



Webinar – Europe’s New Trade Policy: What’s In It for ASEAN?

The EU’s new trade policy outlines its trade strategy for the coming years. However, ASEAN has not been mentioned once in the 23-page long document. Thus, questions are being raised about where ASEAN stands in the EU’s eyes, what should ASEAN and its businesses do to stand out more, and what the future holds for EU-ASEAN trade relations?

On 31 March 2021, the EU-ASEAN Business Council (EU-ABC) hosted a webinar titled: “Europe’s New Trade Policy: What’s in it for ASEAN”. With a panel comprising of H.E. Eduardo de Vega, Philippine Ambassador to Belgium, Luxembourg, and the European Union, Helena König, Deputy Director-General, European Commission’s Directorate-General for Trade, Tan Sri Dato’ Dr Mohd Munir Abdul Majid, Chairman, CARI ASEAN Research and Advocacy and President, ASEAN Business Club, and Alessia Mosca, Secretary-General of the Italia-ASEAN Association.

A Close Partnership with ASEAN is Key to the EU Trade Policy’s Success

Despite ASEAN’s lack of mention in the EU’s new trade policy, the EU needs a strong partnership with ASEAN to achieve its trade policy objectives. König stressed that the EU remains heavily committed to engaging with ASEAN, citing the elevation of EU-ASEAN relations to a strategic partnership in December 2020 as evidence. König highlights that there are many areas of collaboration between the EU and ASEAN, citing issues on Digital Economy, Health, Sustainability, and Connectivity as some examples. Adding on, Mosca mentions that the absence of ASEAN in the EU’s new trade policy is not reflective of the large investments that the EU has been making towards improving ASEAN’s development. Furthermore, König and Mosca expressed their optimism for greater EU-ASEAN collaboration in the future as ASEAN Member States (AMS) have been active in opening new trade relations,





However, König stresses that the EU must acknowledge and accommodate ASEAN’s dynamic and heterogeneous circumstances. It also needs to be tactfully assertive in pushing for the principles it believes in. Echoing König, Dato’ Tan Sri Munir noted that the EU must deal with ASEAN in a more calibrated manner if it wants to maintain a good working relationship.

ASEAN Still Holds Tremendous Opportunities for the EU

To Ambassador de Vega, ASEAN stands out mainly because it is a region that is developing quickly. As development progresses, its large middle-class population will be attractive to many investors. ASEAN’s demand for high-tech capital and high-value services from the EU will also be bound to increase rapidly in the future.

From the perspective of ASEAN’s private sector, Dato’ Tan Sri Munir believes that ASEAN’s profile could be raised by increasing the level of friendly competition between AMS, which would create a favourable investment climate in the region. He believes that the EREADI (Enhanced Regional EU-ASEAN Dialogue Instrument) mechanism would be pivotal in achieving

ASEAN’S ECONOMIC POTENTIAL

-  640M people with **50% classified as middle-class** by 2030
-  GDP per capita expected to **grow 4% annually** to USD6,600 by 2030
-  **5-6% projected increase** in post-COVID-19 GDP growth
-  **YoY increase** in e-commerce revenue by **55%** (USD11B to 17B) from 2019 - 2020

this. Early signs of such friendly competition can be seen from the Philippines and Vietnam’s enactment of business-friendly reforms to attract more foreign investments.

On the other hand, Tan Sri Munir was frank in his criticism about ASEAN’s tendency to move slowly and its inability to enact reforms. As such, he believes that ASEAN businesses would need to step up more to raise the profile of the region. Within ASEAN’s private sector, he believes that its tech startups have the greatest potential to raise ASEAN’s profile, citing the USD8.2 billion in funding raised in 2020 despite the COVID-19 pandemic as evidence. At the same time, Dato’ Tan Sri Munir stressed that ASEAN governments must elevate ASEAN businesses that have strong Environment, Social, and Governance (ESG) principles. This will influence other ASEAN businesses to adopt similar principles, which would improve the reputation of ASEAN’s private sector as responsible businesses that other foreign companies would want to work with.

Plentiful Opportunities for EU-ASEAN Trade Relations, but Not Without its Challenges

All the panellists unanimously agree that there are many opportunities for collaboration between the EU, ASEAN, and their private sectors.

König and Ambassador De Vega shared that the EU and ASEAN are both very committed to achieving a region-to-region Free Trade Agreement (FTA). König expressed the EU’s desire to accomplish an ambitious FTA with ASEAN that is fair to both regions and based on World Trade Organisation (WTO) rules. To achieve this long-term goal, she believes that the EU and ASEAN need to continue to build upon their strategic partnership and leverage on regular summits to maintain a constant level of dialogue between the two regions. For Ambassador de Vega, the EU and ASEAN need to negotiate FTAs based on a principle of pragmatism, a principle that was crucial to the completion of the Regional Comprehensive Economic Partnership (RCEP).

In taking a pragmatic approach, he stressed that both regions need to separate business and non-business issues as much as possible as these issues have their respective separate channels for settlement. This would allow trade relations between the EU and ASEAN to progress much faster.

Mosca and Dato’ Tan Sri Munir believes that the significant areas for collaboration between the EU and ASEAN would be digitalisation, green transformation, and connectivity. For digitalisation, ASEAN holds a lot of opportunities for EU and ASEAN businesses to leverage on, particularly in the EduTech and InsurTech space. For green transformation, Dato’ Tan Sri Munir believes that the EU and ASEAN shares a common interest in achieving sustainability. Given that the EU has strong expertise in green technology, EU businesses should bring such technologies to ASEAN for the benefit of Southeast Asia’s economy and environment. Lastly, Mosca and Dato’ Tan Sri Munir stressed the need for EU and ASEAN businesses to work closer together in their dialogue with AMS and the EU to address the issues faced by the private sector of both regions.



EU-ASEAN Trade Relations

- 44** Years of Diplomatic Relations between the EU and ASEAN
- #1** EU traditionally the No.1 Source of FDI to ASEAN
- #3** ASEAN traditionally the 3rd Largest Trading Partner of the EU outside of Europe
- €2 billion** Bilateral aid & development spend from EU to ASEAN Member States