

# Unlocking the Potential of Interregionalism

## Mutual Perceptions and Interests in EU-ASEAN Relations

IFAIR Impact Group “EU-ASEAN Perspectives” Policy Paper

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### *Abstract*

*While the EU has pursued a proactive strategy towards the Asian giants China and India, it has remained reactive vis-à-vis Southeast Asia. This is remarkable, considering that ASEAN is the most ambitious regional integration project outside of Europe and may therefore be seen as a natural partner of the EU. This report analyzes the mutual perceptions and interests of the two groupings and identifies avenues for future cooperation that allow European stakeholders to tap the full potential of EU-ASEAN relations. Three issue areas stand out as particularly promising: regional economic cooperation, human rights and democracy, and soft security.*

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Mutual Perceptions and Interests in EU-ASEAN Relations

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Berlin 2014

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## Introduction

As a result of geostrategic shifts, Asia has advanced to the new global economic and political pivot. While the European Union (EU) has pursued a proactive strategy towards the giants China and India, it has remained reactive vis-à-vis Southeast Asia. This is remarkable, considering that with the Association of Southeast Asian Nations (ASEAN),<sup>1</sup> the region disposes of the most ambitious regional integration project outside of Europe and may therefore be seen as a natural partner of the EU. While Europe has remained passive, major actors such as the U.S. and China are turning to the ASEAN region, making it a site of “strategic rivalry among the great powers in Asia”.<sup>2</sup> The EU needs to find its niche in this setting.

The present report<sup>3</sup> reveals that the EU and ASEAN hold congruous perceptions and overlapping interests which should help unlocking the unseized potential in their relations. The paper comprises three parts: The first two sections analyze the perspective of the EU und ASEAN on the interregional relations in turn. They characterize the role assigned to the other in the actors’ respective foreign policy outlook, the main fields of interest and the preferred strategies of cooperation. Based on this analysis, part 3 concludes with recommendations about policies that are mutually compatible. These suggestions mainly address policy makers, the business community and civil society in Europe. Three issue areas are singled out as particularly crucial for future interregional cooperation:

- **regional economic integration,**
- **human rights and democracy, and**
- **soft security.**

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<sup>1</sup> Founded in 1967, the organization by now comprises Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Thailand, Philippines, Singapore and Vietnam,

<sup>2</sup> Fenna Egberink and Frans-Paul van der Putten (2010): ASEAN and Strategic Rivalry among the Great Powers in Asia, in: *Journal of Current Southeast Asian Affairs*, 29:3, pp. 131-141.

<sup>3</sup> The findings reported here are based on the discussions of an interregional online workshop among young scholars and practitioners from several Asian and European countries held in October 2013 and organized by the German-based interdisciplinary students’ initiative “IFAIR – Young Initiative on Foreign Affairs and International Relations” ([www.IFAIR.eu](http://www.IFAIR.eu)).

*“Relations between [ASEAN and the EU] are good. But they are passive rather than passionate.”*

Goh Chok Tong, Former Prime Minister of Singapore

## 1. The EU's Perspective on ASEAN

ASEAN is the third largest external trading partner of the EU, an ambitious regional integration project, and a rare engine of growth in times of global economic downturn. Yet the current state of interaction lacks the intensity of relations between the EU and other Asian actors such as China or India. Some of the most important factors threatening progress from the European side are tensions between business interests and normative concerns, the Eurozone crisis, and the questionable success of the Commission's policy of conditionality. The following part analyzes these problems and positions them within the wider context of EU-ASEAN relations.

### *The role of ASEAN in the EU's external policy*

For the EU, ASEAN is both a trading partner and a projection screen for its self-perception as a normative power championing human rights, the rule of law and climate change. However, these roles are only partly reconcilable, and tensions have frequently occurred between Europe's primary business interests and its commitment to human rights and democracy standards.

From the normative side, the EU generally sympathizes with the ASEAN project because the two organizations share a commitment to regional integration aimed at fostering free markets and peaceful relations. Consequently, the EU supports cooperation among the ASEAN member states and seeks to enhance the dialogue between the two regions, not only on the supranational level but also in the form of parliamentary and ministerial exchange. In the past, the EU has repeatedly attempted to assert itself as an advocate of liberal values, most notably in the face of human rights violations by the military regime in Myanmar.

At the same time, however, the EU attempts to ensure and enhance its market access and its commercial relations with the growing Southeast Asian economies. In comparison to the EU's progress with other major Asian partners like India and China, the formalization of the relations with ASEAN is lagging behind: One concluded FTA with Singapore, plus ongoing negotiations with Malaysia, Vietnam and Thailand is all the EU has to show for itself. Economic competitors like China, Japan and the United States have advanced

faster, mounting the pressure on the EU to pick up the pace of forging economic ties with ASEAN. To date, the scorecard suggests that this economic race prompts the EU to ultimately let trade interests outweigh its normative agenda.

