on the other Jones & Smith (2006, 2007) who, from a neo-realist perspective, see the Association as a “regional delusion” concerned with form rather than substance.

while the European Union is also, on another level, a supranational entity. As a result inter-regional cooperation between the two is constantly bedevilled by their very different natures as regional entities revolving around the intergovernmental/supranational dichotomy.

Seen from the institutional perspective, within ASEAN there is no Southeast Asian equivalent of a European Commission, let alone a parliament or a court of justice. Organisation of ASEAN meetings, of which there is almost one per day, and of the high profile ASEAN summits is in the hands of the country holding the rotating presidency and the ASEAN secretariat in Jakarta acts merely to provide logistical support and as an information outlet. The “ASEAN way” emphasizes informality and consensus with the avoidance of binding agreements and regulatory frameworks. Above all the principle of national sovereignty and non-interference in the internal affairs of member states is the fundamental norm of ASEAN practice (Acharya 2004). This remains the case despite, or perhaps because, of the fact that it is increasingly difficult to maintain in an interdependent international environment.

Yet, if Southeast Asia’s integration has had a lesser political impetus than that pertaining in Europe, what elements can best explain its development? As throughout East Asia it is the economic factors that are of greater significance. As many studies of the larger Asian region demonstrate investment and trade flows and in particular production networks are at the basis of East Asian economic integration (Beeson 2007, Dent 2008, Katzenstein 1997). After the Plaza Accord of September 1985⁵ the role of Japanese multinational corporations in sending production offshore to cheaper labour destinations was significant. The so-called “flying geese paradigm”⁶ of industrial development led by Japan saw first a first group of “Asian tigers” (Hong Kong, South Korea, Singapore and Taiwan) and then a second group of newly industrialized countries (Malaysia, Thailand, Indonesia)

5 The Plaza Accord was signed between France, West Germany, Japan, the US and the UK and involved an agreement to devalue the US dollar in relation to the Japanese Yen and the German Deutsche Mark. In the following two years the value of the yen to the dollar rose by over 50% making Japanese exports less competitive in world markets. As a result, and with the encouragement of the Japanese governments, Japanese companies moved a significant part of their production to lower cost countries particularly in Asia. Today a significant proportion of Japanese imports from Southeast Asia are in fact from the subsidiaries of Japanese companies.

6 The “flying geese” theory was developed by a number of Japanese economists in the 1930s and is particularly associated with Kaname Akamatsu who put forward his ideas in the *Journal of Developing Economies* in the 1960s. Initially his theory concerned only Japan and concerned the process of moving from import, via production for domestic consumption, to production for export. Later he applied the theory to explain shifting comparative advantages between nations and the linkages between various stages of development.

and finally a third (Philippines, Vietnam) enter into virtuous cycles of development based on export oriented industrialisation. American and European multinationals also participated in establishing the rich web of production networks that characterize Asian economic integration. These, coupled with the role of linkages amongst overseas Chinese corporate interests are at the heart of Southeast Asian regionalisation.

Yet, with the benefit of hindsight, it could be argued that this economic development would not have been possible without the political stability and non-conflictual regional environment to which the creation of ASEAN in 1967 and its incremental consolidation has contributed. As Acharya (2001) has demonstrated ASEAN's fundamental role has been that of a security community, one that by attenuating interstate rivalry and for the last four decades, eliminating the possibility of military conflict, has enabled the member states to concentrate on their own economic and social development. For explanatory purposes it is helpful to divide ASEAN's evolution into four historical periods. The first of this from the creation by the five original founding members (Indonesia, Malaysia, The Philippines, Singapore and Thailand)⁷ till the end of the Vietnam War in 1975 saw the Association as a bulwark against Communism, one encouraged by Japan the United States and European countries. At the time of its creation all of the original members had territorial disputes with at least one of their neighbours, so ASEAN was essentially a confidence building exercise, and a successful one at that. With the end of the Vietnam War and the Vietnamese invasion of Cambodia the original members found a new unity faced with a common enemy. In opposing the Vietnamese and the regime they installed in Cambodia, ASEAN achieved a heightened international profile. The Paris peace accords of 1990 coupled with the end of the Cold War saw an ASEAN devoid of the kind of ideological cement that had maintained its coherence in its first years. It was at this point that the Association finally began to address questions of more formalized economic integration with an ASEAN Free Trade Agreement being discussed and first implemented in 1992.

A fourth period in ASEAN's development clearly begins with its enlargement to include Vietnam (1995), Laos and Burma/Myanmar (1997) and Cambodia (1999).

⁷ The small sultanate of Brunei, which joined in 1984 after independence from Britain, is usually added in references to the core ASEAN 6.

