



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9.7.2003  
COM (2003) 399 final

**COMMUNICATION FROM THE COMMISSION**

**A new partnership with South East Asia**

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## Executive Summary

This communication proposes revitalising the EU's relations with ASEAN and the countries of South East Asia. The need to develop these relations further was noted in the Commission's September 2001 Communication on 'Europe and Asia, a Strategic Framework for Enhanced Partnerships', since endorsed by the Council and the Parliament.

There are several reasons for this strategy of enhanced relations. There is a solid foundation for strengthened co-operation in the fact that the countries of Europe and South East Asia share many common features and values, as well as important political and economic interests. These include a deep respect for cultural, religious and linguistic diversity, and a commitment to regional integration. There is also the increasing realisation that many problems – such as terrorism, environmental degradation, diseases, organised crime – are truly global in their nature, and can only be addressed effectively through international co-operation. Economic imperatives for closer co-operation include the fact that South East Asia is set to become one of the most dynamic growth areas in the world economy.

This Communication identifies the following six strategic priorities, and outlines actions by which the EU's relationship with ASEAN and the countries of South East Asia could be improved:

**a) Supporting regional stability and the fight against terrorism:** A strong ASEAN is probably the best guarantee for peace and stability in the region. The EU can contribute through using ASEAN and ASEM as frameworks for conducting policy dialogue, and through providing its expertise in regional integration, if asked. The EU stands ready to continue support to actions in the area of conflict prevention and conflict settlement. Regarding terrorism, the EU is prepared to assist countries in taking measures against international terrorism without prejudice to the respect by the countries concerned of basic human rights principles and peaceful political opposition.

**b) Human Rights, democratic principles and good governance** should be promoted in all aspects of EC policy dialogue and development co-operation, through building constructive partnerships with ASEAN and national governments based on dialogue, encouragement and effective support. New bilateral agreements with countries of the region should all contain the 'essential element' clause regarding human rights, while the EU and particular countries in the region may decide to launch Human Rights-specific bilateral dialogues.

**c) Mainstreaming Justice and Home Affairs issues:** In striving to create in the EU an area of freedom, justice and security, it is essential to incorporate this dimension in our external relations. Issues of migration, trafficking in human beings, money laundering, piracy, organised crime and drugs need to be incorporated systematically into our regional and bilateral dialogues with South East Asia.

**d) Injecting a new dynamism into regional trade and investment relations:** The EU and ASEAN have a strong interest in reinforcing their economic ties. The Commission is proposing a trade action plan, the *Trans-Regional EU-ASEAN Trade Initiative (TREATI)*, to expand trade and investment flows and establish an effective framework for dialogue and regulatory co-operation on trade facilitation, market access, and investment issues between the two regions. TREATI will thus permit serious consideration to be given to entering into a Free Trade Agreement following a successful outcome of the current round of multilateral trade negotiations. Such an agreement would be based on the “WTO-plus” principle, would be subject to sufficient progress on regulatory convergence and would ensure mutual benefits.

**e) Continuing to support the development of less prosperous countries:** Poverty reduction will remain an important development priority for the EU and we will continue to provide assistance towards strengthening the social infrastructure of the poorest countries in the region, particularly in the fields of health and education. Other priority areas for co-operation include in particular good governance, human rights, environment and forestry, trade-related technical assistance and counter-terrorism.

**f) Intensifying dialogue and co-operation in specific policy areas** will be an important way of re-invigorating EU relations with South East Asia. Such sectoral areas include economic and trade issues, justice and home affairs matters, science and technology, higher education and culture, transport, energy, the environment, and information society.

In seeking to enhance its relations with South East Asia in these ways, the EU will offer **new bilateral agreements** to countries in the region, while seeking to maximise the utility of the existing institutional frameworks, both bilateral and multilateral. It will also look to make the best use of available resources, such as the newly completed network of Commission delegations in South East Asia.

Finally, it is important that the deepening of EU co-operation with South East Asia envisaged in this communication is visible not only to government circles, but also to a wider audience of people in business, academia, the media, and ultimately to the general populations as a whole. This paper proposes launching **a new visibility strategy**, using the resources of both Headquarters, Delegations and Member States to spread a number of key messages.

## 1. INTRODUCTION

For many centuries, the common history of European and South East Asian countries only featured explorers, missionaries, traders and a few colourful diplomatic missions. There followed the difficult history of the colonial era and the Cold War period, some legacies of which still remain. Thirty years of official relations between Europe and the ASEAN have improved mutual awareness, but they have so far failed to realise the true potential of this relationship. Today, there is a widespread perception in both Europe and South East Asia that the coherence, impact and political visibility of our relations has not matched the ambitions of the long-established partnership.

In the context of a breathtaking acceleration of globalisation, many hard strategic, political and economic facts now demand that our relations with South East Asia<sup>1</sup> be reinvigorated.

### ***Box 1: South East Asia at a glance***

*Population: 532 million  
(8.5 % of world total)*

*GNP: 1.117 billion \$*

*GDP per capita: 1.217 €  
(average)*

#### ***Range of Per Capita Incomes:***

*Cambodia: \$270, Thailand: \$1.970, Singapore: \$24.740*

#### ***ASEAN economic growth:***

*2000: 5.5 %, 2001: 2.8 %, 2002: 4.5 %*

#### ***Number of people under (national) poverty line:***

*160 million (out of 485 million\*)*

*ASEAN share of world trade 5.1 %*

*ASEAN's share of EU exports and imports: 4.3 and 6.4 %*

*EU exports to ASEAN as percentage of world export: 4 %*

*\* (No data available for Burma/Myanmar)*

Source: World Bank, World Development Report 2003; ASEAN Secretariat

In its September 2001 communication on “*Europe and Asia, a Strategic Framework for Enhanced Partnerships*”, the European Commission proposed six core objectives<sup>2</sup> later

<sup>1</sup> South East Asia is defined as covering the association of South East Asian Nations (ASEAN) as a regional grouping, its 10 individual countries: Brunei Darussalam, Burma/Myanmar, Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, Vietnam, as well as East Timor, which is not yet a member of ASEAN.

<sup>2</sup> COM (2001) 469 of 4 September 2001; ‘Europe and Asia: A Strategic Framework for Enhanced Partnerships’, (‘Asia Strategy’) objectives are to:

- contribute to peace and security in the region and globally, through a broadening of our engagement with the region;
- further strengthen our mutual trade and investment flows with the region;
- promote the development of the less prosperous countries of the region, addressing the root causes of poverty;
- contribute to the spreading of democracy, good governance and the rule of law;

endorsed by Member States<sup>3</sup> and the European Parliament<sup>4</sup>. This Asia strategy sets the priorities and actions points for EU-Asia relations across the board but also calls for strategies to be developed for each of Asia's sub-regions and key partners. In particular, the Asia strategy had already recognised that:

*“The EU-ASEAN relationship has since the 1970's been a constant factor in our partnerships in Asia. Recent developments in the region make it even more important to strengthen further our co-operation in all areas –political, economic and social. Particular attention will be given to enhancing mutual understanding and to developing global partnerships, as well as to the need to further strengthen our relations with key ASEAN partners.”*<sup>5</sup>

In the context of the six wider objectives for our relations with Asia, the present communication proposes to give EU's relations with ASEAN and the countries of South East Asia a new impetus. It identifies the reasons why this is necessary. It also proposes a set of global objectives, a new policy agenda in specific sectors and addresses the institutional and resources dimensions of its implementation.

## **2. A SOLID FOUNDATION FOR ENHANCED RELATIONS**

Today, the EU has stronger common interests – economic, political and security – with South East Asia than ever before. The values and features shared by the two regions are a good basis for enhancing relations to a level commensurate with those interests.

### **a) Strong economic interests**

A recent major study on long-term developments in international trade has predicted that by 2050 the centre of gravity of the world economy will have shifted to the Asia Pacific region, with ASEAN emerging as the world's largest exporter.<sup>6</sup> In spite of the uncertainty of such long-term predictions, it can hardly be doubted that South East Asia will increasingly be one of the most dynamic growth engines of the world economy. With its growing export-led economies and a quickly developing domestic market of 530 million people, ASEAN is a region of great economic importance. For its part, the enlarged European Union is the biggest single economic market in the world, with nearly 500 million people and accounting for 27% of world GDP.<sup>7</sup> As a result, there are very strong mutual economic interests between these two regions, that take a number of forms.

**Trade** – In 2002, EU-ASEAN trade represented 5,1% of total world trade. The EU is currently ASEAN's 3<sup>rd</sup> largest trading partner, accounting for 14% of ASEAN trade. Significantly, 16% of ASEAN exports are destined for the EU, which makes it ASEAN's 2<sup>nd</sup> largest export market after the US. After EU enlargement, ASEAN will be the EU's 3<sup>rd</sup> largest trading partner, just ahead of China.

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- build global partnerships and alliances with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation;
  - and help strengthen the awareness of Europe in Asia (and vice versa).

<sup>3</sup> Council Decision of 20 December 2001.

<sup>4</sup> European Parliament, Resolution of 5 September 2002, A5-0270/2002.

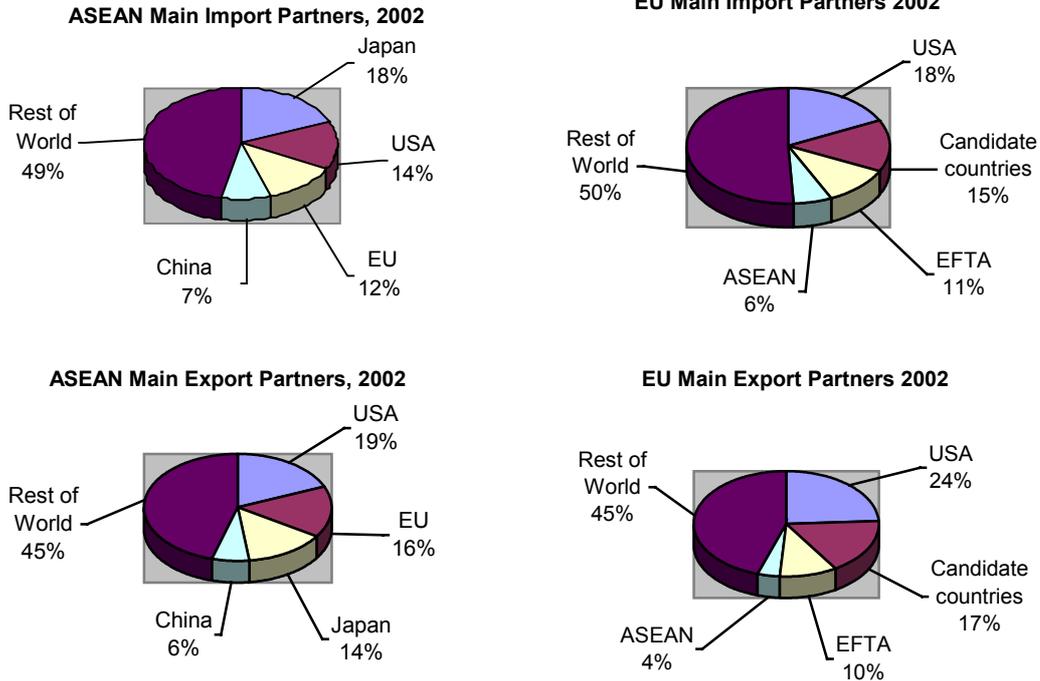
<sup>5</sup> COM (2001) 469 (Asia Strategy), p. 21.

<sup>6</sup> 'Le Commerce Mondial au XXI Siecle', Institut Francais des Relations Internationales (IFRI), 2002. Assumes a continuation of current trends, without major policy actions.

<sup>7</sup> Eurostat sources throughout, unless otherwise stated.

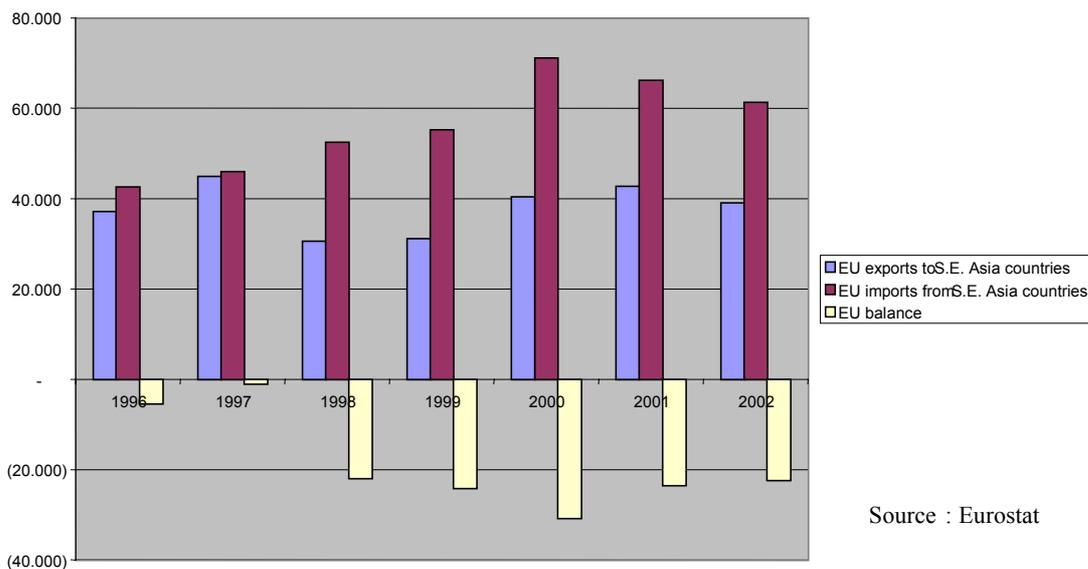
## EU and ASEAN Trade Flows, 2002

Source: Eurostat



Despite the fact that the European economy, particularly its banking sector, was affected by the shock waves of the Asian financial crisis, Europe kept its markets open, allowing countries of South East Asia to ‘export themselves out of the crisis’. As the table below demonstrates, this resulted in the EU’s trade deficit with the region rocketing up to 20-30 billion € after 1997.