### ***The EU's interests in interregional cooperation***

The EU's interests in the region are both political and economic in nature. Some policy fields of particular importance to the EU include trade liberalization (including non-tariff barriers), public procurement, intellectual property rights, sustainability and climate change, human rights and democracy. The decision to launch free trade negotiations with ASEAN was part of the broader attempts of the European Commission to secure market access and improve competitiveness as laid out in the 2006 'Global Europe' strategy. A main objective of the EU since then has been to catch up with its economic competitors in the ASEAN region and provide a counterbalance to their growing influence.

While the Commission's success and clarity of strategy in pursuing these interests has been a major issue of debate, attention should be given to some of the effects of the Eurozone crisis on interregional relations. The crisis has made the EU more inward-looking, marginalized attention to common foreign policy concerns and brought core questions of EU member states' sovereignty and economic survival to the fore. Increasing divergences in the global economic outlook between EU countries have motivated some better performing member states to revert to a pursuit of their narrowly conceived national rather than European interests. This can have immediate and long-term consequences for the bargaining power, credibility and cohesive image of the EU in the ASEAN region.

### ***The EU's preferred strategies of cooperation***

The EU has generally been supportive of cooperation among the ASEAN member states, and it has helped to institutionalize the interregional relationship. The Commission's initial preference for region-to-region free trade talks can be attributed to its normative inclinations towards a multilateral world order in which interregional relations take on an important role. This approach has been put on an indefinite halt since 2009 and EU-to-country talks have been initiated

instead. The official EU position is that this new approach should ultimately pave the way to an EU-ASEAN FTA, but, at least under the current circumstances, that outcome does not seem feasible.

With the exception of Myanmar, conditionality is not an official part of the EU's strategy. However, as an informal part of the negotiating process with ASEAN partners, a sort of 'hidden' conditionality is one of the main instruments the Commission wields in promoting a normative agenda during FTA negotiations. It leverages EU's economic power, particularly EU market access, to push forward liberalization, human rights issues and sustainability.<sup>4</sup> The nexus between trade and politics is highlighted by the fact the EU usually negotiates FTAs parallel to Partnership and Cooperation Agreements (PCAs). In such a setting, concessions in trade can be linked to advancement in other areas, e. g. adoption of higher environmental standards.

This being said, there is a general consensus among observers of EU-ASEAN relations that the EU is not reaping success in the normative domains it promotes. Past experiences show that pressure to keep up with economic competitors and incentives to trade with the expanding ASEAN market force the EU to put business ahead of human rights. This sits uncomfortably with the EU's aspirations to be a leader in issues like human rights. Also, the fact that conditionality is used only selectively to push particular and sometimes symbolic policies on the national level has often lead to estrangement between the partners, tactical concessions and drawn-out negotiations. This strategy is neither producing many wins for the EU as a normative actor, nor is it helping accelerate the building of economic ties with ASEAN. The Commission's approach to these issues has become more practical over time, but it needs to permanently readjust its formula for balancing normative and economic goals. Before making recommendations about which EU efforts should be intensified, this paper turns to ASEAN's stance on the EU.

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<sup>4</sup> This strategy has been termed "power through trade", see Sophie Meunier and Kalypso Nicolaidis (2006): *The European Union as a Conflicted Trade Power*, in: *Journal of European Public Policy*, 13:6, pp. 906-925.

## 2. ASEAN's perspective on the EU

This section summarizes the determinants influencing ASEAN's perception of the EU as a partner in international relations. Since the beginning of the dialogue in the 1970s, ASEAN has been the junior partner in the cooperation. With Southeast Asia's impressive economic performance and Europe's enduring crisis, this is gradually changing. ASEAN's aspiring project of an ASEAN Community, anticipated to start by the end of 2015, comprising economic, security and socio-cultural cooperation attests to the region's continued will to foster integration. What role does the EU play in this process?

### *The role of the EU in ASEAN's external policy*

For ASEAN, the European Community (EC) had been the major source of inspiration with regard to regional integration since its inception. This view is exemplified by Thanat Khoman, the former foreign minister of Thailand and one of the founding fathers of ASEAN, who stated that “for many of us and for me in particular, our model has been and still is the European Community”.<sup>5</sup> The ASEAN Community resembles the EC in many aspects, at least according to its blueprint, which lists strategic plans for ASEAN to become a single market with free flow of goods, services, free flow for capital, and skilled workers – albeit without a common external tariff. From ASEAN's perspective, the EU provides both example and precaution, i.e. an idea of what ASEAN can achieve and what it needs to avoid in its integration process.