This period of enlargement also saw the member countries confronted with the Asian economic crisis of 1997 and 1998, a crisis that had profound political repercussions for its members, particularly its largest, Indonesia, following the collapse of Suharto's New Order regime. The twin challenges of integrating Communist and authoritarian nations into an Association based previously on a semi-democratic consensual model and with promoting economic recovery have dominated the Association's agenda in the last decade.

It is too early to determine whether the elaboration of an ASEAN Charter agreed to in November 2007 represents a fifth stage in ASEAN's development. The Charter by May 2008 had been ratified by only six of the ten member countries and the signature of all is required for it to enter into force.⁸ At the least the Charter is a response to the challenge of enlargement and the need to find a degree of institutionalisation in an Association that this author would argue encompasses three political trends. These are namely a pluralist-democratic strand comprising, Indonesia, the Philippines and, despite the occasional coup, Thailand. A second strand encompasses the semi-democratic and most prosperous members, Malaysia and Singapore. Finally, enlargement has brought into the Association four ostensibly Communist states - Cambodia, Laos, Vietnam - and, a source of continual troubles, Burma/Myanmar. For ASEAN as a whole not only has the incorporation of authoritarian regimes been problematical but the dysfunctions in Indonesian, Filipino and Thai democracy have been such as to call into question a democratic ideal. In other words, within Southeast Asia, liberal pluralist democracy is not considered as essential to good governance, a view very much at odds with European norms.

⁸ The four countries that have not yet ratified the charter include the three most democratic members of ASEAN, Indonesia, the Philippines and Thailand, as well as the most authoritarian, Burma/Myanmar.

III - ASEAN as a “Neighbourhood Watch Group”⁹

ASEAN is not the European Union and the EU is not ASEAN and the forms of cooperation between the two regional entities – or to use the figurative expression of our title – the “dance” between them reveals their rather different nature. In particular the historical path dependency of ASEAN (Khong & Nesadurai 2007) is of a very different nature from that of Europe. For example the obsession with national sovereignties in Southeast Asia must be understood in reference to the colonial experience of all of the members of ASEAN, with the exception of Thailand, and their relatively short period of existence as independent nation states following decolonisation. While historically there has been rivalry and tensions between Southeast Asian polities there has been no historical experience that approximates the types of total war that Europe experienced over a number of centuries. Concomitantly, the need to reduce the areas of national sovereignties as the price to be paid for future peace, has not been felt. In other words, seen from a functionalist perspective, the kinds of compromises that are acceptable to political leaderships in ASEAN are of a different order than in Europe. Membership in ASEAN is perceived by political elites as a useful complement to nation-building and regime consolidation as long

⁹ The expression is that of a Singaporean Defence Ministry official (Khoo 2000)

as it does not interfere in achieving those two priorities. Above all membership is seen as enhancing individual national sovereignties, not reducing them.

As in Europe, the development of Southeast Asian regional integration is both a response to challenges in the international environment and a related factor, the role of a hegemonic power, in this case the United States (Katzenstein 2005). To deal with the latter element first, to simplify, in Europe the United States from the Marshall plan onwards has sought to encourage, or at least to acquiesce in continued European integration. Indeed during the Cold War period through its engagement in NATO the US provided the kinds of security guarantees that facilitated European regional integration. In Southeast Asia, on the other hand, the United States has sought to function in a bilateral manner preferring to deal with weaker partners in an ad hoc way (Hemmer & Katzenstein 2002). SEATO, originally billed as an Asian NATO, was abolished in the mid-seventies both through its failure to rally Southeast Asian support around the notion of collective security and as a result of US disinterest. While the US may pay lip service to the importance of ASEAN as a regional body, US practice tends to downplay its role. On the one hand, in negotiating trade agreements the US has done so bilaterally with individual members and, on the other, the one regional integration project for which the United States has provided some lukewarm support, namely APEC, is trans-Pacific involving North and South America, Australasia as well as Northeast Asia. This body, ostensibly concerned with economic co-operation, allows little room for ASEAN to act as a separate entity, a situation accentuated by the relative economic unimportance of the individual ASEAN countries compared to the heavyweight economies of Northeast Asia.

In the last decade or so the Southeast Asian countries individually have had to deal with another lasting challenge coming from another burgeoning political and economic power, namely China. The challenge of China's "peaceful rise", to use the official jargon, is multi-faceted. On the economic level, China's contemporary economic pre-eminence represents a threat to the export-oriented industrialisation model of neighbouring countries for China is not only a competitor in export markets but also, unlike individual ASEAN member countries, possesses a very large domestic market itself. Thus the problem of lower labour costs compared to the more developed Southeast Asian countries is compounded by lower factor