**EU TRADE WITH SOUTHEAST ASIA, mio Euro**

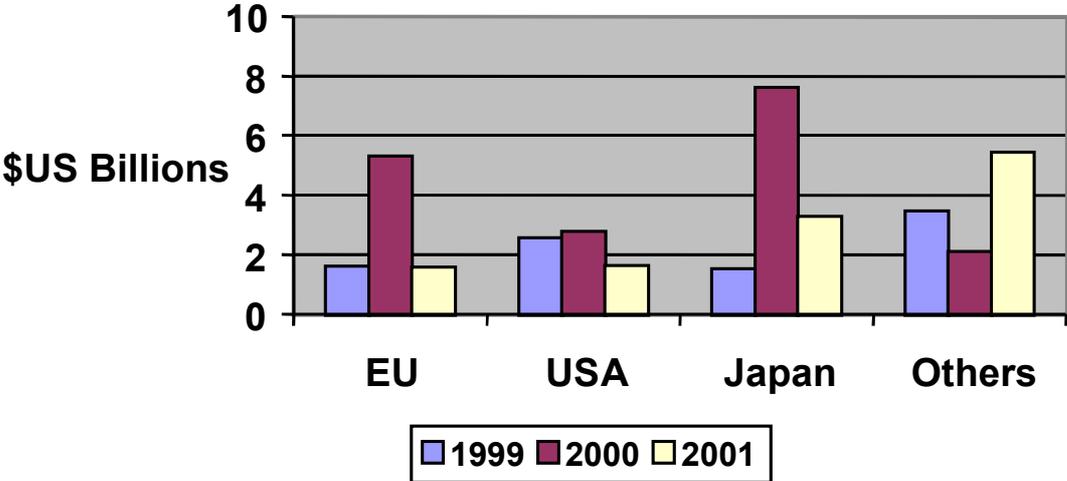


Source : Eurostat

Most of Europe’s main economic partners and competitors are currently forging economic partnerships and alliances with the region and/or its individual members, which could challenge EU interests in the region<sup>8</sup>. Therefore the EU will have to play its part in this intense inter-weaving of economic ties with South East Asia. Its strategy should be both ‘offensive’, seeking to improve the EU’s position in this important market, and ‘defensive’, protecting its existing economic interests in the region.

**Investment** – South East Asia’s current economic strengths and its great longer-term potential continue to make it an attractive region for investment from EU economic operators. As the table below demonstrates the EU is an important investor into ASEAN.

**Main FDI sources into ASEAN, 1999-2001**



Source: Asean Secretariat

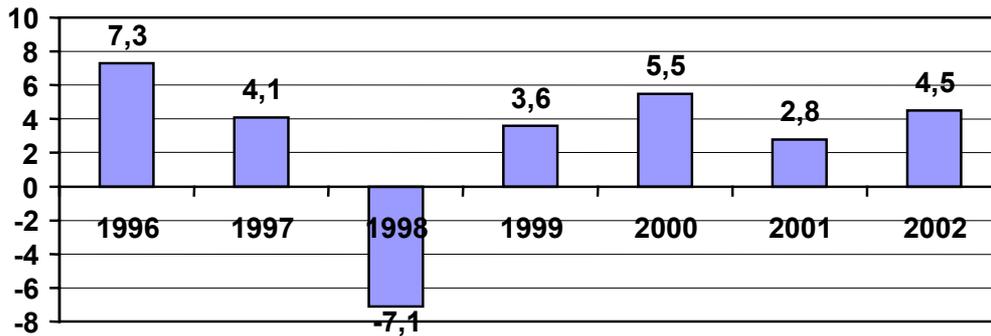
However, the proportion of the total amount of EU FDI received by ASEAN has steadily declined from 3.3% in 1998 to 2.6% in 1999, 1.6% in 2000 and 1.8% in 2001. This reflects the fact that other markets have become more attractive as destinations for EU investments. Although the countries of the region are concerned about the decline of their share of total FDI to Asia,<sup>9</sup> as that of China increases, China’s growing importance should be seen as an opportunity rather than a threat. On the one hand, there is a limit on the degree to which China can increase its market share in FDI and exports; on the other, China’s strength can serve as a catalyst, accelerating the pace of reforms in South East Asia, and creating a new division of labour in East Asia from which ASEAN countries can benefit. Already many countries in South East Asia have responded with increasing vigour to China’s emergence and are again displaying impressive growth figures. The attractiveness of South East Asia as a destination for investment is likely to increase in the future.

<sup>8</sup> e.g. ASEAN-China FTA by 2010, US-Singapore FTA 2002.

<sup>9</sup> From 35.1% in 1995 to 18.3% in 2000 or adjusted without Indonesia from 28.8% to 24.4%. The figures for Indonesia only are 6.4% in 1995 and –6.1% in 2000. (Source: ‘China Report’, Deutsche Bank Research, Frankfurt am Main, Germany, January 15, 2003).

## ASEAN Annual GDP

Source ASEAN Surveillance Co-ordination Unit (ASCU)



ASEAN has also made commendable efforts towards creating a regional economic space that helps attract FDI. The establishment of the ASEAN Free Trade Area (AFTA) in January 2003 is the first milestone in this direction. However, more policy and regulatory steps are needed for the creation of a true single market. Interestingly, ASEAN is looking at the initial features of the European model to inspire these efforts, which – if asked – the EU shall fully support.

### *Strong economic interests:*

- South East Asia is likely to become one of the most dynamic growth engines for the world economy
- ASEAN is striving to create regional economic spaces both within South East Asia and in partnership with China, Japan and Korea
- In the context of multiplication of bilateral and regional free trade initiatives in South East Asia, the EU has both offensive and defensive interests in forging stronger economic ties with the region

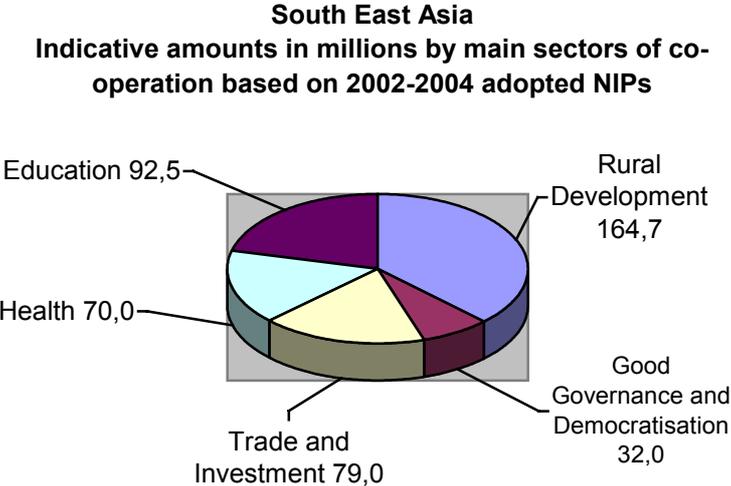
### **b) Broadening the co-operation agenda with South East Asia**

In the ‘global village’, both EU and South East Asia find themselves more dependent on one another, not only economically but also in addressing global challenges such as environmental degradation, new health challenges, terrorism and transnational criminality. At the same time, the EU’s approach to its external relations has developed in light of its increased ambitions to address a wider agenda. For example, the EU now insists on incorporating dialogue on human rights into all its relations with third countries.

As a result, a new policy agenda is emerging with regard to South East Asia. While the EU remains committed to poverty reduction and improving basic health and education services as main priorities for development assistance, the scope of its co-operation activities has broadened to include related issues such as migration and counter-terrorism. The terrorist attacks carried out in September 2001 in New York and October 2002 in Bali tragically demonstrated the global nature of the threat of terrorism. Indeed, it was in recognition of this fact that UN Security Council Resolution 1373 called upon all countries to assist each other in the fight against terrorism. To date, a total of 21 mio € has been designated to support counter-terrorism measures in the region, focusing on border management and capacity building of the judiciary.

Moreover, the EC takes a holistic approach to its broadened policy agenda, acknowledging the inter-relationship of different issues and addressing them through integrated policies. Thus, terrorism, organised crime and illegal migration undermine the rule of law, discourage investment, and hinder development. Similarly economic and trade development can best flourish in countries that not only encourage economic freedom but also respect human rights and the rule of law, practice good governance and rule democratically. The Forest Law Enforcement, Governance and Trade programme is a good example of this. It sees the problem of illegal logging in a number of South East Asian countries as involving economic, social, environmental and political dimensions, and recommends acting on a number of levels in response.<sup>10</sup>

In view of this expanding agenda, EC co-operation assistance to South East Asia is increasing. Over the period 1999-2001, committed funds amounted to 334 mio €; over the following three years cycle the National Indicative Programmes for 2002-2004 foresee an amount of 438 mio €, which represents a 31% increase. In addition, South East Asia benefits from the substantial regional envelopes, both Asia-wide programmes and specific EC-ASEAN co-operation assistance (70 mio € since 1998).



*Broadening co-operation:*

- EU and South East Asia experience increased interdependence in addressing global challenges
- As the economy can best flourish in countries that respect human rights and the rule of law, practice good governance and rule democratically, both sides take an holistic approach to the co-operation agenda

<sup>10</sup> Forest Law Enforcement, Governance and Trade: Proposal for an EU Action Plan, COM (2003) 251 final; emphasises governance reforms and capacity building, supported by actions aimed at developing multi-lateral co-operation and comprehensive demand-side measures designed to reduce the consumption of illegally harvested timber in the EU (and ultimately major consumer markets elsewhere in the world).

### c) Common features and values of the two regions

In addition to sharing mutual economic, political and security interests, the countries of the EU and of South East Asia also share common features and values, which will facilitate the development of enhanced relations between each other.

For both regions, diversity is an intrinsic reality and one of the political and cultural cornerstones of the relations between their countries. Countries from both regions cherish the respect for their cultural, religious and linguistic identity. They call for international relations that preserve this diversity.

Both regions have a preference for a peaceful and rule-based multi-polar world, organised under the aegis of strong and respected multilateral organisations. Neither the EU nor South East Asia poses a threat to the world. Both have an interest in promoting the sort of balanced international relations that will best guarantee their security and independence.

The clearest manifestation of the common interests and values shared by EU Member States and countries of South East Asia is their commitment to regional integration. Countries of both regions have realised that creating a regional entity is the best way to sustain economic development, to reinforce their security – both between themselves and with their neighbours – and to have a strong voice in world affairs.

On such foundations, the EU and its Member States on one side, and ASEAN and the countries of South East Asia on the other, can develop a strong partnership, both improving their region-to-region relationship and reinforcing the network of their bilateral ties. In this context, the Commission proposes the six strategic priorities and related action points presented below.

*Shared features and values, both regions:*

- Cherish diversity
- Prefer a rule-based multi-polar world with strong multilateral organisations
- Are conducting a process of regional integration

### 3. STRATEGIC PRIORITIES AND RELATED ACTION POINTS

The EU and South East Asia share enough interests and values to work together for a new partnership aiming at reinvigorating and guiding their relationship. In tune with the core objectives of the Asia wide strategy<sup>11</sup>, this new partnership should include the six following elements:

- Supporting regional stability and the fight against terrorism
- Promoting Human Rights, democratic principles and good governance
- Mainstreaming Justice and Home Affairs issues
- Injecting a new dynamism into regional trade and investment relations
- Continuing to support the development of less prosperous countries
- Intensifying dialogue and co-operation in specific policy areas

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<sup>11</sup> Defined in footnote on pages 5 and 6.

## a) **Supporting regional stability and the fight against terrorism**

ASEAN was founded as, and is in essence still, a reasonably successful crisis prevention mechanism which granted peace to its members for nearly forty years. As regards terrorism, recent events in South East Asia have shown that some of the locally inspired terrorism groups have established links with international terrorism. It poses a threat not only to the stability and territorial integrity of some countries of the region but also to the world at large. Sadly, recent events have also shown that relations between individual members of ASEAN were not immune from sudden and violent deterioration. Despite the recent and welcomed adoption of a Code of Conduct between interested parties<sup>12</sup>, territorial disputes in the South China Sea remain of concern. Of even more concern is the potential impact of events in Iraq and the Middle East on the moderate Islamic countries of South East Asia.

In the face of these various concerns for the stability of South East Asia, the EU must continue to support the stability and territorial integrity of all countries in the region. Through dialogue and other appropriate action with the region and its countries, it should contribute to all efforts towards conflict prevention, peace and stability. It should also co-operate with interested partners in the fight against terrorism.

*Elements for political dialogue and other action:*

- Support stability in the region
- Support territorial integrity of all countries in the region
- Contribute to conflict prevention and peace making in the region

### **a.1.) Conducting political dialogue in multilateral fora**

Notwithstanding the possible development of bilateral dialogues, the political dialogue between the EU and South East Asia takes place mainly in multilateral fora.

A strong ASEAN is probably the best guarantee for peace and stability in the region. It mutually reinforces member countries in their relations with powerful neighbours. It strives to create an economic space that is attractive to foreign investors and traders and that stimulates wealth creation. It should develop solidarity between poorer and richer members. However, impatience is sometimes felt in Europe about the pace and depth of regional integration in ASEAN, ignoring the fact that ASEAN are not engaged – at least for the moment – in a process of integration comparable to the European one. For the time being, unrealistic expectations must therefore not be put on ASEAN or its secretariat to act as a partner in policy dialogue or in co-operation. Only ASEAN countries will determine the content and rhythm of the original process that they are keen to develop between themselves. The EU must stand ready to fully support and ASEAN's integration efforts with an open mind and in the fields where assistance is requested. In particular the EU can share its half-century's worth of experience in regional integration and provide technical assistance that is needed to reinforce ASEAN institutions. In addition, choosing ASEAN as a framework to conduct policy dialogue and for targeted co-operative activities will substantively stimulate regionalism through activities developed and managed in common. Political dialogue should,

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<sup>12</sup> Declaration on the Conduct of Parties in the South China Sea, concluded at 8<sup>th</sup> ASEAN Summit in Phnom Penh, November 2002, (ASEAN + China meeting).

to the extent possible, concentrate on region to region subjects of interest and concern, leaving global issues to ASEM.

All EU countries and the Commission take part in ASEM alongside China, Japan, Korea and all but three ASEAN countries<sup>13</sup>. This Asia-Europe summit meeting was very much initiated by South East Asians, highlighting their desire to balance their relation with the United States and to engage East Asia in a proper multilateral dialogue. ASEM has also developed into an open forum for global issues where political dialogue is not *a priori* constrained by the strict application of the principle of non-interference in internal affairs<sup>14</sup>.