For its European partners, ASEAN's attitude toward the EU as a potential role model could be a double-edged sword. On the one hand, the EU has been able to place its influence upon ASEAN member countries through recommendations and assistance in the institutionalization process both within ASEAN and in the interregional relations – although ASEAN has repeatedly refused to accept the EU's terms when they challenged its rigid non-intervention norm by pressuring for domestic reforms, as in the case of human rights violations in Myanmar. The deadlock in ASEAN-EU free trade

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<sup>5</sup> Thanat Khoman (1992): Conception and Evolution, in Kernial S. Sandhu (ed.): *The ASEAN Reader*, Singapore: Institute of Southeast Asian Studies, p. xix.

negotiation was said to be partly due to the Myanmar issue.<sup>6</sup> Apparently, abundant support from other sources like the US, China, and Japan made the threat of being cut off from financial assistance seem bearable. Still, the EU is likely to remain a key strategic partner of ASEAN as long as its initiatives do not require major reform in ASEAN countries, and this gives the EU some clout over its trajectory.

On the other hand, being a role model means that every action of the EU is being closely watched and any behavior that could be interpreted as evidence for hypocrisy or double-standards could be used to increase ASEAN's leverage against the EU. The Lampedusa tragedy and the discrimination against the Roma minority in some EU countries are only the most blatant examples. Similarly, the success of trade negotiations between the EU and Singapore seems to contradict the EU's role as a strict promoter of human right and democracy, since Singapore is not known for having a vibrant and liberal civil society. These policies affect the EU's credibility as a normative power and lower ASEAN's readiness to seriously consider its proposals.

### ***ASEAN's interests in interregional cooperation***

As the EU offers plenty of experience on regional cooperation, ASEAN will continue importing policies from the EU. However, studies about policy diffusion suggest that the likelihood of ASEAN successfully mimicking an EU approach one by one is rather low, because local conditions in Southeast Asian countries are significantly distinct from those in Europe. The level of socio-economic development varies drastically between the EU and ASEAN as well as across the ASEAN member states. What is more, in contrast to the EU's high share of internal trade, intra-ASEAN trade has been much lower than external commerce despite the introduction of the ASEAN Free Trade Agreement (AFTA) in 1992.<sup>7</sup>

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<sup>6</sup> Aung San Suu and Karel De Gucht (2011): *EU to Negotiate FTA with All ASEAN Countries, except Myanmar*, in: Jakarta Post, 7 May, see <http://www.thejakartapost.com/news/2011/05/07/eu-negotiate-fta-with-all-asean-countries-except-myanmar.html> (accessed 9 December 2013).

<sup>7</sup> ASEAN Secretariat (2010): *ASEAN Statistical Yearbook 2010*, Jakarta, p. 56.

It is partly for these reasons that ASEAN strategically chooses to import only those EU policies that are not too problematic to implement in the region and compatible with the interests of the major national economic players. For example, the ASEAN Economic Community (AEC) includes free flow of ‘skilled workers’ only, instead of the full free movement work force practiced in the EU, because Southeast Asia is one of the world’s largest intra-regional migration areas in which the largest flows are unskilled and low-skilled workers and full liberalization would not be practical for the more developed ASEAN states.

In addition, it is doubtful whether ASEAN is actually ready to establish a single market as envisioned by the AEC. It could be argued that ASEAN – fully aware of its internal political, economic, and social obstacles to integration – imported the idea of single market primarily as a means to increase its status and credibility in the global arena and its competitiveness vis-à-vis other emerging economies. ASEAN now has to adapt this idea to its local conditions, which will inevitably lead to a gap between rhetoric and reality, between policy aspiration and policy implementation. At the same time, ASEAN knows that the EU’s current status has not been a product of a one-shot perfect strategy but the result of a series of trial, error and improvement for more than half a century. It is possible, therefore, that ASEAN will look at the EU for alternative solutions again in the future.

The bitter-sweet relationship between Europe and Asia since the colonial era suggests that ASEAN will be more comfortable with interregional cooperation in trade and economic areas rather than security. Most ASEAN countries fought for their sovereignty from the European countries and are not willing to let their former imperial powers challenge their national authority.<sup>8</sup> ASEAN has not even ventured into a deeper security cooperation itself, which suggests that the prospects of it seriously engaging in interregional security cooperation are slim. An exception to this may be soft security issues such as confidence building and cooperation on non-traditional

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<sup>8</sup> By contrast, cooperation with Japan was more easily possible because Japan no longer poses a security threat over the region since its military capacity was significantly reduced after World War II.

security threats, which are not perceived as touching core national competences. ASEAN has launched a series of initiatives in this direction, including the ASEAN Regional Forum and the ASEAN Defence Ministers' Meeting Plus, which engage East Asian and external powers in a continuous dialogue.