costs due to large scale production for both the domestic and export markets. While the Chinese appetite for raw materials and energy sources has been a boon to some ASEAN members, such as Indonesia and Burma/Myanmar, competition for such resources could have destabilizing consequences, for example over control of possible resources in the South China Sea. In some ASEAN member countries, such as Vietnam and Thailand, there exist also concerns about China's military power. The greater institutionalisation of ASEAN through the ASEAN Charter and the consolidation of an ASEAN Free Trade Area can be seen on one level as a response to the Chinese challenge. Furthermore the signing of a China-ASEAN FTA is an attempt to tie the Chinese into more predictable trade relations. Yet also, in keeping with the statist balance of power perspective of Southeast Asian elites, there are also attempts to constrain China either through "playing the India card", for example through an ASEAN centred East Asian Community model that includes this country as well as Australia and New Zealand. The ASEAN-India FTA and the ASEAN-Korea FTA and that being negotiated with Japan, must also be perceived as ways of hedging against possible Chinese domination.

IV - EU-ASEAN Relations: the Political Dimension

In dealing with the countries of ASEAN, the European Union has had to deal with an ambiguous colonial heritage. While the independence of the nations of Southeast Asia is over fifty years old, in terms of the millennial history of these countries in a sense this is only yesterday. With the exception of Siam (Thailand) all of the countries of Southeast Asia were colonized and in all cases by Europeans.¹⁰ Five of the present twenty-seven members of the European Union were involved in annexation of territory: chronologically Portugal, Spain, the Netherlands, Britain and France (to which should be added, in terms of regional perceptions, another “Western” power the United States in the Philippines). The colonial interregnum – with the exception of Spain in the Philippines and, incidentally Portugal in East Timor – may have been relatively short lived, dating from the last quarter of the nineteenth century to the end of the first half of the twentieth, yet it had a profound impact. The borders, administrative and political structures, education systems and modern economic networks of the countries of Southeast Asia date from that period. Nevertheless it would be misleading to suggest that these were

¹⁰ While Siam managed to maintain its independence by playing on Anglo-French rivalry so strengthening its role as a kind of buffer zone between the colonial possessions of these two powers, in economic terms, Siam became integrated into the imperial economies of these countries. Prior to the brief Japanese occupation during World War II, the United States, was the only non-European colonial power in Southeast Asia having replaced Spain in the Philippines in 1898.

merely imposed. On the contrary, it would be more appropriate to suggest a kind of symbiosis in which assimilation of what would be described today as globalized norms were reinterpreted in local circumstances.

For Europeans, familiarity with their former colonial territories has been undoubtedly an advantage in fostering economic and political contacts today. The cases of British investment in Malaysia or that of French companies in Vietnam could be cited in this regard. Nevertheless, the impact of these “privileged relations” in a globalized world can be very easily be exaggerated. On the one hand, European investors are merely competitors in a global market very often finding themselves in third place after those from Japan and the United States, as evidenced say in the place of European automotive multinationals in the Southeast Asian market. On the other hand, the number of European countries with an historic experience in Southeast Asia is quite small: five out of the present twenty-seven members of the EU and still only one third of the previous pre-enlargement fifteen member EU can claim

Another element in the EU-ASEAN relationship, previously referred to, is the Cold War context. With Communist insurgencies within their borders and Communist victories in Indochina more than a distinct possibility, the founding of ASEAN in 1967 was designed to create a bulwark against communism in Southeast Asia. As well it was meant as a confidence building initiative amongst the first five members, all of whom had territorial claims on others. For ASEAN to function it required legitimacy and encouragement not only from the ultimate guarantor of security in the region, namely the United States, but also from other external actors. With the end of the war in Vietnam and later Vietnamese occupation of Cambodia, on the borders of an ASEAN member, the need for recognition from the European community became greater. Meetings between European and ASEAN foreign ministers began in 1978 and two years later a cooperation agreement between the EEC and ASEAN was signed. The 1980s were to be a critical period in ASEAN’s development for its members, up until the peace agreement of 1990, were able to coalesce around a common enemy, namely Vietnam. European support in defending ASEAN’s position, particularly in the United Nations, provided a useful fillip to the Association. However with the end of the Cold War in Southeast Asia and the Vietnamese withdrawal from Cambodia ASEAN’s need for external approba-

tion diminished. Concomitantly European concern with insecurity in the region as a distant threat to a peaceful world order diminished. Without a shared adversary causes of friction in the EU-ASEAN relationship came to the surface.

V - Two “Flies in the Ointment” of the EU-ASEAN Idyll.

A major cause of tension in EU-ASEAN relations - at least till the referendum in 1999 on independence - was the 1975 Indonesian annexation of East Timor, a territory then considered in international law as a Portuguese colony. Indonesia's brutal occupation of the territory and the exploitative and the violent means of maintaining its control during the Suharto period were constantly being brought to the fore in the European media. Moreover the existence of an exiled Timorese community in Portugal who conducted a very effective campaign of communication over the years meant East Timor was never forgotten. Their efforts combined with that of a number of European advocacy NGOs was relayed in the Brussels community, particularly in the European Parliament.