The EU and ASEM partners, in particular those of South East Asia, will have to meet the challenge of their respective enlargement in time for the 2004 Hanoi Summit. In this regard it is encouraging to note that the members of ASEAN have recently and publicly expressed their support to the resuming of the national reconciliation process in Burma/Myanmar. Both sides will strive to avoid letting the question of the participation of Burma/Myanmar endanger the ASEM process itself.

The ASEAN Regional Forum (ARF)<sup>15</sup> should evolve from confidence building towards preventive diplomacy and ultimately conflict resolution. The EU like most non-ASEAN members of ARF would prefer a quicker pace for this planned evolution. The EU should play a more active role in the ARF *inter alia* by co-chairing Intersessional Group meetings and by reviezing its presence at the military tables of the ARF.

*Political dialogue in ASEM, ASEAN, ARF:*

- ASEM is the most appropriate framework to deal with global issues, while region specific issues should be dealt with in the ASEAN context.
- The EU to actively support the integration process of ASEAN and develop the specific region to region dialogue and co-operation process.
- Both sides will have to meet the challenge of a successful enlargement of ASEM at the next 2004 Summit in Hanoi.
- The EU needs to play a more active role in ARF, including by co-chairing the Intersessional Group meetings

**a.2.) Co-operating in the fight against terrorism**

The EU is deeply engaged in the fight against terrorism and in supporting countries of the region that require its assistance for the implementation of the UNSC resolution 1373 and relevant UN conventions. However, in the opinion of the EU, effective action against terrorism needs not only to include security and public order measures but also to be linked to broader issues of political, social, economic and financial governance. Only then can it tackle the complex root causes of terrorism. This is why fighting terrorism must be included in the

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<sup>13</sup> Cambodia, Laos, Burma/Myanmar.

<sup>14</sup> The Asia-Europe Co-operation Framework (AECF) 2000, art. 12; “in the political field.....not excluding any issue beforehand.....”.

<sup>15</sup> ASEAN Regional Forum is an informal multilateral dialogue which brings together Asian countries and other world powers to discuss security issues in the Asia-Pacific region.

development strategy of all countries concerned and should lead whenever necessary to longer term actions. Finally, the EU needs to encourage its partners to distinguish clearly between international terrorism and peaceful political opposition.

***Box 2: The threat of terrorism and related EC assistance***

Terrorist attacks in Bali and the Philippines in autumn 2002 threw into sharp relief the threat to the South East Asia region from terrorist attacks. Threat assessments undertaken in the EU identify significant activity on the part of terrorist groups throughout the region. Enhanced regional co-operation, for example with respect to intelligence sharing and judicial co-operation, is a vital element of any strategy to successfully counter this threat, in particular given the difficulties in effectively monitoring the extensive land and sea borders within the ASEAN region. The EU is committed to co-operating with the region and sharing its experience in the fight against terrorism. The 14<sup>th</sup> EU-ASEAN Meeting between Foreign Ministers of the EU and ASEAN (27-28 January 2003) adopted a Joint Declaration on Co-operation to Combat Terrorism. The ASEM 4 Summit (Copenhagen, 22-24 September 2002) adopted a declaration and action plan on the fight against terrorism. The EU is also participating actively in the work of the ASEAN Regional Forum (ARF) on counter-terrorism. In addition, the EU is bringing assistance to countries of the region that request it in support of the discharging of their obligations under UNSC resolution 1373 and relevant UN conventions. Regarding substantive measures, the European Commission is providing assistance under the EC Rapid Reaction Mechanism to the Philippines, in the fields of border management and money laundering, and to Indonesia, in the field of judicial capacity building and fight against the financing of terrorism. Further assistance may be provided to support initiative such as the Counter Terrorism Centre in Malaysia.

*The fight against terrorism:*

- The EU is committed to supporting regional co-operation to fight terrorism and to share its experience in the fight against terrorism
- The EU is prepared to consider support to any willing country in the region in the context of the implementation of UNSC 1373 and relevant UN conventions.
- The EU encourages its partners in South East Asia to combat terrorism with a comprehensive strategy, taking care to respect basic human rights principles and peaceful political opposition.

**b) Promoting human rights, democratic principles and good governance**

The promotion of democracy, the rule of law, and respect for human rights and fundamental freedoms constitute core objectives in external relations of the European Union and its development co-operation with third countries.<sup>16</sup>

In order to pursue these objectives, we need to build constructive and positive partnerships in this field with ASEAN and the governments of the countries of South East Asia, based on dialogue, encouragement and effective support.

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<sup>16</sup> COM (2001) 252 final, COM (2001) 469 final.

## b1.) Human Rights and Democratic Principles

Three countries in South East Asia have signed co-operation agreements, which include an “essential element” clause.<sup>17</sup> This clause stipulates that respect for fundamental human rights and democratic principles, as laid down in the Universal Declaration on Human Rights, underpins the internal and external policies of the parties and constitutes an “essential element” of the agreement.<sup>18</sup> This “essential element” clause must be included in all future bilateral agreements with countries of South East Asia. But even where an agreement including such clause is not in force, the EU’s political and development dialogue with its South East Asian partners will mirror the Treaty provisions on human rights and democracy.<sup>19</sup>

In order to examine human rights issues in greater depth, the EU and a particular South East Asian country<sup>20</sup> may also decide to initiate a bilateral dialogue specifically on human rights. This dialogue should be constructed in such a way as to enable the partners to establish confidence and explore possibilities for co-operation, as well as to join forces on issues of common concern in international fora, including the United Nations. Partners in the bilateral dialogue should jointly establish goals and benchmarks taking into account the particularity of the situation in the partner country. Issues of particular interest are, for instance, the ratification and implementation of fundamental human rights instruments and their implementation, as well as the abolition of the death penalty.

Linked to this bilateral dialogue, EC's assistance and co-operation programmes should support the functioning of democratic structures (including through giving support to electoral processes), building the capacity of institutions, improving the rule of law and governance, strengthening civil society, facilitating the accession to the Rome Statute of the International Criminal Court, and addressing the issues of trafficking in human beings, sexual exploitation of children and women, and indigenous peoples’ rights<sup>21</sup>.

### *Human Rights and Democratic principles:*

- New bilateral agreements with countries of the region should all contain the ‘essential element’ clause, providing both parties with an agreed set of references for dialogue
- The EU and particular countries in the region may decide to launch Human Rights-specific bilateral dialogues
- Specific co-operation activities should support these dialogue processes

<sup>17</sup> Vietnam, Laos, Cambodia.

<sup>18</sup> Article 1 of the Co-operation Agreement between the European Community and the Kingdom of Cambodia, OJ L 269, 19.10.1999, p.18; Article 1 of the Co-operation Agreement between the European Community and the Socialist Republic of Vietnam, OJ L 136, 7.6.1996, p.29; Article 1 of the Co-operation Agreement between the European Community and the Lao People’s Democratic Republic, OJ L334, 5.12.1997, p. 15; by contrast, the Co-operation Agreement between the European Economic Community and Indonesia, Malaysia, the Philippines, Singapore and Thailand - member countries of the Association of South-East Asian Nations, OJ L 144 , 10.6.1980, p. 2, does not contain an “essential elements” clause.

<sup>19</sup> Articles 6 and 11 TEU, Articles 177 and 181a TEC.

<sup>20</sup> *European Union guidelines on Human Rights dialogues*, Council Conclusions of 13 December 2001.

<sup>21</sup> Commission Working Document on *Support for indigenous peoples in the development co-operation of the Community and the Member States*, SEC (1998) 773 final.

## **b.2.) Good governance**

Good governance is one of the six core priorities of the EC development policy<sup>22</sup>, and should be integrated into all aspects of EC policy dialogue and development co-operation.

Following years of dynamic economic development and impressive growth figures, the Asian financial crisis has highlighted how crucial proper governance of the economy and the society is for sustained prosperity. Investment and trade will only increase if domestic and foreign operators have confidence in the public decision-making process, the judicial system and the legal and regulatory framework. The same can be said for the sustainability of development co-operation efforts.

EU's development co-operation efforts should be linked to the reform policy agenda of South East Asian developing countries that give priority to strengthening institutional and regulatory frameworks and fighting corruption. This will be done through specific co-operation activities and by mainstreaming the promotion of good governance in our political and policy regional and bilateral dialogues as well as in all our co-operation activities with the region and its countries.

### *Good Governance:*

- Good governance is crucial for a stable and prosperous society
- EU's development co-operation efforts should be matched by robust policy reform agendas in the partner countries, with sufficient emphasis given to strengthening institutional and regulatory frameworks and fighting corruption

## **c) Mainstreaming Justice and Home Affairs issues**

Justice and Home affairs issues are an essential part of the EC Treaty<sup>23</sup>. While striving to create in the EU an area of freedom, justice and security, it is also essential to incorporate this dimension in our external relations. As a major player on the international scene, the EU supports political stability, economic prosperity and the rule of law. This encompasses overcoming such challenges as ensuring law enforcement, controlling migratory movements and fighting organised crime in close co-operation with partner countries and international organisations such as the OECD and the United Nations. Issues of migration<sup>24</sup> and asylum, trafficking in human beings, money laundering, piracy and counterfeiting need to be incorporated systematically into our regional and bilateral dialogues with South East Asia. Furthermore, the problems of organised crime and drugs are challenges for both the EU and South East Asia that need to be tackled vigorously, both at a regional level and through co-operation with the competent multilateral agencies. Both regions also have a concrete interest in co-operating actively in the field of Maritime Security (see further details in Annex III, pp. 45-46, on migration, pp. 38-39).

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<sup>22</sup> COM (2000) 212 final, 'Communication from the Commission to the Council and the European Parliament on the European Community's Development Policy', of 26 April 2000.

<sup>23</sup> Treaty of Amsterdam, in force since May 1999, Title IV.

<sup>24</sup> Commission Communication on *Integrating migration issues in the EU's relations with third countries*, COM (2002) 703 final.

*Mainstreaming JHA issues:*

- Migration, combating organised crime, trafficking in human beings, money laundering, illicit drugs, piracy and counterfeiting to be incorporated systematically into regional and bilateral dialogues with South East Asia.

**d) Injecting a new dynamism into regional trade and investment relations**

As explained above, all medium and long term economic forecasts indicate that both the EU and ASEAN have a strong interest in reinforcing their economic ties.

*A partnership to achieve a mutually satisfactory and successful conclusion of the Doha Development Round (DDA) of world trade negotiations.* As open, export-oriented economies, ASEAN and the EU share a vital interest in the development of a rules-based multilateral trading system. While their trade with each other is important, trade with third countries will continue to outweigh their bilateral trade and needs the legal certainty and the liberalisation that will come with the successful conclusion of the DDA. Co-operation with each other on WTO should therefore be the first priority on the trade agendas of ASEAN and the EU.

The Commission is proposing a trade action plan, the *Trans-Regional EU-ASEAN Trade Initiative (TREATI)*, to expand trade and investment flows and establish an effective framework for dialogue and regulatory co-operation on trade facilitation, market access, and investment issues between the two regions. This process of dialogue and co-operation should aim at informing partners about each other's regulatory systems and eventually develop into an exercise of approximation and harmonisation. The selection of policy sectors will be made through informal consultations and be agreed upon by both sides. Actual dialogue with the Commission could start as soon as at least two ASEAN countries indicate that they are ready for it. Other ASEAN countries will be able to join as observers.

The details of TREATI are described in annex II.

ASEAN is currently engaging many of its key trading partners in FTAs, in order to develop and expand its economic and political ties. Some ASEAN countries have expressed a desire to pursue a similar commitment with the EU. The EU has traditionally taken a different path with regard to its trading partners in establishing preferential trading agreements. EU experience has demonstrated that such agreements deliver their greatest benefits where they build upon an existing base of mutual trust and understanding. A so-called *deeper FTA* may then become the logical next step to continue developing this partnership. Deeper FTAs, encompassing regulatory co-operation, addressing non-tariff barriers such as standards and customs procedures, and dealing comprehensively with aspects such as services, investment and competition as well as goods, are capable of producing a substantial impact on trade flows.

At this stage, work remains to be done to develop a foundation of shared knowledge and experience between the EU and ASEAN, to put in place the mechanisms and processes to create greater transparency and convergence between the regions, and to evaluate the potential benefits, as well as the impact on both EU and ASEAN policies, of any future FTA. Future relations within a differentiated framework should respond to progress made by the partner countries notably in economic and administrative reform. By developing a stable, predictable

and transparent framework for our future trade relations, the *TREATI* will enable the establishment of a closer economic relationship between two important trading regions. TREATI will thus permit serious consideration to be given to entering into a Free Trade Agreement following the successful outcome of the current round of multilateral trade negotiations, where each side will be able to assess the opportunities of eventually going further together with regard to liberalisation and regulatory harmonisation, based on the “WTO-plus” principle.

*An EC-ASEAN Free Trade Agreement should:*

- only come after the successful conclusion of the Doha Development Round (DDA)
- be subject to sufficient progress on regulatory convergence and lead to mutual benefits
- be prepared in substance by a region-to-region, comprehensive and flexible dialogue mechanism, called the Trans Regional EU-ASEAN Trade Initiative (TREATI)

#### **e) Continuing to support the development of less prosperous countries**

European funding for co-operation activities in South East Asia is anchored to the six priorities identified in the joint Commission-Council Statement on EC Development policy<sup>25</sup>. Poverty reduction will remain an important EU priority, and our assistance will continue to focus on the poorest countries for the building of their social infrastructure, particularly in the fields of health and education<sup>26</sup>. The Commission is committed to the achievement of the Millennium Development Goals<sup>27</sup> (MDG), the reduction of poverty by 2015 and in particular to the targets set in basic health and education. Country Strategies will differ from country to country but some common priorities can be identified for the region, such as: assisting poor countries in their integration in the world economy (e.g. Trade Related Technical Assistance); promoting good governance and respect for Human Rights; supporting progress on Environment and Forestry issues, supporting private sector development and where appropriate the reform of state-owned enterprises<sup>28</sup>, as well as matters relating to Justice and Home Affairs; contributing to the common fight against terrorism. Obviously, a part of EC assistance will also be devoted to supporting TREATI and ASEAN general and institutional integration efforts. EC humanitarian assistance will continue to be extended to parts of the region affected by crises, in particular to refugees and internally displaced persons.