### ***ASEAN's preferred strategies of cooperation***

ASEAN's preferred cooperation strategies are hence first and foremost those related to economic development. This includes assistance, both financial and technical, in trade facilitation measures such as improvement in transportation infrastructure. Better connectivity can lead to an increase in the level of regionalization, i. e. the market-driven transactions between people in the region. If regionalization eventually matches regionalism, i. e. the top-down, state-initiated integration projects, then the gap between policy aspiration and implementation in ASEAN would become smaller. At the same time, the credibility of EU policy would increase, as would its influence in ASEAN.

Over the last decade, ASEAN's share in the EU market has remained at a relatively low level and even slightly declined.<sup>9</sup> This may be a result of ASEAN's main export being agricultural products, some of which are still heavily protected by non-tariff barriers in the EU. If the two regional blocs cannot open up their agricultural sectors – which is, presumably, a reason for why the EU-ASEAN free trade negotiation failed – interregional services trade could be encouraged instead. Trade in services is the EU's forte and ASEAN is taking up measures to promote its services sectors, especially tourism. A sector-specific trade talk that focuses on services trade and excludes agricultural sector may be a promising alternative to improve trade relations between EU and ASEAN.

Another area of cooperation that interests ASEAN is education. Early training could help close the knowledge gap and increase the effectiveness of technical assistance from the EU. Scholarship programmes like Erasmus Mundus could facilitate the exchange of ideas and

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<sup>9</sup> According to Eurostat data, EU imports from ASEAN countries have dropped from 7.3 percent of total imports in 2002 to 5.6 percent in 2012, see <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> (accessed 31 January 2014).

mutual learning between the next generations from both regions. These programmes could also help to spread awareness of and positive attitudes towards regional and interregional cooperation.

### **3. Conclusion**

The previous two sections revealed that the relations between the EU and ASEAN feature a normative misfit which has stalled cooperation whenever the EU played the human rights and democracy card. Whereas the EU seeks to promote its founding principles in its foreign relations, the ASEAN member states consider the demand an intervention into their domestic affairs. Moreover, as the EU has focused its engagement in Asia on China and India, the ASEAN region has remained a neglected stepchild on the European foreign political radar. As a result, the actual interregionalism has not fully exploited its potential. In contrast to the bilateral talks currently favored by the EU, region-to-region cooperation promises added values such as knowledge-sharing and trade creation. The concluding section uncovers synergies in the regional organizations' interests and elaborates recommendations for European stakeholders to tap this potential in three areas.

#### ***Regional Economic Integration***

While the promotion of regional integration constitutes an integral instrument in the EU's foreign political tool box, ASEAN clearly uses the European Union as point of reference for the realization of its ambitious vision of an ASEAN Economic Community. The EU has played an important role in supporting the realization of a single market and production base in ASEAN through the provision of extensive technical assistance. Nevertheless, the realization of the ASEAN Economic Community still lags behind the expectations, especially in sensitive sectors. The flagship initiative 'ASEAN Connectivity', which aims at binding the ASEAN member states together through infrastructure, requires immense amounts of investment. On top of that, local companies are uninformed about the regional integration process, preventing them from seizing the opportunities emanating from market integration. European actors have the capacities to help bridging these shortcomings.

- Sustained support to policy making and implementation: the European Union and its member states should continue providing technical assistance in a coordinated manner. In doing so, EU projects should refrain from merely promoting EU policy models but allow for more sensitivity for alternative policy solutions which resonate better with the ASEAN member states' goals.
- Enabling local business actors: The EU and its member states should extend their assistance to local business actors to familiarize them with the opportunities emanating from regional market integration. Support in establishing transnational supply chains and economic triangles is one opportunity.
- Expand business-to-business contacts: Particularly in the expensive construction of infrastructure, but also in knowledge-sharing, European companies provide for insufficiently seized resources. The European Union and its member states in line with their development banks have to expand the incentives and their information policy towards European companies on available investment promotion programs.