After East Timorese independence in 1999 in violent circumstances, the Portuguese both made the greatest European contribution to the United Nations peacekeeping force sent to the island under the auspices of the UN, and continue to provide the bulk of European aid and assistance to this struggling new nation. Moreover, Portuguese lobbying has made sure that EU development assistance to East Timor is the highest per capita in Asia. Independent of the questions of the justice of the European approach, the East Timorese question demonstrates the capacity of

one member country in the European Union, namely Portugal, to have European Union policy towards not only a major Asian partner, namely Indonesia, but also ASEAN as a whole, to some extent subordinated to the resolution of a question over which it had an overriding interest. The East Timorese case would seem, at first sight, to provide a counter example to conventional views of EU intergovernmentalist praxis as leading to support being given to the lowest common denominator position amongst the positions of member states. This is not the case. In the absence of either the expression of a strong interest or resistance amongst other EU members, one member country, Portugal, was simply able to impose a strong diplomatic position.

Despite the progress in democratisation that occurred in Indonesia under presidents B.J. Habibie, Abdurrahman Wahid and Megawati Soekarnoputri and, what is considered as the stable leadership of the present president, Susilo Bambang Yudhoyono elected in October 2004, neither political nor economic relations between the EU and Indonesia have developed profoundly since the fall of Suharto. For example, there has been no visit by a major European leader to what is the world's largest Muslim country, one that could now claim to be the world's third largest democratic nation. European companies have remained relatively reticent to investing in Indonesia in part because of continuing social instability, continuing corruption and the lack of a legal framework and judicial system conducive to protecting their interests. Moreover the European rush to both invest, and also to establish market share, in China and in India has been meant that Indonesia is of secondary importance. The tsunami of 26th December 2004 that ravaged the coast of Aceh did, however, provide an occasion for the EU to provide substantial amounts of emergency aid. More importantly, after the tsunami the peace agreement brokered under the guidance of a former Finnish president, Martti Ahtisaari, between the Acehese separatist movement, GAM, and the Indonesian government also allowed a strong European input (Merikallio 2006). EU observers were amongst the 219 sent to monitor the successful disarming of the separatists and the withdrawal of Indonesian troops from this province in the north of Sumatra. The EU continues to have a presence monitoring the decentralized political recovery of the province.

A second continuing sore in EU-ASEAN relations concerns Burma/Myanmar which has been a contentious issue for two decades. The initial bloody suppression of opponents by the Burmese junta in August 1988 resulted in the suspension of all aid, except of a clearly humanitarian kind. This was followed by an arms embargo in 1990 and the ending of defence cooperation a year later following the refusal of the junta to acknowledge the electoral victory of Aung San Sui Ky's National League for Democracy, which won 80% of the vote. Diplomatic sanctions have been in place since 1996, and in 1997 the year Burma/Myanmar joined ASEAN, the country was suspended from the GSP (Karen Smith: 205). The European Commission finances a Euro-Burma Office in Brussels which is in effect a representative office of the Burmese opposition.

The question of Burma's (Myanmar's) participation in the Asia-Europe Meeting was a continuing irritant in EU-East Asian relations in the first ten years of the ASEM process beginning with the first ASEM Summit in 1996. With Myanmar's official admission to ASEAN in July 1997 - despite the overriding objections of the West - a convincing argument could have been made for an invitation of the Rangoon regime to the London summit. After all was not the original composition of the Asian side to be decided by Asian's themselves. Yet Myanmar was not invited. The Burma/Myanmar question has continued to plague EU-East Asian relations and particularly EU-ASEAN relations ever since. For several years, the annual EU-ASEAN Foreign Ministers Meetings were cancelled. In the lead up to the fourth ASEM summit in Hanoi in October 2004, the question of Burmese attendance almost led to a cancelling of the whole event. In the end, a "double key" compromise was brokered by the Dutch presidency in which the ten European accession states joined ASEM and the three post-1996 members of ASEAN were also admitted as well as India, Mongolia and the ASEAN secretariat. However, Burma/Myanmar was to be represented at a lower level than that of head of state. Nevertheless, in 2005, an EU-ASEAN meeting of trade ministers was boycotted by ASEAN, because the Burmese delegation had been subject to the visa bans imposed throughout the EU. After the Hanoi summit, the European Union reiterated its threat to boycott meetings with ASEAN if Burma/Myanmar, as planned, took over the rotating chairmanship of ASEAN in 2006. In the end, under pressure from other ASEAN members, the junta agreed to pass over

its turn at the presidency, a decision also in line with the junta's desire to further retreat into greater isolation.¹¹