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<sup>25</sup> 1. Trade and Development, including development of trade and investment policies  
2. Regional Integration and Co-operation  
3. Support to macroeconomic policies with an explicit link to poverty reduction  
4. Transport  
5. Food security and sustainable rural development strategies  
6. Institutional capacity building, good governance and rule of law.

<sup>26</sup> In the case of Burma/Myanmar the EU Common Position (2003/297/CFSP of 28 April 2003) suspends all non-humanitarian aid or development programmes with the exception of programmes in support of human rights and democracy, poverty reduction programmes in the context of decentralised co-operation through local authorities and NGOs and programmes in support of health and basic education implemented by NGOs.

<sup>27</sup> UN 2000, United Nations Millennium Declaration.

<sup>28</sup> Communication on the Commission’s approach to future support for the development of the Business sector (COM (2003) 267); Communication on The Reform of State-Owned Enterprises in Developing Countries with focus on public utilities (COM (2003) 326).

Identification of policy priorities for EC assistance should always be made in consideration of the policy and reform agenda of partner countries themselves. The Country Strategy Papers process and the National Indicative Programmes agreed with local authorities are specifically designed to promote ownership. EC assistance must be closely co-ordinated with that of EU Member States,<sup>29</sup> with greater emphasis being given to strategic dialogue, both in the field and in the Brussels-based decision-making committees.

EC assistance will follow a number of additional guiding principles:

- Assistance will be concentrated in a limited number of key areas in order to maximise impact and the use of limited funds.
- Sector-wide approaches focusing on a few sectors, in particular health and education will replace the traditional project approach, whenever local conditions permit.
- EC assistance will also promote the participation of non-state actors although it will continue to be mainly conducted in partnership with governments and firmly grounded in policy reform.
- Most of EC development assistance shall be implemented through bilateral channels, which allow for a real policy dialogue and reform in social sectors. Regional approaches will, however, be chosen when economies of scale are evident, where the development of country-neutral toolboxes makes sense (support to private sector development, matching local authorities from both regions, promoting university networks, etc.) or in support of dialogue conducted at regional level. Regional programmes will have to include specific provisions to favour the participation of the less prosperous countries of the region.

Levels of development vary greatly from country to country in South East Asia. Some richer countries will soon be no longer eligible for EC development assistance whilst others are still fighting extreme poverty. In addition to continuing to extend bilateral co-operation to these countries, EC assistance must remain available and accessible to all countries in support of ASEAN regional integration efforts. Special attention must be paid to the Initiative for ASEAN Integration (IAI)<sup>30</sup> and to helping promoting regional solidarity between richer and poorer countries of South East Asia. In this context, we should introduce new forms of co-operation allowing the EC and member states willing to participate in joining efforts with more developed countries of South East Asia to assist poorer ones. This could be achieved, for instance, through parallel financing of jointly defined modular programmes. The Commission will propose involving the richer ASEAN countries at the strategic programming stage of our co-operation and sign Memoranda of Understanding with those prepared to engage in so-called “**trilateral co-operation**”.

The Commission, with the participation of EU Member States, will also introduce ‘**twinning**’ arrangements whereby EU member States public Institutions will be able to enter into partnerships with their counterparts from South East Asian Countries. This system has been successfully tested and used in Eastern Europe, in preparation for EU enlargement. With the

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<sup>29</sup> ‘Guidelines for strengthening operational co-ordination between the Community and Member States’, Council Conclusions of January 2001; Art. 1; ‘operational co-ordination between the Community and the Member States should be strengthened in all developing countries’, Art. 3 on co-ordination arrangements ‘these arrangements should cover all co-operation instruments and areas’.

<sup>30</sup> Initiative for ASEAN Integration (IAI): work programme to bridge the development gap between six original ASEAN members and the newcomers: Vietnam, Laos, Cambodia, Burma/Myanmar.

support of the Community budget, each participating EU institution would provide technical assistance and contribute to the strengthening of the sister institutions in South East Asia. 'Twinning' in South East Asia should concentrate on a limited number of priority areas to be identified through consultations with Member States and partner countries in the region.

*Development co-operation elements and priorities:*

- Poverty reduction will remain a priority for EC's assistance to the region.
- Other priorities will be inter alia assisting poor countries in their Integration in the World Economy, Governance and Human Rights, Environment and Forestry, Justice and Home Affairs issues, Fight against Terrorism and Trade Related Technical Assistance, supporting the TREATI process and ASEAN's integration process.
- Implementing principles of assistance will be: ensuring ownership by partner country, concentrating assistance in limited number of sectors, developing with EU Member States strategic dialogue on programming and close co-ordination in the field, encourage the participation of non-state actors, where possible shift from projects and programmes to Sector Wide Approach.
- Promote Trilateral co-operation through the signing of MOUs with interested countries of the region
- Introduce 'twinning' arrangements

**f) Intensifying dialogue and co-operation in specific sectors**

Reinvigorating relations with South East Asia also means offering and developing dialogue and co-operation in a number of sectors. This chapter provides a 'menu' of such sectors (the details of which are presented in Annex III) from which both sides could choose, through informal consultation at ASEAN and bilateral level. For each identified sector, parties will then choose between a regional and a bilateral approach or a combination of both to conduct the dialogue. Each dialogue could develop at a jointly agreed pace and progressively lead from

- A simple exchange of information on legislation and policy, to
- Regulatory co-operation and approximation, to
- Conclusion of protocols within the framework of Co-operation Agreements
- Related technical assistance and co-operation.

This flexible approach is designed to ensure that both sides enter into dialogue and co-operation on subjects of true mutual interest. It also allows for tailoring format and intensity in a dynamic way as dialogue and co-operation progress, taking into account feasibility, impact and resources that both sides are able or willing to commit.

In Annex III all sectors are presented with a short description of (1) the 'present situation', (2) the 'identified issues' and (3) the suggested 'line of action'. Only main headings are thereafter briefly introduced.

### ***Economic and trade issues:***

For most economic and trade or trade related issues, the appropriate regional dialogue mechanism will be provided by TREATI, as presented under point 3.d. and in Annex II. However, some policy areas have more to them than a trade angle and can be addressed in other regional or bilateral frameworks. Trade related aspects can be dealt with within TREATI on a regional basis, whilst capacity building can be envisaged in the context of bilateral co-operation. The list of economic and trade subjects suggested for dialogue and co-operation can be found in Annex III, pp. 33-38.

### ***Justice and Home Affairs issues:***

Migration, trafficking in human beings, money laundering, piracy and counterfeiting, need to be incorporated systematically into our regional and bilateral dialogues with South East Asia. Furthermore, the fight against organised crime and illicit drugs can be identified as a challenge for both the EU and South East Asia that need to be tackled vigorously at regional level and in co-operation with the competent multilateral agencies. Both regions also have a concrete interest in co-operating actively in the field of Maritime Security. The list of Justice and Home Affairs issues suggested for dialogue and co-operation can be found in Annex III, pp. 38-42.

### ***Environment:***

Environmental dialogue and co-operation with South East Asia will remain a priority in the years ahead. The Commission will continue to support bilateral and regional natural resource conservation and natural resource management projects and programmes. Amongst a number of pressing environmental issues, such as water and air pollution, waste management and bio-diversity, forestry stands out as a major dialogue and co-operation priority under the new FLEGT policy<sup>31</sup>. Environmental issues which relate to products also occasionally raise trade concerns, which can be dealt with under TREATI. Further projects and programmes in the areas of bio-diversity conservation, water resources management, and forestry are under preparation. The list of environmental issues suggested for dialogue and co-operation can be found in Annex III, pp. 42-43.

### ***Science & Technology, Research & Development:***

In both regions, science and technology is an essential element in the pursuit of sustainable economic and social development, as well as the basis for competitiveness. The EU will strive to develop bi-regional S&T dialogue and co-operation and to support access of South East Asian institutions to EU Research programmes. The details of the S&T suggested co-operation and dialogue can be found in Annex III, pp. 43-44.

### ***Higher education and Culture:***

In addition to putting basic education at the centre of its poverty reduction strategy, the Commission is also dedicated to higher education as a key sector for scientific development and for improving understanding and awareness of Europe in South East Asia. Therefore, it

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<sup>31</sup> EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT); ‘The Action Plan must be placed in the context of the overall efforts of the European Community to achieve sustainable forest management, both within and outside the EU’, p. 5.

will continue to support relevant programmes and develop strategic dialogue at national and regional level. Co-operation in the field of culture is equally essential in enhancing mutual understanding between the civil societies in South East Asia and Europe. The details of the suggested dialogue and co-operation in the fields of higher education and culture can be found in Annex III, p. 44.

***Energy:***

The strategic importance of energy and ASEAN's key position in the supply and/or transport of energy resources warrant a strategic dialogue at regional level, as well as further co-operation in the fields of co-generation and renewable energies. The details of the suggested dialogue and co-operation in the field of energy can be found in Annex III, pp. 44-45.

***Transport:***

In relation to transport, the EU has an obvious interest in both maritime and air connections with South East Asia. The problem of maritime security in South East Asia has a direct relevance for the economic prosperity of the region as well as for its trading partners, including the EU. Therefore, the launching of a region-to-region dialogue on strategies to improve maritime safety would make a lot of sense. In the field of air transport, the EU is embarking on the development of a common international air transport policy and will be seeking to intensify relations with this region in order to expand opportunities for airlines and their passengers. In addition, co-operation should also be continued on aviation safety and airworthiness. The list of transport issues suggested for dialogue and co-operation can be found in Annex III, pp. 45-47.

***Information Society:***

Information technology and electronic communication networks and services underpin economic and social development as well as development of the Information Society. South East Asian countries and ASEAN are putting considerable focus on the development of the Information Society and are keen to stimulate concrete co-operation in this area, which they see as one of great potential for increased trade, closer social cohesion and cultural ties, and economic growth. Closer co-ordination and co-operation between EU and South East Asian policies is in the interest of both regions' economic development. The details of the suggested dialogue and co-operation in the field of Information Society can be found in Annex III, p. 47.

***Statistics:***

To serve these specific objectives, reliable, harmonised and accurate statistical information is needed for the implementation and evaluation of the main policies, especially in the field of the economic and trade issues (external trade, foreign direct investment) (see Annex III, p. 48).

If necessary, strategies and actions to strengthen the statistical systems could be drawn up and carried out, at a regional level (ASEAN) as well as at a national level.

**4. PROVIDING ADEQUATE INSTITUTIONAL FRAMEWORK AND RESOURCES**

In order to conduct political and policy dialogue and to develop co-operation, the EU and South East Asia need a proper institutional framework, of which they should make optimum use. Likewise they should make best use of available resources.

## a) Regional versus bilateral institutional framework

Alongside the bilateral relations that EU Member States have with countries of South East Asia, the overall architecture of EU – South East Asia relations can be described as follows:

- An old EC-ASEAN regional agreement with no realistic prospect of re-negotiation but still providing a rather useful – though incomplete – institutional framework for co-operation<sup>32</sup>. Political dialogue is handled through biannual meetings of EU-ASEAN Foreign Ministers while economic dialogue is maintained in regular EC-ASEAN Economic Ministers meetings. Work under the EC-ASEAN agreement is dealt with through a senior officials joint co-operation committee (JCC) supported by a wide range of sub committees at a technical level, on issues ranging from trade to narcotics.
- Three bilateral “third generation” agreements concluded with Vietnam in 1996, Cambodia and Laos in 1999, when the three countries were still outside ASEAN. These agreements are broader in scope and contain more detailed provisions than the regional EC-ASEAN agreement. Notably, they feature the so-called “essential clause” about the commitment of parties towards human rights and democratic principles. Other provisions concern intellectual property rights, environment, information and drug abuse control, which are not at all covered in the EC-ASEAN agreement.
- In the absence of a specific legal basis, bilateral relations with other countries in the region are conducted in a pragmatic way, for example through ad hoc arrangements for Senior Officials and other meetings. However, these ad hoc meetings do not necessarily cover all issues of interest to the two parties.
- The EU participation as a dialogue partner– in the troika format- in the ASEAN Regional Forum (ARF), which brings together Asian countries and other world powers to discuss security issues in the Asia-Pacific region.
- The participation of seven of the ASEAN countries on the Asian side of ASEM alongside China, Japan and Korea.

However desirable, the modernisation of the existing EC-ASEAN agreement remains, for the time being, out of reach<sup>33</sup>. Co-operation at regional level can –to the extent possible- continue to be based on the structure and provisions of the current agreement, in combination, where appropriate with declarations adopted by the EU – ASEAN Ministerial meetings.

Reinvigorating the relationship with South East Asia also involves reinforcing bilateral relations with countries of the region. Indeed, in the case of several South East Asian countries, co-operation at bilateral level remains hampered by the absence of a set of commonly defined anchors for policy dialogue and co-operation. New bilateral agreements would provide the needed reference frameworks, strengthen the link between policy dialogue and co-operation and raise the prospects of timely and effective delivery of development co-

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<sup>32</sup> The agreement entered into force in 1980 and is rather limited in scope. It provides Most Favoured Nation treatment for trade between the two regions, a commitment to joint actions for improving commercial, investment and scientific relations and some provisions on development co-operation.

<sup>33</sup> The EU Common Position on Burma/Myanmar prevents ‘de facto’ the conclusion of new contractual relations with the country, or for that matter with ASEAN of which Burma/Myanmar became a member in 1997.

operation activities in each of the countries concerned. Such a strengthening of bilateral ties in the region would also respond to the demand of several countries in the region. The Commission therefore proposes to launch consultations with those countries in the region that have expressed interest.

*Regional versus bilateral institutional framework:*

- Renegotiations of 1980 EC-ASEAN regional agreement politically not feasible but current agreement can still provide a framework for dialogue and co-operation in some sectors, especially the trade related ones
- 3rd generation agreements with interested South East Asian countries will complete the network of bilateral co-operation agreements in the region

**b) Optimum use of institutional framework and available resources**

The question remains how to make optimum use of the institutional framework and scarce resources. The best response is to assess, flexibly and pragmatically, how and on what level (bilateral/regional) to proceed in each sector of common interest, using the following criteria:

- Political and institutional feasibility
- Achievement of maximum impact
- Demand from the region or the country
- Best possible use of available resources

*At the ministerial level*, the regular EU-ASEAN Foreign Ministers meeting provides the strategic guidance for monitoring progress in political dialogue. ASEM Summits and Ministerial and ARF Ministerial meetings are excellent venues to discuss global and security issues. ASEAN-EC Economic Ministers consultations could continue to discuss multilateral and regional trade and economic issues as well as oversee progress and provide overall guidance for TREATI.