### ***Democracy and Human Rights***

Whereas the EU would prefer to instill more normative substance into the interregional relations, ASEAN governments start stonewalling as soon as their core interests and their political survival are at stake. Some practitioners argue that the EU's informal use of conditionality has brought about some concessions, such as the commitment to "democracy [...], the respect for fundamental freedoms, the promotion and protection of human rights" (ASEAN, 2007, Article 2) in the ASEAN Charter. In general, however, the EU's influence is clearly limited. ASEAN is well aware that the EU is not the only game in town and that the Southeast Asian market successively gains attraction to balance the stumbling performance of the European market. In addition to this growing power symmetry, the EU jeopardizes its leverage as normative power by trading normative principles for economic interests (see the FTA with Singapore) and not living up to its own standards at home. The European Union should not give up its commitment to promoting its founding principles in its foreign

relations. Three complementary steps may pave the way to the effective spread of human rights and democracy:

- Put your own house in order! In order to serve as normative example abroad, the European Union has to assess its own policies against the principles it credits itself with. Self-evident examples include the EU migration policy and the enforcement of human rights and democracy standards in its member states.
- It's the economy, stupid! The stabilization of the European market is necessary to enhance the EU's leverage abroad. Access to the largest market in the world is the only substantive incentive the EU can offer to countries abroad in return for improved human rights and democracy performance. Moreover, a stable European economy will reunite the member states' voices and consequently strengthen the international presence of the EU.
- Create domestic demand for human rights and democracy in Southeast Asian countries: Bottom-up processes are more likely to trigger far-reaching normative change than conditionality. Thus, the European Union and its member states should foster a critical and sensitive civil society in the ASEAN member states. In order to do so, the EU and its member states should expand youth, education and cultural exchange programs between Southeast Asia and Europe. While Erasmus Mundus already presents a valuable starting point, regular studies or semesters in Europe by students from all socio-economic classes should be supported through scholarships and language course stipends. Moreover, the existing assistance to civil society groups should be expanded. Grassroots movements should be enabled to spread their ideas and influence through financial assistance and the establishment of networks with reformists from Central Eastern European Countries (CEECs) as well as with international non-governmental organizations.

### ***Soft Security Issues***

ASEAN faces considerable challenges from non-traditional security matters, ranging from environmental pollution over insufficient health care to disaster management. While the EU has already provided

technical assistance to ASEAN in some areas, namely disaster management and epidemics, interregional cooperation should be expanded in order to strengthen ASEAN's resilience against non-traditional security threats. This would tie in with the ASEAN member states' own agenda, who increasingly try to deal with soft security issues. Although or particularly because the European Commission does not have exclusive competencies in soft security policies, the ASEAN member states may markedly benefit from the EU's experience in these policy fields.

- Best practices: The EU and the member states should share best practices with the ASEAN member states through dialogue forums and technical assistance.
- Technology Transfer: European companies have a comparative advantage in environmentally friendly technology which should be seized to enable the ASEAN member states' to mitigate climate change.
- Open Method of Coordination: The EU has developed a useful tool to facilitate learning between the member states which may equally be applicable in ASEAN given its highly intergovernmental character.

***About the workshop:***

IFAIR's online workshop "EU-ASEAN Perspectives" was held on 12 and 19 October 2013 under the auspices of Dr. Thomas Gambke, Member of German Parliament and Chair of the Parliamentary Friendship Group for Relations with the ASEAN States, and Prof. Tanja A. Börzel, Jean Monnet Chair and Director of the Center for European Integration, Director of the Kolleg-Forschergruppe "The Transformative Power of Europe" at Freie Universität Berlin and member of the IFAIR Advisory Board.

List of participants:

Atena Feraru (National Chung Hsing University Taiwan)

Serena Garelli (College of Europe, Bruges)

Katharina Meissner (European University Institute, Florence)

Steffen Murau (City University London)

Cesar Ong (University of the Philippines, Tacloban)

Imke Pente (Freie Universität Berlin)

Lukas Rudolph (Ludwig-Maximilians-Universität München)

Felix Sharief (British Embassy, Jakarta)

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Kilian Spandler (Eberhard Karls Universität Tübingen)

Nelly Stratieva (EU-Malaysia Chamber of Commerce and Industry)

Boonwara Sumano (Queen Mary University, London)

More information on the workshop can be found on

<http://ifair.wordpress.com/act/impact-group-eu-asean-perspectives/>.

***About IFAIR:***

The Young Initiative on Foreign Affairs and International Relations (IFAIR) e.V. is a German-based non-profit network of students and young researchers founded in 2010. It provides a platform of interdisciplinary exchange and networking for students of all disciplines interested in International Relations amongst each other and with professionals. The Open Think Tank on IFAIR.eu offers them a platform for sharing their views. The Impact Group format gives motivated young people the opportunity to be actively engaged in promoting a specific topic in International Relations. Regular panel discussions, workshops and research projects help in acquiring relevant knowledge and skills.