



CENTRE FOR INTERNATIONAL LAW  
National University of Singapore

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***ASEAN Ideas in Progress Series***  
**2/2021**

**June 2021**

***“ASEAN-EU Relations: The European Union’s Engagement in ASEAN  
and Common Grounds for Cooperation”***

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# ***ASEAN-EU Relations: The European Union's engagement in ASEAN and common grounds for cooperation.***

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## ***Abstract***

The European Union (EU) and ASEAN have come a long way in their economic relationship. With the recent culmination of the ASEAN-EU Strategic Partnership, prospects for reopening negotiations for their free trade agreement (FTA) present an indisputable opportunity. The changing nature of global politics has emphasised ASEAN's centrality as a growing economic force. In the wake of the rising US-China tensions, ASEAN has found itself with a stronger convening power and presents a path in the EU's 'beyond China' approach for Asia, with around 40% of the EU's international trade going through the South China Sea. The Southeast Asian region is the subject of European strategic interest with the EU's clear interest in either joining existing mechanisms like the East Asia Summit, or recreating them, through Asia-Europe Meetings (ASEM). The Strategic Partnership presents a new chapter in the right direction. This paper will present key areas of EU interests for potential political cooperation between the regional organisations. First, with the global challenging environment with China and the US, there are mutual gains in a stronger political partnership. Secondly, the EU has a real opportunity to emerge as a closer partner to ASEAN with the recovery of the Covid-19 pandemic. And thirdly, common rules paving the way to regulate the digital economic environment and setting standards for connectivity projects.

## ***I. Introduction***

During the past decade, opportunities for the creation of an ASEAN-EU Free Trade Agreement (FTA) have been scarce but not absent. With the European Union's Global Europe Strategy with Asia in 2007, the EU first launched negotiations for FTAs with India, Korea and ASEAN. Following the indefinite suspension of the negotiations between the EU and ASEAN, efforts were redirected towards bilateral trade agreements with the individual ASEAN Member States. So far, two FTAs have been concluded with Singapore and Vietnam. In 2019, by upgrading from a Dialogue Partnership to a Strategic Partnership during the 22nd ASEAN-EU Ministerial Meeting (AEMM) in Brussels, the EU recognised ASEAN's importance beyond trade relations, potentially opening up for another attempt at region-to-region trade negotiations.

This paper analyses how the EU's interests in Southeast Asia have evolved over time. The aim of this paper is to first, analyse the evolution of the ASEAN-EU relationship from an EU perspective until the beginning of the Covid-19 pandemic. In order for the EU-ASEAN relationship to stay relevant, they must deepen their political cooperation, broadening the scope of cooperation in areas different from their economic interests.

The first section is followed by an evaluation on the current geo-political and economic environment as the prime argument for this renewed momentum. The fragility of the multilateral rule-based order and the current US-China trade war have forced the EU and ASEAN into a similar middle-ground. ASEAN's economic attractiveness is well-established, and market access continues to incentivise the EU towards deepening trade relations. However, Brussels' ambition to become a security actor could turn into an interest to incorporate such elements into the EU-ASEAN relationship. The following section of the paper explores the common grounds for strengthening the EU-ASEAN partnership during the Covid-19 pandemic. And lastly, for more ambitious and strategic relations, the EU and ASEAN should work together towards common rules to regulate the Digital Economic Environment.

### ***I. Evolution of the EU-ASEAN relationship until 2019.***

The interregional dialogue between the EU and ASEAN is the oldest region-to-region relationship with more than four decades in the making. Ties between the regions date back to the late 70s, with the European Community (EC) being the first external party to establish 'Dialogue Relations' with ASEAN in 1977 with the inauguration of the ASEAN-EC Ministerial Meeting (AEM).<sup>1</sup>

Greater political significance was gained in 1980 at the 2nd AEMM. The signing of the ASEAN-EC Cooperation Agreement established an inter-regional legal and institutional framework. High expectations to deepen economic cooperation at the end of the Cold War eventually subsided, not least due to bilateral issues on democracy and human rights. With the Treaty of Maastricht in 1992 and the European Community turning into a Union (EU), the EU Member States aimed at gradually collating their political influence worldwide into a Common Foreign

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<sup>1</sup> Koh, T., Lay Hwee, Y. (2020), *ASEAN-EU Partnership: The Untold story*. World Scientific.