The devastation caused by Cyclone Nagis which hit the south-western coast of Burma on 3rd May 2008 causing the death of up to 130,000 people and leaving between over two million people homeless brought with it three political lessons. Firstly, that the Burmese junta remains largely impervious to international pressure making minimal concessions incrementally. Despite repeated calls to allow foreign aid and, especially foreign aid workers, to enter the country, the military regime, whose paranoia and xenophobia know no bounds, has been above all concerned to remain in total control. Secondly, that despite the unique emergency situation, the political leaderships of fellow ASEAN countries were initially reluctant to contravene the sacrosanct principle of non-interference in order to even question the junta's dominant position. Finally, that the efforts of the European Union, either through the intervention of the EU Commissioner for Development and Humanitarian Aid, Louis Michel, or that of the foreign ministers of two of its members, namely Bernard Kouchner from France and David Miliband from the United Kingdom, brought few results. Kouchner argued that the callous negligence of the Burmese junta in failing to help its citizens and allow into the country significant amounts of foreign aid constituted a breach of the "principle of the duty to protect". However the French initiative to bring the Burmese situation before the Security Council of the United Nation was vetoed not only by both China and Russia, but also by ASEAN's largest member, Indonesia. This failure not only demonstrates the limits of European soft power, but also the limitations in the EU-ASEAN dialogue. Even when confronted with a humanitarian disaster of overwhelming proportions, the question of divergent views on national sovereignty remains a major stumbling block towards interregional cooperation.

Nevertheless, at the time of writing, there is one small possibly positive sign, namely a more assertive role by ASEAN, and a reluctant acquiescence in that role by the Burmese junta. By making ASEAN the chief co-ordinator of aid to Burma and the co-organizer with the UN of the donors meeting held on 25th May 2008, the Association may well have created a precedent for intervention in the internal

¹¹ Moving the capital to Naypyidaw, some 300 kilometers north of Rangoon, the same year is a further very tangible sign of the "bunker mentality" of the ruling junta.

affairs of a member state. Moreover, there seems to be an acceptance amongst European officials of the need for a degree of cooperation with Southeast Asian countries in channelling aid to the country. As in Aceh this practical exercise in inter-regional cooperation could provide some substance to a strengthening EU-ASEAN relationship in the future. However, unlike in Aceh, the intransigence of the Burmese regime in accepting outside intervention is a major obstacle.

VI - EU-ASEAN Relations: the Economic Dimension

For the European Union as a whole, and for the 27 member countries the economic dimension of relations with Southeast Asia overshadows the political dimension, even if it is the latter that is given the greatest visibility in the media. For example, the consensual ASEAN-EU Vision Group (2006) report jointly compiled by eminent persons from both Europe and Southeast Asia, has as its central focus the promotion of economic prosperity. In 2003 at the time of the publication of the European Commission's Communication, "A New Partnership with South-East Asia" ASEAN was the EU's third largest trading partner and the EU was ASEAN's third largest trading partner. In 2006 the European Union exported €48.2 billion of merchandise to the ASEAN countries as a while importing €78.2 billion of merchandise from them. The result was a €29.8 billion trade deficit in that year. In percentage terms in 2006 the ten ASEAN member countries together accounted for 5.79% of the EU 25 merchandise imports and 4.15% of exports from the EU. Trade in services worth €13.5 billion of imports and €14.7 billion of exports for the EU 25, resulting in a €1.2 billion surplus, were more favourable to the EU. By way of comparison, the EU-25 exported €63.4 billion of merchandise to China and imported €191.8 billion resulting in a monumental €128.4 billion trade deficit. As for Japan, the figures

for the same year are €44.7 billion of exports from the EU 25 and €76.5 billion of Japanese imports, resulting in a similar merchandise trade deficit as with ASEAN, namely €31.8 billion.¹²

Discussions of European trade generally, it should be noted, are somewhat distorted by the fact that intra-European trade, which, after all accounts for up to 70% of the trade of European companies, is excluded from these external trade statistics. This caveat aside, for the European Union, Southeast Asia as a whole is an important trading partner, one with whom trade is considered unbalanced. However the general macroeconomic picture with the ten ASEAN members collated together hides the significant disparities in the level of trade with individual ASEAN members. As to be expected, trade with the wealthier ASEAN members is considerably greater than with the poorest. In 2006 the level of merchandise trade with the city-state of Singapore - €19.5 billion of EU25 exports and €19.4 of imports - was considerably higher than with the largest ASEAN country, Indonesia, for whom the figures were € 5 billion and €15.2 billion respectively. In other terms Singapore alone absorbed 40% of EU exports and provided a quarter of imports in the EU. In the middle-income ASEAN countries, levels of EU trade were commensurate with their level of GDP per capita: in Malaysia the EU-25 exported €10.3 billion of merchandise and imported €17.3 billion, while in Thailand the figures were a little lower, with €7.2 billion of exports and €14.2 billion of imports. Leaving aside the particular case of Burma/Myanmar which is subject to EU trade sanctions, in Cambodia, another of the poorest countries of ASEAN, the EU 25 exported a mere €100 million of merchandise and imported €700 million.¹³