To the extent possible, the EU and South East Asian partners should seek to avoid duplication of agenda items in the various fora. Both sides should agree on introducing a certain degree of specialisation for each forum on broad categories of subjects. Avoiding unnecessary repetition would strengthen the interest for each meeting and contribute to ensuring the highest possible level of attendance at these meetings.

*At the level of officials*, the EC-ASEAN Joint Co-operation Committee should mainly concentrate on:

- Selecting the topics for regional dialogue, adapting the Working Group structure accordingly and monitoring progress
- Providing overall guidance for EC-ASEAN co-operation, in particular in the field of support to ASEAN integration.
- The overall implementation of the EC-ASEAN agreement

While the three official bilateral Joint Commissions and related Working Groups will continue to steer the implementation of existing bilateral agreements, informal bilateral Senior Officials Meetings, with their related Working Groups, will be refocused on the negotiation and implementation of the new bilateral agreements, with SOM's transformed into Joint Commissions, once the agreements are concluded.

With the opening of four new Delegations (Cambodia, Laos, Malaysia, Singapore), the Commission will be represented in all ASEAN countries save for Burma/Myanmar and Brunei. This greater presence in the region, together with the so-called "deconcentration"<sup>34</sup>, provides substantial new resources, which can greatly facilitate both regional and bilateral upgrading of relations.

Initiatives such as TREATI and other regional/bilateral dialogues and co-operation on sectoral issues will demand an increased commitment, as well as additional human and financial resources. There is a need to expand the involvement of personnel from various services throughout the Commission, including the delegations, to support these new objectives. The specialised nature of many topics will require visits by officials throughout the region in the future, to proactively improve the communication and exchange of information with local officials, especially on EU policy issues.

The Commission has introduced a proposal for a new regulation, providing a revised legal basis for EC co-operation with Asia<sup>35</sup>. This new framework aims to reinforce dialogue between the Commission and EU Member States on strategic programming of co-operation as well as to allow for speedier delivery of projects and programmes. It will also provide legal continuity to the present system of Strategy Papers and Indicative Programmes, which mobilise all financial instruments available to support each individual country and region. While the Commission completed in 2002 the CSP/NIP for all eligible individual SEA countries, the programming of co-operation with ASEAN will be issued by the end of 2003. In general, with financial resources for the region likely to remain stable for the foreseeable future, the strategy papers and indicative programmes guarantee enhanced quality and efficiency of EC assistance to the region. Annex IV outlines the present framework for co-operation with SEA.

Finally, the Commission and the European Investment Bank (EIB) will be looking for greater synergies of their operations in the region (see Annex V). For those South East Asian countries that have not yet got framework agreements (FA) with the EIB, the Commission will support their establishment in order to extend EIB direct loan operations in the region. It will also encourage the creation of lines of credit for projects too small for direct EIB financing. The EIB and the Commission will co-ordinate their strategies, in particular, in terms on priority sectors. The EIB is considering posting a regional representative in Bangkok to supervise its operations in South East Asia.

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<sup>34</sup> Delegations that implement EC development assistance have receive from Head Quarters more autonomous powers in the identification and implementation of programs as well as in their contractual and financial management. The concerned delegations have been adequately reinforced in staff.

<sup>35</sup> COM (2002) 340, of 2 July 2003; Commission proposal for a new Asia/Latin America Regulation.

*Making the best use of the institutional framework:*

- EU-ASEAN ministerial for regional political dialogue
- ASEM Summit and Ministerial and ARF Ministerial for global and security issues
- ASEAN-EC Economic Ministers consultations could continue to discuss multilateral and regional trade and economic issues as well as oversee progress and provide overall guidance for TREATI.
- Official bilateral institutional framework for implementation of agreements

*Making the best use of available resources:*

- taking advantage on the newly completed network of Commission delegations in South East Asia.
- With financial resources likely to remain stable, improving the quality and timely delivery of EC external assistance to the region through better multi-annual strategic programming and decision making devolved to the field
- Looking for greater synergies between EIB and Commission operations in the region through co-ordination of strategies and possibly of financial instruments.

## **5. LAUNCHING A NEW VISIBILITY STRATEGY FOR AN ENHANCED PARTNERSHIP**

The September 2001 communication on “*Europe and Asia, a Strategic Framework for Enhanced Partnerships*” notes that much remains to be done to raise mutual awareness between Asia and Europe, not only between Government, academic and business circles but also of ordinary citizens.

Efforts have been made and should be intensified in the fields of academic, scientific and cultural exchanges. Contacts between with Civil Society and Youth organisations should also be actively supported and developed.

Furthermore ordinary citizens of Europe and South East Asia must be encouraged to learn more about each other than the traditional clichés. The European Commission and the Member States should campaign in a co-ordinated manner to explain the nature of the EU and its role in the world, and to promote the new partnership with South East Asia. The European Commission will launch a structured communication initiative, open to Member States participation and including the following elements:

- A limited number of key messages presented in a co-ordinated way should help improving South East Asians’ perception of the EU and promoting EU – South East Asia relations.

In Asia, the target population would include opinion makers, media, universities, business and government circles. In Europe, young citizens, business circles and opinion makers would be targeted.

The strengthened network of EC delegations in the region should participate fully in this communication initiative in close collaboration with Member States missions.

Region specific information guidelines and tool-kits should be developed for EC Delegations and travelling officials from Head Quarters.

This strategy should also be supported by a variety of information products and events, including, for instance, EU film festivals, EU University fairs, and electronic as well as paper brochures on specific issues central to the EU – South East Asia relationship.

*An EU visibility strategy in South East Asia:*

- Reaching out, not only governments, academic and business circles but also ordinary citizens through media and opinion makers
- Based on a limited number of key messages
- Making use of professional expertise and of all available human resources from Headquarters and in Delegations
- Opening activities and events to Member States

## 6. CONCLUSION

This communication proposes that the EU's relationships with ASEAN and the countries of South East Asia should be re-invigorated, on the basis of shared values and common political and economic interests, in the manner described above. It is worthwhile in conclusion to highlight some of the strengths of the proposed strategy, and to draw attention to some of the factors that will contribute to its success.

Most significantly, the paper suggests creating the *framework* for bilateral agreements that will enable the adoption of a more modern agenda – going beyond development co-operation into political and economic areas. This accords with the European Union's holistic view of co-operation with third countries: that is to say, matters of trade and investment are inherently linked to issues of good governance, democracy, respect for human rights, reduction of poverty and the rule of law. Given the diversity of the countries of the region, the *flexibility* of the new mechanism is a great strength, enabling it to facilitate progress, rather than being restrictive. An example is the pragmatic approach to determining on what level to proceed with each sectoral issue with each country, rather than dogmatically asserting an exclusively regional or bilateral framework. Thirdly, the strategic priorities outlined in this communication are mutually reinforcing, such that the impact of the whole should be more than the sum of the strategies parts.

Two vital factors will help determine the overall success of this strategy, in addition to the efforts of the Commission. Member States are invited to contribute proactively to EU efforts in South East Asia, especially those who have maintained or developed close relations with the region. They should all expect to reap the rewards of the resulting improvement of links with an economically dynamic region. Likewise, much depends on the willingness of our South East Asian partners to make the best use of the instruments that the EU would hereby establish. It is not doubted that the mutual interest of both regions lies in the countries of South East Asia taking a high level of interest in, and ownership of, co-operation programmes, and committing themselves to enhancing their relationship with the EU through dialogue on both bilateral and region-to-region levels.

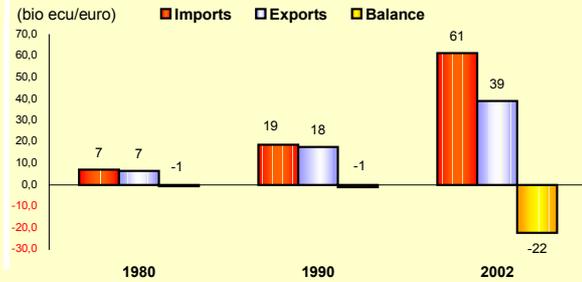
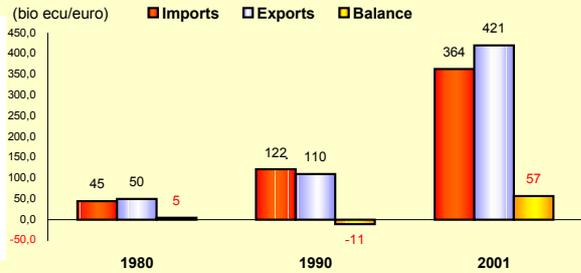
**Annexes:**

- I Trade figures between EU and South East Asia**
- II TREATI**
- III Menu for a strengthened dialogue with South East Asia**
- IV Present Framework for Co-operation with South East Asia**
- V EIB**

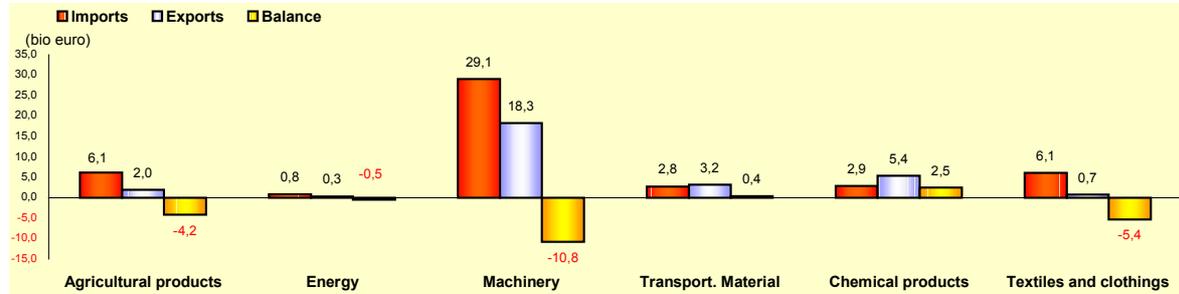
Population:	2002	539 Mio		
Area: (1000qkm)	2002	4.480	External DEBT 2000 (Mio euro) :	538.148
Gross Domestic Product	2002	656 Bn euro		
GDP Per Capita	2002	1.217 euro		

ASEAN MERCHANDISE TRADE WITH THE WORLD

EU MERCHANDISE TRADE WITH ASEAN

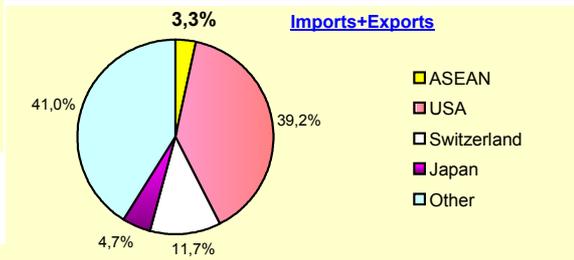
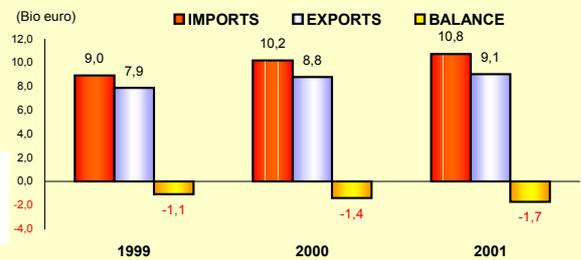


EU MERCHANDISE TRADE WITH ASEAN BY PRODUCT (2002)

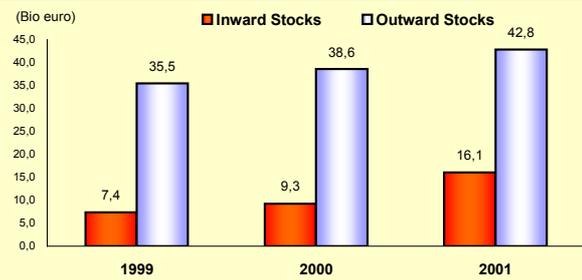
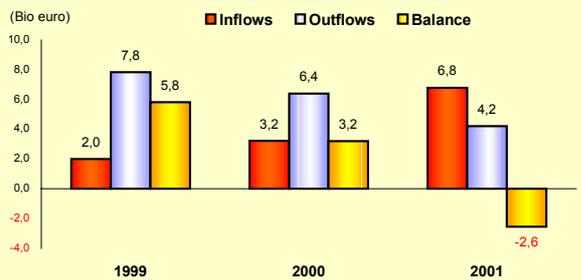


EU TRADE IN SERVICES WITH ASEAN

ASEAN SHARE OF EU TRADE IN SERVICES



EU FOREIGN DIRECT INVESTMENT WITH ASEAN



ASEAN : Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

<b>EU TRADE WITH S.E. ASIA</b>										
in mn ECU/€	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
EU exports	6.520	17.675	34.128	37.185	44.912	30.589	31.106	40.376	42.733	39.034
EU imports	7.140	18.652	39.337	42.548	45.915	52.511	55.201	71.112	66.247	61.360
EU balance	(620)	(977)	(5.208)	(5.363)	(1.003)	(21.922)	(24.095)	(30.736)	(23.514)	(22.326)

\*S.E. Asia countries: Brunei, Cambodia, Indonesia, Laos, Myanmar/Burma, Philippines, Singapore, Thailand, Vietnam  
source: Eurostat

### ASEAN Trade with European Union by Country (1993-2001)

ASEAN Export to European Union by Country  
(Value in Thousand US \$)