and Security Policy (CFSP).<sup>2</sup> In 2007 with the adoption of the Treaty of Lisbon, deeper cooperation was introduced with the creation of a common diplomatic service, the European External Action service. Making the CFSP a reality represented a crucial step in the internal evolution of the EU beyond the common commercial policy. Since then, the framing of the CFSP has been decisive for a more cohesive and prominent EU in the world arena.<sup>3</sup>

During the 11th AEMM in 1994,<sup>4</sup> the EU recognised the longstanding relationship that it has with ASEAN as the cornerstone of its dialogue with the broader Asian region. The EU manifested a pragmatic approach when dealing with political unrest in East Timor in the early 1990s. The ASEAN-EU shared 'new spirit' of economic cooperation prevailed over the human rights concerns in East Timor.<sup>5</sup> Instead, it was exclusively discussed by one of the EU Member States, Portugal, the former colonial ruler of East Timor.<sup>6</sup> The Joint Declaration of the 11th AEMM further reflected a compromise on the Myanmar situation between 'ASEAN's policy of constructive engagement and the EU's willingness to engage in a critical dialogue'.<sup>7</sup>

The EU's involvement in East Timor and Myanmar is a reflection of how the EU gradually adopted the so-called 'Petersberg tasks', originally adopted by the Western European Union (WEU) in 1992 and transformed into the Second Pillar of the EU. The full scope of the 'Petersberg tasks' involved conflict resolution, peace-building and peace-enforcement which will later re-establish the Union's commitment to areas such as democratisation, human rights, good governance.<sup>8</sup> Despite the European Commission's Communication on 'Creating a new dynamic in EU-ASEAN relations' that pledged continued EU-ASEAN dialogue, the EU was not successful in developing its ambitions, especially in the light of Myanmar's accession to ASEAN. To this day, several EU Member States see the human rights conditions in some countries as a stumbling block for further deepening of the relationship.

During the late 1990s and 2000s, various ASEAN frameworks for regional trust-building emerged. One example is the 1997 ASEAN Regional Forum (ARF). The ASEAN-led cooperation process aimed at accelerating the economic growth, social progress and, cultural development of the community of Southeast Asian nations while promoting regional peace.<sup>9</sup> In response, in 2003, the European Commission led a pragmatic approach entitled 'A new partnership with Southeast Asia' focusing on maintaining both bilateral and regional dialogue. ASEAN's efforts

<sup>2</sup> Aybet, G. (2004), *ESDP and New Security Challenges: How The Petersberg Tasks have come a long way*. Turkish <http://turkishpolicy.com/images/stories/2004-02-globalsecurity/TPQ2004-2-aybet.pdf>

<sup>3</sup> Smith, M. (2012), *Still Rooted in Maastricht: EU External Relations as a 'Third-generation Hybrid'* Journal of European Integration. Volume 34, 2012 - Issue 7: The Maastricht Treaty: Second Thoughts after 20 Years p. 707.

<sup>4</sup> Dreis-Lampen, B. (1998), *ASEAN und die Europäische Union: Bestandsaufnahme und Neubewertung der interregionalen Beziehungen*, Hamburg: Institut für Asienkunde

<sup>5</sup> Koh, T., Lay Hwee, Y. (2020), *ASEAN-EU Partnership: The Untold story*. World Scientific.

<sup>6</sup> Koh, T., Lay Hwee, Y. (2020), *ASEAN-EU Partnership: The Untold story*. World Scientific.

<sup>7</sup> ASEAN Secretariat (2012) *Joint Declaration The Eleventh ASEAN-EU Ministerial Meeting Karlsruhe, 22-23 September 1994*. EU-ASEAN FMM, Karlsruhe, 1994, accessed at: [https://asean.org/?static\\_post=joint-declaration-the-eleventh-asean-eu-ministerial-meeting-karlsruhe-22-23-september-1994](https://asean.org/?static_post=joint-declaration-the-eleventh-asean-eu-ministerial-meeting-karlsruhe-22-23-september-1994)

<sup>8</sup> Smith, M. (2012), *Still Rooted in Maastricht: EU External Relations as a 'Third-generation Hybrid'* Journal of European Integration. Volume 34, 2012 - Issue 7: The Maastricht Treaty: Second Thoughts after 20 Years p.710,