In 2006, among the now 27 members of the European Union, Germany with 29% of the total of exports (i.e. €14.5 billion) was by far the largest exporter, with exports double that of the number two exporter, France, responsible for 14% of the total (€6.8 billion). The British level of exports was almost equivalent to that of France (€6.5 billion or 13%). On the other side of the trade balance sheet, the Netherlands (€16.2 billion or 20%) was the largest importer of ASEAN goods followed by both the United Kingdom (€15.3 billion) and Germany (€14.8 billion) each at the 19% level. EU 27 trade with ASEAN is dominated by manufactured goods which, in 2006,

¹² Eurostats statistics : STAT/07/158 dated 15th November 2007.

¹³ *ibid.*

accounted for about 85% of both imports and exports. Machinery and vehicles alone made up about half of EU trade with ASEAN that year.

Turning to Foreign Direct Investment, however, the EU's importance to ASEAN as a whole is much greater than in the area of trade. In the decade from 1995 to 2004, Europe contributed over a third of accumulated FDI in Southeast Asia compared to 18% from the United States and 13.6% from Japan (Hoyrup 2007: 57). In the period since then, while there has been a decline - with the European Union contributing 25.5% of FDI in 2006 compared to 7.4% from the United States and 20.6% from Japan¹⁴ - nevertheless, the EU still is the largest provider of FDI to the Southeast Asian countries. However, when one looks behind the macroeconomic figures for Southeast Asia as a whole there are enormous disparities in the places of investment. By 2004 Singapore alone had received almost two thirds (63.3%) of European FDI, followed by Malaysia (10.3%), Thailand (10.2%), Indonesia (8.6%) and the Philippines (5.9%) with the poorest new member countries receiving a mere 1.8% of European FDI (Hoyrup 2007: 56). More recently, European FDI has become significant in the massive total expansion of FDI into Vietnam which tripled from US\$2 billion in 2005 to US\$6 billion in 2007 (*The Economist* 25/4/08). In Vietnam at the end of 2006 the EU, with 15% of total FDI, was the second largest investor after Japan (17%) and ahead of the US (13%).¹⁵ As with Japan, this movement to Vietnam can be considered as expressing the willingness of European companies not to put "all their eggs in the Chinese basket" and to take advantage of low labour costs and a skilled workforce. This shift of investment within ASEAN has partly been to the detriment of other members such as the Philippines and, in particular, Thailand.

The preceding elaboration of these statistics on trade and investment provides the background for the negotiations to establish an EU-ASEAN Free Trade Agreement. With the potential failure of the Doha Round in bringing about further trade liberalisation, the European Trade Commissioner Peter Mandelson announced in October 2006 that the European Union would end its moratorium on negotiating preferential trade agreements and negotiate such individual agreements with China, Japan and all of ASEAN (European Commission 2006). The choice of negotiating

14 Statistics of the ASEAN Secretariat downloaded from www.asean.org

15 Statistics of the Delegation of the European Commission to Vietnam.

an inter-regional agreement in the case of ASEAN is significant. While negotiations with Mercosur have been going on for almost a decade these have not produced tangible results. However Chinese – and to some extent Japanese – success in negotiating with all of ASEAN would seem to have provided a stimulus for the European Commission to embark on a similar strategy, if only to better cope with US and Chinese competition.¹⁶ For the European Union the purpose of such an agreement would be to increase trade and to reduce or eliminate the trade deficit with the ASEAN countries. Domestic pressures within the European Union are pushing towards a more aggressive trade policy in order to address the burgeoning trade deficits with China in particular and the rest of Asia in general. The imposition of quotas on Chinese (and other Asian) textile and footwear imports in order to protect European manufacturers in 2005 and 2006 was a harbinger of the more protectionist mood pervading the European polity.

A quantitative report commissioned by the European Commission in 2006 argued that an ASEAN-EU FTA would boost EU exports to ASEAN by 24.2%, while the latter would benefit from an increase of 18.5% of its exports to the European Union. It went on to conclude that an EU-ASEAN FTA would contribute to more than a 2% gain in the ASEAN GDP, although the increase for the four least developed ASEAN countries would be more modest. In addressing four possible scenarios involving varying degrees of liberalization, the study concluded that the bulk of gains for ASEAN would lie in the liberalization of services (Boumellassa, Decreux, & Fontagné 2006). The second, this time qualitative study, based partly on a survey of European business people, concluded that there was “a compelling case for going ahead with an EU-ASEAN FTA” (Andréosso-O’Callaghan & Nicolas 2006: 189). However, when one examines the number of qualifications on implementing such an agreement and the limitations on its effectiveness provided by these authors - arguments which they have expressed more freely in a recent academic article – it is not at all clear that the negotiating of such an agreement should be a priority for the European Union. Indeed as they have argued that “in order to be beneficial, the EU-ASEAN FTA will also need to be quite broad and to encompass

¹⁶ This feeling was apparent in the survey of EU business people conducted as part of the study of a potential EU-ASEAN FTA (Andréosso-O’Callaghan & Nicolas 2006: xi., 169).

trade-related issues such as competition policy or Intellectual Property Rights protection” (Andréosso-O’Callaghan & Nicolas 2008: 126)¹⁷.