COUNTRY	Export									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2001
Brunei Darussalam	-	19.900,0	18.648,0	28.460,2	386,1	10.115,4	194,7	17.354,2	12.335,5	
Cambodia	-	-	-	-	-	-	-	230.601,9	321.324,5	
Indonesia	5.392.081,9	5.788.040,6	6.760.272,0	10.335.910,2	7.825.393,6	7.765.177,2	7.082.260,1	8.665.579,2	7.735.053,4	
Malaysia	6.965.170,9	7.937.949,5	9.602.242,6	8.970.506,8	6.806.921,2	8.022.047,3	14.780.702,7	17.535.114,5	15.439.847,3	
Myanmar	-	-	-	-	-	-	73.623,4	106.860,9	220.846,9	
Philippines	2.012.615,5	2.352.401,4	3.056.440,5	3.594.879,8	4.539.413,4	5.992.865,9	6.777.189,8	6.822.838,6	6.194.816,4	
Singapore	10.795.308,6	12.369.811,1	14.012.994,6	15.249.475,2	17.852.475,5	17.380.841,3	17.161.406,1	18.646.882,4	16.250.825,1	
Thailand	6.226.369,1	6.728.252,4	10.835.324,2	8.746.771,6	9.062.132,8	6.972.545,2	9.849.572,3	8.727.079,6	10.506.398,1	
<b>TOTAL</b>	<b>31.391.546,0</b>	<b>35.196.355,0</b>	<b>44.285.921,9</b>	<b>46.926.003,8</b>	<b>46.086.722,6</b>	<b>46.143.592,3</b>	<b>55.724.949,1</b>	<b>60.752.311,3</b>	<b>56.681.447,2</b>	

ASEAN Import to European Union by Country  
(Value in Thousand US \$)

COUNTRY	Import									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2001
Brunei Darussalam	-	364.901,4	354.778,0	482.892,5	441.628,4	228.294,1	327.120,6	144.533,9	197.335,1	
Cambodia	-	-	-	-	-	-	-	92.181,1	26.557,7	
Indonesia	6.650.703,3	7.225.435,7	8.175.230,7	14.539.363,2	8.331.191,4	5.822.654,5	3.798.107,3	4.161.095,6	4.042.864,6	
Malaysia	5.748.404,4	8.625.552,1	10.879.040,3	10.506.623,0	9.990.565,1	5.992.075,9	8.840.682,4	10.092.947,8	11.291.292,2	
Myanmar	-	-	-	-	-	-	33.993,6	73.994,5	93.795,7	
Philippines	1.945.611,4	2.364.065,3	2.385.909,1	3.638.733,3	4.240.987,5	2.826.464,5	2.786.104,1	2.974.202,2	2.751.854,2	
Singapore	10.612.723,7	12.779.752,1	14.677.137,3	17.868.187,4	19.061.522,3	14.096.996,2	14.124.491,0	15.251.405,6	13.673.983,6	
Thailand	6.864.939,2	7.369.627,5	9.920.674,1	10.344.707,6	8.943.919,2	4.289.648,1	4.799.044,2	6.167.526,7	7.600.646,6	
<b>TOTAL</b>	<b>31.822.382,0</b>	<b>38.729.334,1</b>	<b>46.392.769,5</b>	<b>57.380.507,0</b>	<b>51.009.813,9</b>	<b>33.256.133,3</b>	<b>34.709.543,2</b>	<b>38.957.887,4</b>	<b>39.678.329,7</b>	

## ANNEX II

### TREATI

#### (TRANS REGIONAL EU-ASEAN TRADE INITIATIVE)

Chapters 2 and 3.d introduced the rationale for closer cooperation between ASEAN and the EU on trade matters and the shape of the proposed new, *comprehensive Trans-Regional EU-ASEAN Trade Initiative (TREATI)*.

This annex outlines the details of this initiative. While similar strategies are being pursued with other EU trading partners, notably Mercosur and Canada, this annex outlines an approach customised to suit ASEAN's unique situation and requirements.

In order to support ASEAN's own efforts towards greater economic integration, and in view of the commonality of trade interests between ASEAN members, the additional benefits to be obtained by exchanging experiences and information within a broader forum, as well as the importance of achieving economies of scale and making maximum use of the finite resources on both sides, EU-ASEAN co-operation on trade issues should take place, where feasible, on a *region-to-region basis*.

The substantial diversity within ASEAN, especially the various levels of development and differing priorities, mandates the creation of a *flexible framework*. Under this scenario, each South East Asian country would select from a comprehensive menu of commonly defined and agreed activities, addressing different areas relating to trade and investment facilitation – agricultural and industrial product standards, customs procedures, intellectual property rights, services, etc., choosing to sign up for each one when they desire to do so. Within this commonly-agreed framework, a specific activity could thus commence with the involvement of two or more ASEAN countries, and gradually expand its membership, towards the ultimate goal of having all countries participate on an equal basis.

The new bilateral agreements to be concluded between the EU and South East Asian countries should foresee for the bilateral dialogue on economic issues to be complemented by a dialogue mechanism involving the EU and more than two ASEAN countries ('EU + x'). A Joint Ministerial Declaration under the existing EC-ASEAN Co-operation agreement could express the will of the EU and the ASEAN countries to make as much use of the 'EU + x' formula as feasible. The Trade Subcommittee of the EC-ASEAN Joint Co-operation Committee responsible for its operational management

To further accommodate individual preferences, certain activities could be divided into phases, allowing countries to gradually intensify their level of co-operation, starting from mutual confidence building exercises to learn about each other's systems, then analysing common elements as well as differences and constraints, and moving on to identify promising sectors for closer co-operation, thus gradually developing the foundations for eventually entering into more substantial commitments between the two regions.

Each country should develop its own individual roadmap under the regional framework, establishing plans to progress and participate in the various activities within a certain timeframe.

Close co-ordination will be needed with ongoing EU-ASEAN regional and bilateral trade-related technical assistance and capacity building activities to ensure that activities and results are supportive and complementary. The initiative should foster contacts between EU and ASEAN economic operators, hence the private sector from both sides must be closely involved in both the definition and implementation of the various actions, and special attention will be given to the needs of SMEs, where appropriate. Activities should also enhance the capacity of the more developed ASEAN members to provide greater support to the others, in line with the *Initiative for ASEAN Integration (IAI)*.

The success of the *TREATI* will largely depend upon the human and financial resources that both sides are willing to commit, as well as the flexibility which can be achieved in accommodating individual needs and interests within an overall comprehensive and coherent framework.

In recent years, the EU's approach to trade policy has evolved in terms of the scope and the level of ambition sought for both trade and investment liberalisation and rule-making. The realisation of benefits from any potential future trade agreements between the EU and ASEAN would thus require a substantial degree of co-operation on non-tariff measures, particularly in regulatory areas, which goes significantly beyond the dismantling of tariffs.

The proposed *TREATI* would therefore create a stable, predictable and transparent framework for our future trade relations, fostering regulatory convergence and the necessary integration needed for ASEAN to develop its own common external trade policy. The *TREATI* could thus pave the way for a preferential regional trade agreement in the future, once the successful outcome from the current round of multilateral trade negotiations has allowed both sides to have demonstrated their commitment to progressive liberalisation and non-protectionism. It is only at this stage that it will become possible to assess the opportunities to eventually go further together with regard to liberalisation and regulatory harmonisation – based on the “WTO-plus” principle.

### ***Potential Elements for a Trade Action Plan***

Point 3.f and Annex III of the Communication lists areas, in which ASEAN and the EU could co-operate more closely, and from which they should select subjects to discuss in the *TREATI* framework. These subjects could include , Industrial Standards, Customs, Trade and Environment, Investment, Competition, Electronic Commerce, Information Society, Services, Sanitary and Phyto-Sanitary issues.

## ANNEX III

### **MENU FOR A STRENGTHENED DIALOGUE**

#### **WITH SOUTH EAST ASIA**

*This annex includes a number of areas in which both sides may decide to either initiate or intensify the level of their dialogue and co-operation. Informal consultations should allow partners to identify those sectors and determine the aims and format of their co-operation (regional and/or bilateral; exchange of information; regulatory co-operation and harmonisation; technical and financial co-operation; etc.)*

#### **Economic and Trade Issues**

##### **Sanitary and phyto-sanitary (SPS) issues:**

###### Present situation

SPS issues are particularly important for many countries of South East Asia exporting food products to the EU market and having to comply with European standards.

###### Identified issues

Need to increase partners' capacity to comply with SPS standards and appropriate technical assistance measures.

###### Line of action

Proper dialogue and co-operation on SPS should

- Include exchange of information on legislation, certification and inspection procedures.
- Develop a better understanding of consumer protection requirements and
- Improve understanding of the partners' policies in this sector.

Technical assistance in the field should contain both regional and bilateral elements that are well co-ordinated

##### **Regulatory Co-operation on Industrial Products:**

###### Present situation

The EC would like to enhance regulatory co-operation on industrial products with South East Asia countries to facilitate trade while safeguarding a high level of health, safety, environment and consumer protection.

###### Identified issues

Key issues are increasing compatibility and bridging gaps in the areas of standards, conformity assessment procedures and technical regulations. The selection of the right regulatory instrument will depend on the characteristics of the markets; the regulatory environment in the relevant country concerned, and the willingness on the part of industries, regulators and other stakeholders to achieve agreed objectives.

### Line of action

Dialogue should aim at promoting

- Regulatory convergence/harmonisation, including on co-operation in the field of standardisation
- Partial, voluntary; reduced or less formal mutual recognition (for example, in the field of accreditation and laboratories) and, where appropriate, recognition of equivalence.
- International standardisation

Technical assistance could be mobilised in support of the dialogue process in prioritised areas and in a well co-ordinated mix of regional and bilateral elements.

### **Customs:**

#### Present situation

Trade between the two regions is hampered by rather complex and burdensome custom clearance mechanisms.

#### Identified issues

Need to focus on simplifying and improving customs procedures to minimise risks and maximise opportunities in order to facilitate customs clearance between the two regions.

#### Line of action

- Regional and bilateral dialogues should aim at identifying concrete measures to improve procedures,
- Commission prepared to conclude Customs Co-operation Agreements with interested South East Asian countries.

### **Investment:**

#### Present situation

Investment flows are not smooth

#### Identified issues

Existence of discriminatory rules

#### Line of action

Create a two-way investment dialogue to

- enhance understanding and co-operation on investment issues,
- explore administrative mechanisms to facilitate investment flows and
- promote stable, transparent, open and non-discriminatory rules for investors.

Possible assistance in the field should include:

- well co-ordinated regional and bilateral elements

- a web-based facility with supporting help-desk in each region to provide comprehensive information and advice on various trade and investment issues, aimed at the private sector (« One-stop shop concept »)
- the ASIA-Invest II programme, which can contribute to this line of action

### **Competition:**

#### Present situation

Domestic competition restrictions impede or eliminate the beneficial effects that should result from progressive liberalisation of trade.

#### Identified issues

The role of competition rules in the functioning of ASEAN and in creating an area of shared prosperity is fundamental: they help to ensure a climate of transparency and legal confidence for business.

#### Line of action

The Commission is prepared to

- start a dialogue with existing and new competition agencies in the region on implementation of competition policy
- co-operate with competition agencies in the region in reinforcing the effectiveness of competition agencies in the enforcement of competition law and policy
- to consider promoting via its delegations in the region actions to achieve the above aims

### **Electronic commerce – information society:**

#### Present situation

The EU and South East Asian countries have already embarked in a number of dialogue and co-operative activities in the field of e-Commerce and Information Society. Both regions are striving to ascertain their participation in the global information economy.

**ASEM e-Commerce** seminars in 2001-2002 recommended to ASEM countries' regulators how to create a favourable **regulatory environment** for a rapid growth of electronic commerce between the ASEM countries. At another **ASEM Conference on "Globalisation and ICT"** in March 2003, the EC explained its concept of eEurope and EU-Asian co-operation in the field of the Information Society. A follow-up event due to take place in Vietnam is designed to provide inputs to the ASEM Summit in Hanoi in October 2004. In order to stimulate Information Technology R&D and business co-operation, the 2006 **EU-South East Asia Forum on the Information Society** in Bangkok is currently under preparation. An EU Asian co-operation project has been initiated in the field of high-speed communications infrastructure. With the support of the IST Programme and in the context of the eEurope Action Plan, a new generation backbone for research communications has been launched (**GEANT**). In the framework of the implementation of their **eSociety Programme**, the Government of **Singapore** initiated meetings with the EC at Commissioner level in 2002 on regulatory and technological requirements for the development of the Information Society.

### Identified issues

An **eASEAN Task Force** was created in late 1999 to develop a broad and comprehensive action plan for an ASEAN e-space and to enable ASEAN countries to compete in the global information economy. This Task Force is to examine the technical, legal, logistical, social and economic infrastructure needed to create the basis for ASEAN's competitiveness in the 21<sup>st</sup> century.

### Line of action

Substantive dialogue is to be extended to more detailed issues and conducted mainly at regional level with ASEAN and ASEM partners.

Concrete co-operation initiatives should support

- the integration of the developing countries of South East Asia in the global e-market through instruments such as the Asia IT&C programme and The **Information Society Programme (IST)**.
- the construction of strategic regional backbones and their linking with GEANT. For this purpose, the EC intends to find means to connect the Trans-Eurasia Information Network (TEIN) -- that currently links GEANT to Korea – also with South East Asia.

### **Services:**

#### Present situation

Services play an increasing role in the development and diversification of European and Asian economies.

#### Identified issues

There is a need to improve the competitiveness of the ASEAN countries' services sector and facilitate their participation in world trade in services in a manner consistent with sustainable development.

#### Line of action

A dialogue process should be initiated between both regions on

- the regulatory environment
- access to markets in the multilateral GATS context
- access to sources of capital and technology
- trade promotion in services between both regions and on third countries' markets

### **Public procurement:**

#### Present situation

There is room for improvement in the transparency and non discriminatory nature of public procurement policies in most South East Asian countries.

### Identified issues

There is an urgent need to improve understanding of the respective approaches on public procurement in the two regions in view of possible reciprocal opening of markets.

### Line of action

Regional and bilateral dialogue processes should explore possibilities for reciprocal, open, non-discriminatory and transparent procedures for respective government and public sector procurement at all levels.

### **Intellectual property:**

#### Present situation

Proper protection of industrial and intellectual rights is key to Foreign Direct Investment and related transfers of technology in many economic sectors.

#### Identified issues

Both regions need to offer - within their respective laws, regulations and policies - adequate and effective protection of intellectual and industrial property rights in accordance with the highest international standards and agreements, including effective means of enforcing such rights.

#### Line of action

- Dialogue and co-operation on IPR must be conducted primarily at regional level.
- However, issues of enforcement should also be included in bilateral dialogue and co-operation.
- Specific attention should be devoted to piracy and counterfeiting.