<sup>9</sup> Center for Nonproliferation Studies (2015) *ASEAN Regional Forum*. Accessed at: [https://media.nti.org/pdfs/arf\\_13.pdf](https://media.nti.org/pdfs/arf_13.pdf)

for further regional institutionalization were welcomed by the EU. The cooperation gave space for supporting the capacity of the ASEAN Secretariat, as well as numerous development cooperation programs across the three pillars of ASEAN. Efforts towards further integration with programs such as, the ASEAN Programme for Regional Integration Support (APRIS) until 2010 and the EU driven ASEAN Regional Integration Support from the EU (ARISE) became increasingly relevant as ASEAN was one of the priority regions for EU development assistance, which ran in parallel with the EU's trade and investment agenda with its 2006 Global Europe strategy.<sup>10</sup>

Changes within the Union, particularly the Lisbon Treaty adopted in 2007, further shaped the EU's trade and foreign policy's interrelations. These changes positively reflected the EU's capabilities in developing a more ambitious, regional security approach in the wider Asia-Pacific region.<sup>11</sup>

Critical developments in 2009, with the ASEAN Charter's adoption, paved the way for more robust political convergence after the establishment of a legal and institutional framework for ASEAN as well as the creation of an EU Committee of Permanent Representatives (CPR) to support and coordinate ASEAN's work. The EU became the first regional organisation acceded to the Treaty of Amity and Cooperation in Southeast Asia (TAC) in Phnom Penh during the 45th ASEAN Ministers' Meeting/ASEAN Post Ministerial Conference/19th ARF,<sup>12</sup> thereby demonstrating the EU's commitment towards ASEAN and an ASEAN-EU partnership to promote peace, security and stability in the region. The relation reached a significant milestone with the appointment of the first dedicated Ambassador to ASEAN and the Mission of EU to ASEAN in 2016. As of today, there are 26 Ambassadors from the EU Member States accredited to ASEAN.

Closer cooperation became an important milestone with the adoption of the Nuremberg Declaration on an EU-ASEAN Enhanced Partnership. That same year, the FTA negotiations were launched. In 2009, after six rounds of talks the negotiations were suspended by mutual agreement, the EU and several individual ASEAN Member States decided to pursue negotiations for bilateral trade agreements instead. Since then, the interregional dialogue has nonetheless evolved through the adoption of the Bandar Seri Begawan Plan of Action to Strengthen the ASEAN-EU Enhanced Partnership (2013–2017). To ensure better engagement between the regions, the Enhanced Partnership focused on advancing regional cooperation across a wide range of political, economic and sociocultural matters.<sup>13</sup> During the 16th AEM-EU Trade Commissioner Consultations in 2018, the two partners restated the region's commitments to pursue a future FTA, especially since the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy had already unveiled a Joint Communication, 'Connecting Europe and Asia', aiming for a clearer strategy and continuation of the EU's mini 'pivot to Asia'.<sup>14</sup>

<sup>10</sup> Koh, T., Lay Hwee, Y. (2020), *ASEAN-EU Partnership: The Untold story*. World Scientific.

<sup>11</sup> European Parliament (2015), *The EU and ASEAN: A partnership with a strategic purpose, Joint Communication to the European Parliament and the Council*. European Commission: Brussels, accessed at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52015JC0022>

<sup>12</sup> Ibid.

<sup>13</sup> ASEAN Secretariat (2019), *Overview ASEAN-EU Dialogue Relations, ASEAN Secretariat's Information Paper*. ASEAN Secretariat. Accessed at:

<https://asean.org/storage/2019/09/Overview-of-ASEAN-EU-Relations-as-of-August-2019.pdf>

<sup>14</sup> Chen X., Gao X. (2020), *Exploring the Dynamic Nexus Between the European Union's Trade and Foreign Policy Toward East Asia*. Weiß W., Furculita C. (eds) Global Politics and EU Trade Policy. European Yearbook of International Economic Law. Springer.

Political cooperation is currently maintained through the EU-ASEAN Summits and the current EU-ASEAN Plan of Action 2018-2022.<sup>15</sup> Current region-to-region trade negotiations are on halt. However, there is still potential for a future stronger partnership. Working towards a closer understanding of the level of ambition under a future FTA can gradually lead to more substantial political will and commitment.