Unlike negotiations for an EU-Korea FTA, now in its seventh round of serious discussions, the Commission admitted that only the third meeting of the Joint Committee for the EU-ASEAN FTA held in Brussels on 1st February 2008, was the first to see a “first open, frank and constructive exchange of views of the various parties on the various issues that the EU would like to see covered under the final agreement.”¹⁸ There would seem to be a reluctance on the ASEAN side to negotiate and implement such an agreement because, unlike in the case of the China-ASEAN FTA and the Korea-ASEAN FTA, it is not ASEAN who is seeking to sign an FTA, but rather the EU. From the ASEAN perspective given their trade surplus with the EU it is not clear what further advantages an FTA would accrue to them especially as they would be required to reduce protection for their manufacturing industries and to reduce barriers to European investment in what they see are sensitive areas.

Beyond these questions of political willingness on the ASEAN side there are serious structural and systemic issues that mean that the creation of an EU-ASEAN FTA is problematical for four reasons. Firstly, the level of intra-ASEAN trade (25.1%) is very low compared to the two-thirds that constitutes intra-European trade. In other words ASEAN, unlike the EU, is not yet a common market. Secondly, while the European Commission is mandated to negotiate for all of the 27 EU members, the ASEAN secretariat and the representatives of the rotating presidency do not possess such a mandate for the ten ASEAN members. As with the China-ASEAN FTA, which has not yet been ratified by Thailand, individual ASEAN members can choose to be bound by any future agreement or to opt out. Thirdly the significant disparities between the ten members of ASEAN lead to very different priorities on trade, investment and development. Between a Singapore with a GDP per capita of €23,830 and Burma/Myanmar with a GDP per capita of €183 the interest in, and gains from, an FTA are very different.

¹⁷ The question of state capacities is the much neglected Achilles heel in regional integration efforts in Asia generally (cf Hamilton-Hart 2003).

¹⁸ Minutes of the meeting on the Commission website. No minutes are yet available for the fourth meeting held in Bangkok in April 2008.

Related to these disparities of income is a fourth serious difficulty, as the authors of the qualitative report for the Commission admit rather prudently “capacity-building measures are necessary in the case of some countries for the FTA negotiation process and also in order to allow them to implement successfully the results of the negotiations” (Andréosso-O’Callaghan & Nicolas 2008: 126). The little importance some ASEAN members attach to inclusive ASEAN-wide agreements is demonstrated by their signing of a number of exclusive bilateral agreements: Singapore with three separate FTAs with New Zealand, Australia and the US and Thailand with Australia and New Zealand. In this regard it should be noted that while at the same time offering a Japan-ASEAN FTA, the Japanese have signed bilateral FTAs with Indonesia, the Philippines, Singapore and Thailand (Dent 2008: 185-192). These agreements reflect the complementarities between the Japanese economy and those of its southern neighbours.

VII - Taking Stock: EU-ASEAN Relations in 2008

As intimated, in terms of region-to-region cooperation, there has not been a strengthening in these relations since the signing of the EEC-ASEAN Cooperation Agreement in 1980, one essentially economic in nature. Despite a 1991 decision to sign a more wide-ranging agreement, some seventeen years later, this has not occurred. As mentioned, the sticking points were, initially, Indonesia's annexation of East Timor and, since the mid-nineties, Burma/Myanmar's membership of ASEAN. Following the enlargement of ASEAN to include Laos, Burma, Vietnam and Cambodia, there was a general downgrading of EU-ASEAN relations reflected in the cancelling of meetings and the lower level of representation. A further factor at this point was the experience of the Asian financial crises, a crisis which demonstrated that, behind the rhetoric of ASEAN solidarity, there was neither intraregional willingness nor intraregional capacity to deal collectively with serious economic difficulties.¹⁹ Moreover the European Union itself was unable to provide any specifically European response to dealing with the crises (Bridges 1999, Langhammer 2001), other than keeping its markets open and relying on, and providing resources to, the IMF and World Bank to deal with the problem. Finally, in a sign of "summit fatigue",

¹⁹ In the vast literature on the causes and consequences of the crises the most balanced account that brings together the economic, political and social dimensions is that of François Godement: 1998)

it was felt by some European officials interviewed at the time that ASEAN – EU forums were redundant when dialogue could occur in a larger ASEM framework. A pre-enlargement ASEM, from 1996 till 2004, was perceived as a promising avenue for interregional cooperation. Within ASEAN, as previously mentioned, there was resentment at the European approach over Burma/Myanmar, which clearly contravened the sacrosanct principle of non-interference in the affairs of a fellow ASEAN member. On the European side, there was little sympathy for ASEAN’s lack of “club membership rules” - that contrasted singularly with the highly legalized structure of European Union membership, membership that involves adherence to certain explicit notions of democratic governance.