### **Consumer protection:**

#### Present situation

Governments from both regions will feel increasing pressure from their citizens to provide consumers with the highest standards of protection and safety. EU has some relevant experience to share with South East Asia.

#### Identified issues

There is a need to promote the concept of consumer protection across all sectors of the economy. There is also a need to improve understanding of the partners' policies on consumer protection.

#### Line of action

- Dialogue at regional level should aim at exchanging information of both region's regulatory frameworks in the field of consumer protection.
- Expertise and technical assistance may also be made available for co-operation at regional or bilateral level.

## **Industrial policy:**

### Present situation

Economic operators in both regions are ever striving to increase their competitiveness

### Identified issues

This quest for competitiveness is particularly sensitive for Small and Medium Size Enterprises that constitute one of the most dynamic and innovative segments of both regions' economies.

### Line of action

- The dialogue should focus at regional and bilateral level on exchanging information and experiences on creating framework conditions for private SMEs to improve their competitiveness.
- Co-operation should continue to support business matching of SMEs from both region stimulating in particular transfers of soft and hard technology between partners.
- The ASIA-Invest II programme can contribute to this line of action

## **Justice and Home Affairs issues**

### **Migration:**

#### Present situation

Countries from both regions are confronted with difficult political, social and economic issues related to migratory flows and the management of their asylum systems.

#### Identified issues

The European Council of Tampere underlined that partnership with the countries of origin and transit will be a key element in the external policies of the EU in the area of migration. The European Council of Seville of June 2002 urged that *'any future co-operation, association or equivalent agreement which the European Union or the European Community concludes with any country should include a clause on joint management of migration flows and on compulsory readmission in the event of illegal immigration.'*<sup>36</sup> The Council adopted on 19 May 2003 conclusions on integrating migration issues in the European Union's relations with third countries.

#### Line of action

- The management of migratory flows will be mainstreamed through all political, economic and social dialogue opportunities with ASEAN and, individually with its member countries.
- Adequate provisions on migratory flows and readmission shall be introduced in bilateral agreements with South East Asian countries.

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<sup>36</sup> Conclusions of the European Council, Seville, 21 and 22 June 2002.

- When appropriate and possible, the establishment of specific and concrete actions of co-operation should be looked for, either between the EU and ASEAN as such or on bilateral basis with South East Asian countries.

### **Combating organised crime:**

#### Present situation

International organised crime is surfing the wave of globalisation. It poses a very serious threat to both regions.

#### Identified issues

Organised crime is operating on a transnational scale, using the latest technologies in communication and international finance. It is an urgent task for governments from both regions to meet this technological challenge and put in place sound regional and international anti-crime policies.

#### Line of action

- Both regions should continue to work with and promote all United Nations efforts in this field.
- The regional dialogue process should include concrete exchange of information and experiences on:
  - establishing and implementing regional anti-crime strategies
  - building regional institutions, for example as in the case of Europol and Eurojust

### **Trafficking in human beings:**

#### Present situation

Trafficking in human beings leads to serious violations of the victims' human rights as enshrined in international law and the EU Charter on Fundamental Rights.

#### Identified issues

Trafficking in human beings is a major concern for EU relations with Asia due to the fact that numerous victims are trafficked within Asia or from or through Asian countries to EU Member States.

#### Line of action

- The comprehensive European policy against human trafficking aims at addressing the entire trafficking chain, comprising countries of origin, transit and destination.
- An appropriate bi-regional mechanism for exchange of information and co-operation should be put in place, possibly through co-operation between Europol and Aseanopol.

### **Money laundering:**

#### Present situation

Money laundering is at the very heart of practically all criminal activities.

### Identified issues

Steps taken to combat money laundering can help to strangle crime in general as well as help combat corruption. There is an obvious need to co-operate at international level on preventing the use of financial systems for laundering proceeds arising from criminal activities in general and drug trafficking in particular.

### Line of action

- The Commission will continue to work towards combating money laundering globally, including in South East Asia, through international bodies such as the Financial Action Task Force (FATF) and through regional co-operation with ASEAN and within ASEM.
- Regional dialogues should provide for exchange of information and hopefully lead to regulatory co-operation and the adoption of appropriate standards to combat money laundering.

### **Counterfeiting:**

#### Present situation

Intellectual property violations, such as counterfeiting and piracy, are a major challenge today. The production of counterfeit goods is a particular concern for South East Asia and the EU. This form of crime, which tends to be increasingly in the hands of criminal and even terrorist organisations, is a threat to the economy, to creativity and also to health and safety.

#### Identified issues

Counterfeiting is an international phenomenon which the EU must integrate as an important subject for the relations with non-member countries, including South East Asian countries and, if need be, bring pressure to bear on the countries where counterfeiters are based.

#### Line of action

- To initiate regional and bilateral dialogues on counterfeiting and piracy

### **Data protection:**

#### Present situation

In the light of the global fight against terrorism, data protection rules, or the lack of such rules, are increasingly becoming an area of possible conflict between the EU and various countries.

#### Identified issues

There is a need to ensure that data protection systems are mutually transparent and provide adequate protection.

### Line of action

- The parties should agree to ensure a high level of protection in the processing of personal data and other data, in accordance with the highest international standards<sup>37</sup>.
- The parties should also agree to co-operate on the protection of personal data in order to improve the level of protection, and to work towards the elimination of obstacles to the free movement of personal data between the parties, created by insufficient protection of personal data. Co-operation on personal data protection may include, inter alia, technical assistance in the form of exchange of information and experts.

### Drugs:

#### Present situation

Some countries in South East Asia remain major illicit markets for heroin and/or serve as transit points for heroin destined for other parts of the world. Abuse of and trafficking in amphetamine-type stimulants (ATS) is spreading quickly across East and South East Asia. Intravenous drug abuse meanwhile continues to contribute to increases in the prevalence of HIV infections. The EU and South East Asia are facing common and growing challenges in fighting drug abuse and trafficking.

#### Identified issues

The United Nations International Narcotics Control Board has recently noted that facilities that were once used exclusively for the refining of heroin are now increasingly used for the manufacture of methamphetamines as well (and which are increasingly reaching European markets).

#### Line of action

- formulate and implement effective regional strategies to reduce the illicit demand for these stimulants and
- increase regional dialogue and co-operation with each other in regulatory and law enforcement activities targeting illicit manufacture, trafficking, precursors' control, early warning for synthetic drugs and setting up of monitoring institutions.
- Support regional policies on drugs, such as the joint ASEAN programme with China (ACCORD<sup>38</sup>) that is still in its start up phase.

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<sup>37</sup> Standards to take into account:

- Guidelines for the regulation of computerised personal data files, modified by the General Assembly of the United Nations on 20 November 1990.
- Recommendation of the OECD Council concerning guidelines governing the protection of privacy and trans-border flows of personal data of 23 September 1980.
- Council of Europe Convention for the protection of individuals with regard to automatic processing of personal data of 28 January 1981, and Additional Protocol to the Convention for the protection of individuals with regard to automatic processing of personal data regarding supervisory authorities and transborder data flows of 8 November 2001.
- Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individual with regard to the processing of personal data and on the free movement of such data and Directive 2002/58/EC Of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector.

<sup>38</sup> ASEAN and China Co-operative Operations In response to Dangerous Drugs: Action Plan concluded in 2000.

- Seek the conclusion of an EC-ASEAN agreement to combat the diversion of chemical precursors to the illicit manufacture of drugs.

The case for a regional approach to the drug issue:

Until now, EC anti-drugs activities in the region have been few and were based on a country-specific approach (projects in Thailand, Cambodia, Laos and Vietnam). A more comprehensive approach is desirable reflecting the significance of the South East Asia region to the drug problem in Europe, as well as the impact of drugs on the economic and social development of the region itself. In its latest policy document on drugs, the EC raises attention for South East Asia, introducing a drug route strategy<sup>39</sup> which specifically mentions the India/China/South East Asia synthetic drugs route. Given the characteristics of the drug problem, a regional approach should be encouraged, also to be able to deal effectively with Burma/Myanmar, a key source of drug production. There is a need to work closely together with UN institutions (UNDCP and UNODC). The prevention of chemical precursor diversion to South East Asia is an obvious priority. Similar conclusions were found in the first regional dialogue between experts of the EU and ASEAN in October 2002.

## **Environment**

### Present situation

Sustainable development remains a global challenge for the EU and South East Asia. Both partners are committed to the implementation of the conclusions of the World Summit on Sustainable Development, which took place in Johannesburg in 2002. Both partners have a well established tradition of dialogue and co-operation on environmental issues, which will remain a priority in the years to come.

Co-operation on environment between EC and Asia has been ongoing for a number of years through for example:

- Assistance to the ASEAN Regional Centre for Biodiversity Conservation.
- Asia Eco-Best (1997-2002), assisting EU organisations to invest in co-operation with Asian partners into Asian environmental products and technologies. EU-Asia Pro-Eco programme (2002-2007) fosters EU-Asia partnerships on the adoption of policies, technologies and practices that promote cleaner, more resource-efficient, sustainable solutions to environmental problems in Asia.
- EC-ASEAN S&T Co-operation activities in the field of the Environment under the EC's Framework Programmes on R&D.
- A large number of projects and programmes in natural resources conservation and management, in bio-diversity conservation, water management, etc.

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<sup>39</sup> Commission Communication on External Drugs Policy, (2003, forthcoming).

### Identified issues

As outlined in the conclusions of the Sub-Committee on Environment of the EC-ASEAN Joint Co-operation Committee of 17-19 September 2001, priority areas for future co-operation have been identified:

- Climate change and energy efficiency;
- Environmental and clean technologies
- Capacity building in implementing and negotiating multilateral environment agreements;
- Coastal and marine environment.

Illegal logging and trade of illegal wood receive growing political attention and will be an important focus of relations with ASEAN in the years to come. There is growing evidence that a substantial amount of the world's timber is harvested illegally. Moreover, illegal logging and processing have started to undermine the rule of law, encouraged corruption, social conflict and the inefficient use of resources in a number of producer countries, and is resulting in the loss of large potential government revenues.

### Line of action

- Support the adoption of policies, technologies and practices that promote cleaner, more resource-efficient, sustainable solutions to environmental problems in South East Asia, through the recently established Asia Pro Eco Programme
- Support the implementation of the EC Forest Law Enforcement, Governance and Trade (FLEGT)<sup>40</sup>
- Develop dialogue and co-operation with ASEAN in relation to the ASEAN Strategic Plan of Action on Co-operation in Forests and Forest Products
- Continue developing dialogue and co-operation at bilateral level in forestry conservation and management.

## **Science & Technology, Research & Development**

### Present situation

Science and Technology is an essential element in the pursuit of sustainable economic and social development, as well as the basis for competitiveness. S&T Co-operation between ASEAN and the EU is based on shared cultural and historical foundations and on increasing economic links.

### Identified issues

Making scientific research directly relevant to society is of critical importance in the two regions. S&T Co-operation must target scientific areas that have a direct application on productive activities, and aim at assuring a link between research centres and universities on one side, and industry on the other.

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<sup>40</sup> The FLEGT process encourages discussion and co-operation between developed countries and emerging economies, particularly between those that produce and consume/import wood and wood products. It covers the whole range of law reform and enforcement in wood-producing countries, governance and trade issues (in particular market access). Within this framework, the EC currently prepares a FLEGT project in Indonesia, but there may also be scope for a related regional initiative, in particular in consideration of the large amount of intra-regional wood trade.

## Line of action

EU-ASEAN S&T Co-operation must include:

- The formulation of a strategic concept & design for bi-regional S&T Co-operation;
- The implementation of bi-regional S&T Co-operation activities based on the actual and potential research capacities in the two regions;
- Promote specific programmes of S&T Co-operation in specific domains (among others, agriculture and forest biotechnology, food safety, hygiene in the food industry, e-learning).

## **Higher Education and Culture**

### Present situation

Co-operation between Europe and South East Asia on higher education and culture is key as it is fundamental in increasing mutual understanding and awareness. The ASIA-Link scheme and the EU-ASEAN University network programme have been successfully promoting higher education co-operation between the two regions since the beginning of 2002. A large series of multilateral and mutually beneficial co-operation projects and sustainable networking activities are currently being set up under both initiatives.

### Identified issues

Co-operation in higher education is key to

- improving mutual understanding and increasing awareness of Europe in South East Asia and vice versa;
- re-positioning Europe as a major higher education partner and as a centre of excellence in South East Asia
- promoting scientific and technological development, thus enhancing growth and competitiveness;
- strengthening the economic and cultural presence of Europe in South East Asia (and vice versa).

### Line of action

- Develop regional and bilateral strategic dialogues with stakeholders at the various levels of government authorities, national associations of higher education institutions and national rectors conferences.
- Continue implementing the **Asia-Link** and **ASEAN-EU University Network Programmes** that are successfully promoting higher education co-operation.
- Support scholarship activities through initiatives such as **Erasmus Mundus**.
- Promote co-operation in the field of **culture** with a view to enhancing mutual understanding between the civil societies in South East Asia and Europe, in particular through supporting the work of the **Asia-Europe Foundation**.

## **Energy**

### Present situation

Directly or indirectly, energy is linked to each of the six sector priorities of Community development policy. Furthermore, it is an element essential to achieving the United Nations'

Millennium Development Goals. At the same time, the EU's security of supply is closely linked to that of developing countries including those in South East Asia. The expected increase in consumption of fossil fuels and the aggravation of environmental problems, in particular climate change and air pollution will make the link even closer in the future.

#### Identified issues

In general, given the projected growth in energy demand in South East Asia and its substantial energy resources (e.g. Indonesia is currently the world's largest LNG exporter), this sector should remain an important focus of co-operation. Moves towards a more interconnected and integrated energy system in South East Asia, and possibly an ASEAN-China free trade area, increase the EU interest in policy exchanges and the establishment of a good trade and investment climate.

#### Line of action

- Initiate a strategic dialogue at regional level on energy issues
- Continue existing co-operation initiatives in fields such as co-generation or renewable energies

## **Transport**

### **Maritime Security:**

#### Present situation

Piracy is a real problem in the waters of South East Asia, with obvious consequences for trading, transport and regional security. The concept of maritime security includes piracy, but also related crimes such as terrorism, smuggling of migrants and illicit traffic in drugs and arms, and environmental crimes. The economic downturn in the region has contributed to an upsurge of piracy and armed robbery at sea.