## **II. Current Global Challenges: From an economically-centred relationship to political partnership.**

ASEAN remains a priority region for EU economic interests. With 20% of the EU's international trade passing through the Strait of Malacca, Southeast Asia's increasing centrality has emphasized ASEAN as the biggest recipient of foreign direct investment (FDI). In 2017, the FDI stock reached \$330 billion, accounting for 18% of total FDI in ASEAN.<sup>16</sup> In this context, ASEAN centrality recently became more prominent with the Regional Comprehensive Economic Partnership Agreement (RCEP), thereby demonstrating its ability to shape regionaleconomic governance and commitment to an inclusive rule-based order. From an EU perspective, RCEP exposes growing tensions due to trade diversions.

While continuing the long-lasting economic partnership, the EU and ASEAN have found more space for convergence over cooperation, shared values and, common interests in the current ASEAN-EU Plan of Action (2018-2022).<sup>17</sup> The plan of action emphasizes political and security cooperation, aiming to enhance strategic dialogue and deepen political and security cooperation. Efforts to deepen ASEAN-EU political cooperation include the 2017 inaugural High-Level ASEAN-EU Dialogue on Sustainable Development: Towards Achieving the Sustainable Development Goals. Also, several dialogue platforms have been put forward, including the 23rd AEMM. During this AEMM, parties reinstated their shared commitment to support ASEAN Centrality and ASEAN-led mechanisms in the evolving regional architecture that is open, transparent, inclusive and rules-based.<sup>18</sup>

With the ongoing US-China trade war, the EU and ASEAN seem to share similar objectives, i.e. avoiding being drawn into the conflict and minimising economic damage. While EU foreign policies tend to prioritise its own neighbourhood region (i.e. North Africa, Eastern Europe), or transatlantic relations with the US, the Far East and ASEAN are increasingly piquing the EU's interest.

<sup>15</sup> Koh, T., Lay Hwee, Y. (2020), *ASEAN-EU Partnership: The Untold story*. World Scientific

<sup>16</sup> Mun, Tang Siew (2019) ASEAN Focus: June 2019, ISEAS Yusof Ishak Institute. p. 18. accessed at: <https://think-asia.org/bitstream/handle/11540/11009/ASEANFocus%20-%20June%202019.pdf?sequence=1>

<sup>17</sup> ASEAN Secretariat News (2017) *ASEAN-EU Plan of Action (2018 – 2022) Statements and Communiqués*. Accessed at: <https://asean.org/storage/2017/08/ASEAN-EU-POA-2018-2022-Final.pdf>

<sup>18</sup> Council of the European Union (2020), *Co-chairs' press release of the 23rd ASEAN-EU ministerial meeting*. Press Release of the 23rd ASEAN-EU Ministerial Meeting (AEMM) on Tuesday, 1 December 2020. Accessed at: <https://asean.org/storage/23rd-AEMM-Co-Chairs-Press-Release.pdf>

The EU harbours a growing ambition to become a strategic actor, which will impact ASEAN-EU cooperation in the future. For example, it is in both the EU and ASEAN's interests to uphold international law and maritime security for Southeast Asia's stability. ASEAN's commitment to the stability of the region is reflected in the ongoing negotiations of a legally binding Code of Conduct (CoC) in the South China Sea between ASEAN and its neighbours.<sup>19</sup>

Southeast Asian regional stability remains one of the EU's prime trade interests as around 40% of the EU's international trade goes through the South-China Sea. The EU's involvement can present an alternative partner to avoid being caught between China and the US. However, the EU should aim to surpass its 'beyond China' approach if it wants to actively play a role for the security in the region. With the recent culmination of the Strategic Partnership, prospects for broadening engagement are still to take place. Far from just reopening negotiations for an ASEAN-EU FTA, the EU will need to speed its political and security cooperation in defense of its economic interests. This could be a starting point for the EU to develop a security policy in the near future.

### **III. A global recovery to the Covid-19 pandemic.**

The interregional relationship between the EU and ASEAN has remained by and large unchanged. The EU has a real opportunity to emerge as a closer partner and promoter of solidarity across the globe. Supporting programs such as the 'South East Asia Health Pandemic Response and Preparedness' of €20 million have established non-obvious platforms to build resilient and robust economies after Covid-19.<sup>20</sup> With the Covid-19 pandemic, the EU's efforts to combat the spread of Covid-19 in Southeast Asia have been translated in what the EU claims to be a package of over €800 million.<sup>21</sup>