Yet, precisely because the relations have been at such a low ebb, it is possible to be reasonably optimistic about inter-regional cooperation with ASEAN in the future. First of all, what this author perceives as ASEM’s demise (Camroux 2006,) brought about by an enlargement to 43 members - making it a kind of half-baked United Nations but devoid of permanence, staff, finances, institutions or real legitimacy – could be to ASEAN’s benefit in leading to return to more manageable, and potentially more fruitful, EU-ASEAN cooperation. Within Asia as a whole there is a continuation – and indeed a strengthening - of a kind of asymmetrical bilateralism between a regional entity (Europe) and major individual Asian countries particularly China and India. Although not at the same intensity as with these major trading partners, the EU’s relations with some individual Southeast Asian aid recipient countries such as Vietnam and Indonesia remain solid.

An indication of the new impetus in EU-ASEAN relations was the holding of the first EU-ASEAN Summit convened in Singapore on 27th September 2007 in order to celebrate both the first thirty years of formal relations and the fortieth anniversary of the founding of ASEAN. Furthermore, the economic crisis of 1997-1998 is well and truly absorbed in Southeast Asia and the region has become again an attractive site for European investment, albeit in increased competition with both India and China, and at a lesser scale than previously. Thirdly, ASEAN efforts at institutionalisation should lead to a situation where the EU finds itself eventually in dialogue with an interlocutor now possessing a legal personality. Part of the basis for an inter-regional approach has already been laid: during the last decade the number of European Commission delegations in Southeast Asia has expanded

considerably with representation in virtually all of the ASEAN member countries. As well, those EU countries without an embassy in a particular ASEAN country rely on other European embassies to ensure such a presence. Finally, as elsewhere, consultative mechanisms between European embassies ensure some minimal degree of co-ordinated action.

Nevertheless a final caveat needs to be mentioned in the strengthening of inter-regional relations between Europe and ASEAN, namely that of developing a common European policy towards all of Southeast Asia amongst its member countries. In this regard enlargement has been detrimental to the strengthening of EU-ASEAN relations for two reasons. On the one hand, Asia in general is largely “absent from the radar screen” of many new members²⁰ who lack not only an historical memory of colonial ties but also, with a few exceptions, the kind of expertise on Asia to be found in the older members. More importantly, the new member countries’ first economic priority is integration into the European single market: not only is a concern with export to non-European markets something for the future, but they are net investment recipients rather than investors, lacking the major multinational companies that are at the forefront of European activity in Asia. The one possible exception to this picture is Vietnam where countries like the Czech Republic and Poland can build on political ties established during the Cold War.

²⁰ In a recent Polish Foreign Policy White Paper the term Asia was mentioned just once and ASEAN not at all.

Conclusions

The pre-eminence of geo-economic over geopolitical considerations conditions the possibilities of bilateral, multilateral and interregional initiatives for both Southeast Asia and the European Union. The experience of the last thirty years of EU-ASEAN inter-regional cooperation would suggest that this is most promising when dealing with a common challenge or a common adversary. It is perhaps in developing this cooperation, say in relation to the differing challenges posed both to Southeast Asia and to the European Union by China's burgeoning economy and greater assertiveness as an international actor that a fruitful avenue of cooperation could be explored. Moreover with the relative decline of the United States as a hegemonic power in the Asia-Pacific region a space has been opened for more assertive expressions of European soft power in Southeast Asia.

Nevertheless, to return to the questions posed at the beginning of this study, EU-ASEAN interregional cooperation will continue to be hampered by the very different natures of the two entities. In this regard the European Union's policy of assisting further Southeast Asian regional integration is indeed valid. As the difficulties in even beginning serious discussions of an EU-ASEAN FTA demonstrate, divergent objectives amongst Southeast Asian countries coupled with glaring differences in

capacities, are a hindrance to further interregional cooperation. On the political level, the appalling situation in Burma/Myanmar and the unwillingness and/or inability of other Southeast Asian countries to reassess the principle of non-interference, in order to foster a democratic transition remains a stumbling block in strengthening EU-ASEAN interregional cooperation. To return to the imagery of this study's title, not only are the partners performing different dances, they are also dancing to different tunes.

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