



EU-ASEAN Relations

Essay Series




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Others in this excellent series of essays have well-covered the most pertinent details about the 44-year relationship, now a strategic partnership, between the EU and ASEAN. These include the extensive levels of trade in goods and services between the two regions, the very significant foreign direct investment flows and stocks held in both directions and the very sizeable development aid and other programme support from the EU and its member states to ASEAN. Covered also were the high-level geostrategic arguments for closer political relations between the world's two most advanced regional blocs as was the support and collaboration galvanised by the Covid pandemic.

From an economic and business perspective, there can be little argument that the European Union is the leading integrated single market in the world and that ASEAN is, in aggregate, also a leading global economic bloc and arguably one of the key auxiliary engines of growth in the world. It is likely to be even more so post-pandemic as supply chains reorder and globalisation 'regionalises'. Most commentators confidently predict the South-East Asian grouping, again taken in aggregate, to become the 4th largest economy in the world sometime between 2030 and 2040 with its c650 million people creating a huge internal market of its own as well as playing a key role in global value and supply chains for the rest of the world.

While significantly smaller in absolute terms than the EU, the aggregate economic heft and significance of ASEAN is not always appreciated in Europe. Nor is the sophistication of its larger economies, its fast-growing digital economy nor the spending power of its burgeoning and well-educated middle class. The European Union is similarly not always understood or appreciated universally across ASEAN although it regularly comes out in various polls as ASEAN's most trusted partner along with Japan.

EU exports to ASEAN countries grew from €54 billion in 2010 to €85 billion in 2019 and imports increased from €72 billion to €125 billion euros. While the growth rate has moderated in the meantime and lags ASEAN's growth in global trade, those trajectories are set to continue and the volumes are significant. It is self-evident therefore that good EU-ASEAN political and economic relations are essential for both blocs. To maximise the potential, the EU needs to work to be better understood in ASEAN and ASEAN needs to up its game and present itself as a cohesive bloc and voice in Europe.

In my experience ASEAN is often wrongly seen in Europe as an under-developed or half-baked version of the European Union and issues arising with its individual members are sometimes unfairly ascribed to the bloc as a whole. These factors limit the upside from the relationship. European and ASEAN businesses have, however, long been aware of the mutuality of interests and economic benefits as reflected in the impressive bilateral trade and investment data and in the strong flows of capital, people, skills, ideas, standards and data between the regions. BDO firms in Europe and in ASEAN have seen a sustained interest for many years among their clients in doing business with and investing in the other region and this is evident across all sectors and among businesses of all sizes. This interest is particularly notable among ambitious mid-market businesses, sometimes seen as the top end of the more generic SME cohort.




Looking at the last 18 months, the language used by EU and ASEAN policymakers about post-Covid recovery is often a mirror image of that used by the other where the words 'digitisation', 'sustainable' and 'green' pepper the respective politicians' rhetoric and policy proposals. Common, or at least coordinated, policy responses to the challenging areas of economic recovery and stimulus, cybersecurity, digital trade, smart city planning, climate emergency, sustainability, healthcare and education offer the basis of a very meaningful strategic relationship. Can more to be done to synchronise the policies under these headings so that the respective recoveries can, to some extent, happen in lockstep or at least be synchronised? Could the EU coordinate its core strategies in the key areas of its Green Deal, Carbon Border Adjustment Mechanism, Supply Chain Due Diligence tools and Sustainable Finance with counterparts in ASEAN to give optimal outcomes? The time to coordinate such ground-breaking policy proposals is at the outset.

In January 2017, I posted an article on LinkedIn entitled 'Doing business in ASEAN and why it's not the EU'. On reading it again, it is clear that despite the many positive developments in the relationship since then, the two constructs remain different which requires businesses to carefully calibrate their approaches to and within each market. Businesses would naturally prefer a true region-wide economic framework across ASEAN. It's coming, but very slowly in the form of the 'ASEAN Economic Community'(AEC) launched in 2015. Over the past two decades, most tariff lines on trade among ASEAN member countries have been reduced to zero and while this is a major achievement, the 'low-hanging fruit' of tariff reduction has now been harvested. The ASEAN members must move on to the thornier challenge of eliminating non-tariff barriers or NTBs as they are known by the experts. Intra-ASEAN trade has as a result stubbornly remained below 25% and is currently just under 22%. By contrast the comparable level of intra-EU trade is estimated at over 65%. Room for growth!

Increased emphasis has been placed on initiatives to facilitate trade, ease supply chain bottlenecks and strengthen regional connectivity. Closer collaboration with the EU, beyond the already very significant assistance through initiatives such as ARISE+, could further lubricate these efforts, facilitate economic growth in ASEAN and make it easier for both ASEAN and EU businesses to do business in ASEAN as a region. This would be particularly important for midmarket/SME businesses who often are particularly disadvantaged by NTBs and other non-tariff measures as they have neither the resources nor patience to navigate through them.

It is a source of optimism for me nonetheless that many European businesses still see ASEAN as the region offering the most economic opportunity globally. The desire for closer trade relations with Europe from significant elements of the business community in Indonesia, Thailand and the Philippines, suggests that Europe also offers enduring appeal to the economies of ASEAN. Despite the impact of the pandemic, Singapore and Vietnam have already shown identifiable trade and investment growth with the EU since they implemented FTAs and investment protection agreements in recent years. Much as businesses in both regions would welcome a 'region-to-region FTA', I would concede that while it is still a great idea on paper, it is not likely to materialise in the near future. That being the reality, more momentum should be injected into concluding further ambitious bilateral FTAs with ASEAN countries and continuing to include progressive chapters covering SMEs and services



industries. With ASEAN's largest economy, Indonesia, taking the chair of the G20 in 2022 and of ASEAN itself in 2023, and with trade negotiations (CEPA) between that country and the EU ongoing, now would be a very good time to redouble efforts to conclude those challenging negotiations. As the old saying goes, you don't get what you deserve, you get what you negotiate!

It shouldn't be forgotten that the number of businesses from ASEAN trading with or investing in Europe, has also been growing steadily in recent years but they suffer from a lack of visibility and the absence of a unified voice for the ten-country bloc in Europe particularly in Brussels and key EU policy capitals. As with the ten separate ASEAN Missions, perhaps a more unified and concerted approach by these businesses through an ASEAN trade association or chamber in Europe, would enhance the commercial presence and policy influence of these dynamic businesses. Could Covid be the catalyst to prompt a reset or mindset change in this regard? Food for thought.

Lastly, it is a truism that the EU and ASEAN and member nations are strong supporters of multilateralism and of rules-based international trade. Even where significant differences arise on other issues, it is essential that both blocs give effect to their common viewpoints by working together and seeking to forge closer trading and economic ties if they are to successfully influence the evolving global trading order. As High Representative Josep Borrell wrote in his earlier essay....'you cannot be multilateralist on your own. We have always been and will always be stronger when we act together'. Sentiments which I fully endorse!