However, while the EU's efforts in the region are evident, ASEAN remains the subject of other countries' interests such as China and Japan. While the EU has introduced export restrictions on protective equipment, China rapidly provided Covid-19 related assistance to ASEAN as early as March 2020.<sup>22</sup> The ASEAN Senior Health Official Chair welcomed technical insights from the China Centre for Disease Control and Prevention on transmission, containment strategies and treatment of cases. China not only contributed to substantial cooperation on ASEAN's early response to the pandemic but also recognised internal differences amongst the

<sup>19</sup> European External Action Service (2020), *Strengthening EU-ASEAN partnership, an urgent necessity* accessed at: [https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity_en)

<sup>20</sup> Council of the European Union (2020), *Co-chairs' press release of the 23rd ASEAN-EU ministerial meeting*. Press Release of the 23rd ASEAN-EU Ministerial Meeting (AEMM) 1 December 2020. Accessed at: <https://asean.org/storage/23rd-AEMM-Co-Chairs-Press-Release.pdf>

<sup>21</sup> European External Action Service (2020), *Strengthening EU-ASEAN partnership, an urgent necessity* accessed at: [https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity_en)

<sup>22</sup> ASEAN Secretariat News (2020), *China enhance cooperation on COVID-19 pandemic response*. Jakarta 31 March 2020. Accessed at: <https://asean.org/asean-china-enhance-cooperation-covid-19-pandemic-response/>

ASEAN Member States. China's efforts included common propositions such as stronger cooperation in risk communication, policy dialogue on developments of COVID-19 and the establishment of sustainable software and hardware in collecting and analysing relevant data to inform preparation and response to future epidemics.<sup>23</sup>

While China's valuable experience exchanges rightly assisted in the containment of Covid-19 in the region, it showed its well-structured framework to successfully strengthen its ties, demonstrated palpable support for regional solidarity and successfully proved its soft power expertise.<sup>24</sup>

During the pandemic, Japan's presence in the region was more noticeable than EU's efforts. Japan provided more than \$200 million in medical supplies and equipment, and also extended emergency loans to assist in economic recovery.<sup>25</sup> While both the EU and Japan provided substantial economic assistance, Japan's cooperation was closely coordinated with its trade policy to keep the regional supply chains open. The ASEAN-Japan Economic Resilience Action Plan implementation coincided with the signing of the Regional Comprehensive Economic Partnership (RCEP) agreement.<sup>26</sup>

For the time being, vaccine deployment is a global priority and, therefore necessary for interregional cooperation. EU efforts include a €400 million 'COVAX initiative' to provide a global supply of vaccines. The EU has not specifically intended to develop a region-to-region vaccine operation with ASEAN. Instead, the EU has encouraged ASEAN to cooperate on vaccine security.<sup>27</sup> The EU's efforts to match those of China and Japan also include the introduction of export restrictions to several ASEAN countries of vaccines in the past weeks. Meanwhile, China has redirected their efforts to the region, directly guaranteeing priority access to the vaccines to Vietnam, Cambodia, Myanmar, Laos and Thailand, after promising a supply of 40 million doses of vaccine to Indonesia.<sup>28</sup> Overall, China's efforts in the region have so far delivered 3 million ready-to-use vaccines and 25 million bulk vaccines to Indonesia, 25 million vaccines to the Philippines and 14 million vaccines to Malaysia.<sup>29</sup>

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<sup>23</sup> Ibid.

<sup>24</sup> Tanakasempipat, P., Zhai, K (2020), *China tests its soft power with neighbours over coronavirus outbreak*. Reuters World News, Emerging Markets. Accessed at: <https://www.reuters.com/article/us-china-health-asean-idUSKBN20E0TM>

<sup>25</sup> Kiodo News (2020), *Japan pledges \$1 mil. in fund to assist ASEAN's COVID-19 response*. Accessed at: <https://english.kyodonews.net/news/2020/09/46d85657a4e7-japan-pledges-1-mil-in-fund-to-assist-aseans-covid-19-response.html>

<sup>26</sup> ASEAN Secretariat News (2020), *ASEAN, Japan enhance cooperation towards post-pandemic recovery*. Jakarta, 14 October, 2020, accessed at: <https://asean.org/asean-japan-enhance-cooperation-towards-post-pandemic-recovery/>

<sup>27</sup> European External Action Service (2020), *Strengthening EU-ASEAN partnership, an urgent necessity*, accessed at: [https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity_en)