#### Identified issues

An EU-ASEAN Conference on Maritime Security in 2002 in Manila has highlighted the importance of the problem for the region as well as its relevance for its trading partners, including the EU. The ASEAN Regional Forum (ARF) has issued a statement on Piracy, the necessity of crafting and implementing regional maritime security strategies and multilateral co-operation<sup>41</sup>. The International Maritime Organisation (IMO) has called upon countries in South East Asia to conclude a regional agreement on co-operation against piracy and armed robbery against ships<sup>42</sup>. Consensus is yet to emerge on a final ASEAN wide Agreement, but efforts are ongoing especially regarding improved information exchange.

#### Line of action

- Experts also discussed modalities for regional co-operation and EU assistance.

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<sup>41</sup> ARF Statement on Piracy, Intersessional Group on Confidence Building Measures, Vientiane, 2003.

<sup>42</sup> SG of IMO at Regional Meeting of Maritime Security Committee in Singapore, March 2001.

- Obvious solutions lie in harmonising the implementation of the maritime security measures adopted in the International Maritime Organisation (IMO) in December 2002, and in increased co-operation between the concerned countries supported with technical assistance from main users of the sea lanes such as Japan and EU.
- Possibilities should be explored to work together on ship tracking systems, maritime police authorities and harmonisation of information and legislation to facilitate investigation and prosecution of perpetrators. EU can make available specific expertise, best practices and help organising training and country needs analysis. In particular, EU should stimulate regional co-operation on the issue if real commitment is taken in the form of a regional agreement, or even in the case of an agreement between a number of concerned countries.

### **Air Transport Relations**

#### Present situation

Air transport relations between the EU and South East Asian countries are governed today by a framework of bilateral agreements between EU Member States and South East Asian countries. These agreements restrict the freedom to operate flights between two given countries to airlines owned by nationals of those countries. In June 2003, agreement was reached in the EU for the first time on a framework for the handling of international air transport negotiations. The agreed framework provides both for the Commission to conduct negotiations with third countries on behalf of the Community and for Member States to continue their bilateral contacts on the basis of commonly agreed principles.

#### Identified Issues

Following a ruling by the European Court of Justice, all aviation agreements that include nationality clauses must be amended to reflect the existence of the EU and to remove discrimination, either through new bilateral negotiations or through negotiations lead by the Commission on behalf of the entire EU. Given the importance of South East Asia as an aviation market, serious consideration will be given to seeking negotiations with countries of the region, in particular where a country has itself expressed an interest in making progress.

#### Line of Action

- EU Member States will be seeking the amendment of their existing bilateral agreements with South East Asian countries in order to remove discrimination between European airlines and to bring the agreements into line with Community law.
- The Community will examine the potential for agreements at Community level with individual countries of South East Asia and with groups of countries both in order to remove legal problems and to expand opportunities for airlines and consumers.
- The Community will consider any requests from South East Asian countries wishing to intensify and expand air transport relations

### **Aviation safety and airworthiness:**

#### Present situation

Aviation safety and airworthiness is an obvious area of shared interest. A substantial amount of co-operation has developed between the EU and South East Asia in this field. The Commission is supporting COSCAP programme (Co-operative Development of Operational Safety and Continuing Airworthiness) for South East Asia, which aims at sharing scarce

inspector resources between member countries and harmonising the regulations and other criteria, which form the basis of the inspections. It has also launched an EC-Asian Civil Aviation Co-operation project, which involves all ASEAN countries except Burma/Myanmar.

#### Identified issues

Some countries of South East Asia are still in need of establishing properly managed regulatory bodies. South East Asia needs to further harmonise air safety and airworthiness laws and regulations.

#### Line of action

- Complementing the achievements of COSCAP-SE Asia
- Supporting through bilateral dialogue and co-operation the building of properly managed regulatory bodies in the poorer countries and regional initiatives
- Supporting through regional dialogue and co-operation further harmonisation of air safety and airworthiness laws and regulations in South East Asia

### **Information Society**

#### Present situation

Information technology and electronic communication networks and services underpin economic and social development as well as development of the Information Society. In order to promote the Information Society, the European Union has put in place the eEurope initiatives 2002 and 2005. At the same time many governments in the South East Asian region are putting considerable focus on the development of the Information Society and are keen to develop concrete co-operation in this area which they see as one of great potential for increased trade, closer social cohesion and cultural ties, and economic growth.

#### Identified issues

A closer co-ordination of EU and South East Asian policies is in the interest of both region's economic development

#### Line of action

- Developing a comprehensive regional dialogue on the different aspects of the Information Society, including not only electronic communication policies and regulation but also social aspects;
- Co-operate towards interconnection and interoperability of European Union and South East Asian networks and services as well as for the standardisation and dissemination of new information and communications technologies;
- Promote joint projects for research in ICT and industrial applications in electronic communications.
- Put in place a network of contacts between the European Commission and the Member States which can guide the co-operation with Asia on the Information Society
- The ASIA-IT&C programme can contribute to this line of action.

## **Statistics**

### Present situation

#### *1. External trade statistics:*

There is no common ASEAN framework in the procedures and customs code implementation. Consequently there are some discrepancies in the EC-ASEAN figures, and also within the ASEAN region.

#### *2. Foreign Direct Investment (FDI):*

ASEC, as well as member countries, face problem in compiling harmonised FDI data, including FATS. They suffer from a both lack of capacity and methodological understanding.

### Identified issues

#### *1. External trade statistics:*

Need for getting harmonised figures, at both regional and national levels.

#### *2. Foreign Direct Investment (FDI):*

Needs to develop comprehensive and reliable data and statistics, including capacity building in the ASEC and the statistical bodies of member countries.

### Line of action

*For both 'External trade statistics' and 'Foreign Direct Investment':*

- Create a dialogue with ASEC in order to identify a set of actions in these fields, at both national and regional levels.
- Possible Technical Assistance in the fields mentioned.

*In general sense:*

- Allow for capacity building in the wider domain of statistics

To serve these specific objectives, reliable, harmonised and accurate statistical information is needed for the implementation and evaluation of the main policies, especially in the field of the economic and trade issues, the migrations and the good governance.

Statistical action plans ultimately contribute to the strengthening of regional and national institutions, whilst pursuing the priority policy areas of the EC (regional integration, fight against poverty, health and education, etc.).

## ANNEX IV

### PRESENT FRAMEWORK FOR CO-OPERATION WITH SOUTH-EAST ASIA

The EC legal basis for co-operation with countries of South-east Asia is the ALA (Asia and Latin America) regulation of 1992<sup>43</sup>.

The Commission introduced in 2002 a proposal for a new ALA regulation<sup>44</sup>. The proposal takes into account the results of an independent evaluation of the implementation of the present regulation carried out in 2002. This new legal framework will greatly reinforce dialogue between the Commission and EU Member States on strategic programming of co-operation as well as allow for speedier delivery of projects and programmes. The proposal is currently going to the EC decision-making process, with discussions in Council and European Parliament.

At present, there is a set of core EC co-operation instruments available to South-east Asia, which in practical terms can be classified as follows:

- (1) Thematic / horizontal programmes (inter alia environment and tropical forests, fight against drugs, uprooted people, human rights and democracy, NGO co-financing) which apply across the world,
- (2) Asia-wide programmes (Asia IT&C, Asia-Urbs, Asia-Link, Asia-Invest),
- (3) Regional co-operation with ASEAN countries,
- (4) Bilateral economic and development co-operation with individual South-east Asian countries.

The thematic / horizontal programmes and the Asia-wide programmes are implemented on the basis of strategic multi-annual guidelines and programming documents, which are reviewed regularly to meet the evolving EC policies.

Regional and bilateral co-operation is set out in 5-yearly Regional / Country Strategy Papers (RSP / CSP), which include 3-yearly Regional / National Indicative Programmes (RSP / NIP). These documents provide a coherent framework to mobilise all the above financial instruments for support to each country and region

While the Commission completed in 2002 the CSP/NIP for all eligible individual SEA countries (Indonesia, East Timor, Philippines, Vietnam, Thailand, Malaysia, Cambodia, Laos), the programming of co-operation with ASEAN (RSP/RIP) will be issued by the end of 2003. EC-ASEAN co-operation projects will focus primarily on the priority areas outlined in the present communication

In general, with financial resources for the region likely to remain stable for the foreseeable future, the strategy papers and indicative programmes guarantee enhanced quality and efficiency of EC assistance to the region.

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<sup>43</sup> Council Regulation 443/92 of 25 December 1992.

<sup>44</sup> COM (2002) 340 of 2 July 2002.

## ANNEX V

### European Investment Bank (EIB)

#### **BACKGROUND**

The European Investment Bank's operations in Asia and Latin America (ALA) started in 1993 and are aimed at supporting the EU's policies in accordance with the terms of the ALA Mandate entrusted to the Bank by the EU Member States.

The Bank selects projects which serve the interests of both the country in which they are located as well as the EU (mutual interest). In this context particular emphasis is put on supporting EU foreign direct investments (FDI). The Bank's usual criteria (economic justification, technical viability, self-supporting financially, and environmental sustainability) are applied in the appraisal process. The EIB has no country ceilings and lending is therefore largely a result of demand. During the period 1993 – 2002 almost 80% of EIB loans in Asia were granted in ASEAN countries even though the Bank aims at a relatively equitable distribution among partner countries.

Increasingly, the Bank uses operations under the risk-sharing guarantee scheme implying that the commercial risk will be covered by a prime rate guarantee, whereas the political risk would be covered under the EU budgetary guarantee. Political risk encompasses losses resulting from non-transferability of currency, expropriation, war and civil strife. In support of private sector development, some 55% of all operations in Asia have been financed under this scheme, exceeding the 30% target foreseen in the Council Decision.

The EIB operates in Asia under Framework Agreements (FA), signed with the beneficiary countries, which set up the general legal basis for carrying out projects. So far, FAs were concluded with the following ASEAN countries: Indonesia, Philippines, Thailand and Vietnam. Other eligible countries, namely Lao PDR, Malaysia and Singapore, which have been approached, have until now not signed such agreements.

Since the political risk coverage of EIB loans is tied to Framework Agreements signed with the beneficiary countries, the loan should in principle be utilised in the country of the borrower. Some of the most needy countries in the Greater Mekong programme, such as Laos and Cambodia, are hence not covered, the former because it has not signed a FA, and the latter because it is not even eligible. There is therefore a need for the EIB to make available the instrument of global loans (see main text).

#### **RESULTS AND ASSESSMENT**

Since the inception of the ALA Mandate in 1993, the EIB has steadily increased its contribution to the financing of investments in the region. In this period, the share of ASEAN as beneficiary of EIB loans to ALA countries broadly exceeds its share as recipient of EU FDI in the region (28% as compared to 6%). Basic figures are summarised in the following table:

**Table 1:** EIB lending and EU Foreign Direct Investment

EIB LENDING (1993-2002)				EU FDI 1955-2001(*)		
		EUR m	%		EUR bn	%
Total ALA		2 898	100		228.1	100
Of which ASEAN		800	28		12.8	6
. Indonesia	300		38	2.5		20
. Philippines	290		36	3.0		23
. Thailand	155		19	6.3		49
. Vietnam	55		7	1.0		8
	800		100	12.8		100
				(*) source: Eurostat		

A reasonable balance and diversification is also achieved as regards the sectoral breakdown:

**Table 2:** Distribution of EIB loans to ASEAN countries per sector (1993-2002):

SECTOR DISTRIBUTION	EUR m	%
Airports	80	10
Industry (incl. Telecom)	168	21
Oil and gas	230	29
Power	142	18
Water and sewerage	150	19
Global loans SMEs	30	3
TOTAL	800	100

In the selection of projects, the Bank has in particular supported those which contributed to a significant improvement of services and lower tariffs through a more efficient use of resources as well as to an improvement of the environmental and health situation (in particular through water supply and sewerage projects).

In addition, the Bank has continued its efforts to pass on the benefits of its financing to SMEs through global loans. Under the current ALA III Mandate (2001-2007) so far 9% of funds were allocated for such facilities; this proportion is likely to increase in the future.

## **EIB'S VALUE ADDED**

EIB operations in ASEAN were structured in partnership and in complementarity with the Asian Development Bank and the banking sector. For the latter, the EIB plays a catalytic role and acts as a facilitator in improving project quality and financial sustainability.

In the current situation, borrowers have very limited access to medium and long term finance. Therefore, they could capitalise on the benefits of EIB's financing as the Bank makes available long-term resources at attractive terms (EIB enjoys AAA rating) that would help strengthen the borrower's financial structure by lengthening the maturity and grace period of its liabilities and reducing its debt service burden.

## **ENHANCING EIB'S FINANCING**

In spite of the aftermath of the Asian crisis and the situation in Argentina, the projects signed or approved in the first three years of the ALA III Mandate 2000-2007 account for almost half of the total funding available under that mandate (€ 1.2 out of € 2.4 billion). This is a clear indication of the extent to which demand for EIB loans in these regions exceed the current resources available. The Bank was therefore forced to ration its financing, in particular through keeping the loans in many cases below the amount requested, though these were within the ceiling of 50% of total project cost. This is bound to worsen in the near future because given the limited amounts available under the current Mandate, the lending volume would be of only EUR 320m for both Asia and Latin America per year for the remaining four-year period. This will reduce the effectiveness and materiality of a potentially efficient tool of the EU's instrument of co-operation with ALA countries and of economic policy.

The financing of private sector investments focuses on one particular aspect of mutual interest in support to the EU co-operation policy. However, there are other aspects of mutual interest in projects, which could be relevant for the EIB's financial participation, in particular upstream infrastructure investments in order to facilitate private sector initiatives and co-operation, investments for the improvement of environmental and social conditions and regional integration for which the ASEAN partner countries are increasingly requesting the EIB's support. In this respect, reference is particularly made to the Greater Mekong Sub-region (GMS) Economic Co-operation Programme aiming at promoting high priority sub-regional projects in sector such as transports, telecom and energy.

The EIB's role as the EU's investment financing arm in ALA is increasingly recognised by those governments and an increase of the amount available under the current Mandate was repeatedly requested for contributing to furthering the EU development aid and co-operation policy. This issue was raised on the occasion of bi-regional summits, e.g. the recent EU/ASEAN and the EU-LAC in Madrid in May 2002.