<sup>28</sup> European External Action Service (2020), *Strengthening EU-ASEAN partnership, an urgent necessity*, accessed at: [https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/85434/strengthening-eu-asean-partnership-urgent-necessity_en)

<sup>29</sup> Tani, S., (2021), *China's vaccine diplomacy fails to win ASEAN support: survey*. Coronavirus. Nikkei Asia. 10 February, 2021, accessed at: <https://asia.nikkei.com/Spotlight/Coronavirus/China-s-vaccine-diplomacy-fails-to-win-ASEAN-support-survey>

However, according to the ASEAN Studies Centre at Singapore's ISEAS-Yusof Ishak Institute, China's vaccine diplomacy has not translated into having greater influence.<sup>30</sup> The US's influence in the region is independent of aid and by and large unaffected by Covid-19. Unlike China and the US, the EU strengthens ASEAN's ability to maintain neutrality. Intense competition for influence from China and the US is undeniable. While individual ASEAN countries may seek to align themselves closer to one power over the other, ASEAN as a collective group will inevitably avoid polarisation, and rather seek to be a regional power of its own.

Governments were initially preoccupied with domestic priorities in both regions, but efforts for a common region-to-region approach can prepare for a better post-pandemic economic reconstruction. The EU and ASEAN aim to overcome the pandemic and make a successful recovery. ASEAN economies have been significantly affected due to ongoing disruptions to global value chains (GVCs), the economic collapse of both demand and supply, and a wave of financial crises engulfing emerging economies.<sup>31</sup> If the EU escalates its efforts, it can have a real opportunity to emerge as a closer partner to ASEAN with the recovery of the Covid-19 pandemic.

#### ***IV. Common rules paving the way to regulate the Digital Economic Environment.***

The pace of digitalisation has unprecedentedly accelerated with the Covid-19 pandemic, reflecting the economic importance of connectivity and digital trade over the next few years. Among others, ASEAN's digital deliverables include the ASEAN Connectivity 2025, the ASEAN Economic Community Blueprint 2025 and the e-ASEAN Framework Agreement. They interact closely with the EU's ambition to set digital regulatory standards and achieve interoperability on its own terms. Reciprocally for ASEAN, securing EU cooperation could bring more investments into digital infrastructure and services, which could advance economic progress in line with sustainable development goals (SDGs).

Despite increasing restrictions on internal and cross-border movement of goods and people, the Comprehensive Air Transport Agreement (CATA) remains one of the most promising ASEAN-EU prospects. Following a Joint Declaration in EU-ASEAN Aviation Co-operation and eight rounds of negotiations, the CATA is almost-effectively ready for adoption.<sup>32</sup> The region-to-region agreement can be the first step towards a future multilateral code of conduct on setting standards for connectivity projects, easing major hub-to-hub operations between the main ASEAN and EU cities. The CATA is proof that sectoral agreements are possible where it is in both parties' mutual interest.

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<sup>30</sup> Ibid.

<sup>31</sup> Triggs, A., (2020) East Asia Forum Quarterly. Economics, Politics and Public Policy in East Asia and the Pacific. Vol.12 No.2. April-June 2020, p. 2

<sup>32</sup> Khee-Jin Tan, A., (2020), *The ASEAN-EU Comprehensive Air transport Agreement (CATA) Potential and Reality*. Chapter 18. Koh, T., Lay Hwee, Y. (2020), *ASEAN-EU Partnership: The Untold story*. World Scientific

ASEAN has an ambitious digital plan, which the EU must engage and react to. For example, the Master Plan on ASEAN Connectivity (MPAC) 2025, promotes competitive, inclusive and community-oriented initiatives for a comprehensively connected ASEAN.<sup>33</sup> Following the Covid-19 pandemic, the MPAC 2025 has the potential to improve socio-economic conditions in ASEAN. As the region becomes more prosperous, this plan presents a solution to the region's infrastructure increasing demand. The Asian Development Bank has estimated that the annual average infrastructure spending needed in ASEAN is at least \$184 billion for 2016–2030 or 5% of gross domestic product.<sup>34</sup> The EU Member States, being ASEAN's second-largest trading partner and largest source of FDI,<sup>35</sup> can be the most natural sources for connectivity. ASEAN's likelihood in successfully regulating the digital economic environment in the future also depends on whether there will be greater urgency in the region to improve the investment climate and/or offer of non-discriminatory investment market access/protection to open up for greater participation and ensuring long-term investments.

ASEAN's connectivity for the region's recovery and resilience is strongly related to the EU's interests in developing a green economic recovery. With the EU's commitment to the 'Green Deal', ASEAN can be a partner to the EU by building resilience through investing in sustainable urbanisation, digital connectivity and, as the region is prone to natural disasters, having a stronger focus on better management of future crises. Region-to-region programs such as the Enhanced Regional EU-ASEAN Dialogue Instrument (E-READI), increase the region's prospects of translating commitments into attainable common goals.

To date, none of the ASEAN Member States have received an EU adequacy decision to transfer and process customer information of EU citizens. ASEAN commitments on privacy are a pre-requisite if the EU wishes to pursue regulatory cooperation. The EU General Data Protection Regulation (GDPR)<sup>36</sup> can serve as a privacy regime benchmark or template for the national legislative processes of each Member State. Future ASEAN challenges include designing 'fit-for-purpose' regulatory frameworks, regulatory enforcement challenges and more importantly, institutional and transboundary challenges.<sup>37</sup> While the Covid-19 crisis has accelerated the digital revolution, it has shown the increasing necessity to develop efficient regulatory policies. The EU and ASEAN can work together to respond to ASEAN's fast digital transformation, develop practical mechanisms for better coordination and information exchanges, and firmly position MPAC 2025 at the centre of all connectivity efforts in the region.<sup>38</sup> While the gains from common EU-ASEAN digital rules are highly appealing, future common action remains unclear and costly, given the differences in regulatory traditions and constitutional order.

<sup>33</sup> ASEAN Secretariat (2020), *The Mid-Term Review of Master Plan on Connectivity (MPAC 2025)*.

Accessed at: <https://asean.org/storage/2020/11/03-MPAC-MTR-Executive-Summary.pdf>

<sup>34</sup> PwC (2017), *Understanding infrastructure opportunities in ASEAN: Infrastructure Series Report 1*, after ADB 2017 Report "Meeting Asia's infrastructure needs", accessed at: <https://www.pwc.com/sg/en/publications/assets/cpi-mas-1-infrastructure-opportunities-in-asean-201709.pdf>

<sup>35</sup> Ratnam, R. (2020), Chapter 19. ASEAN-EU Partnership: The Untold story. World Scientific.

<sup>36</sup> European Commission (2020) A renewed trade policy for a stronger Europe Consultation Note. Accessed at: [https://trade.ec.europa.eu/doclib/docs/2020/june/tradoc\\_158779.pdf](https://trade.ec.europa.eu/doclib/docs/2020/june/tradoc_158779.pdf)

<sup>37</sup> OECD (2019), *Regulatory effectiveness in the era of digitalisation*. Accessed at: <https://www.oecd.org/gov/regulatory-policy/Regulatory-effectiveness-in-the-era-of-digitalisation.pdf>

<sup>38</sup> ASEAN Secretariat (2020), *The Mid-Term Review of Master Plan on Connectivity (MPAC 2025)*. Accessed at: <https://asean.org/storage/2020/11/03-MPAC-MTR-Executive-Summary.pdf>

## **V. Conclusion**

After the stalled attempt at region-to-region FTA negotiations, the EU pressed for bilateral negotiations with each of the ASEAN Member States. At the moment there are talks with Thailand, Indonesia and the Philippines in addition to the unilateral preferences that exists for the other ASEAN Member States. Reviving region-to-region negotiations might be a secondary priority for either regions, to be revisited once bilateral relations are in place. While the ASEAN-EU Strategic Partnership is effectively a pre-requisite for a future FTA with the EU, it is obvious that several divisive issues currently remain an obstacle.

Despite trade disputes, economic relations between the EU and ASEAN are reasonably managed. However, future challenges entail regulatory and political cooperation between them. EU-ASEAN relations have long been challenged by the two region's diverging approaches to economic and political integration; future prospects for the continuation of the relation crucially depend on their ability to compromise.

Therefore, ASEAN-EU relations can further flourish by maintaining an open approach to their common goals and prospects. First, with the challenging global environment, the EU's stance on having a role in the region undoubtedly supports ASEAN. The EU's systemic rivalry with China is no longer treated as a purely economic and trade-oriented challenge, but also recognised as having a security dimension due to South China Sea tensions. While the EU has less of a direct influence on ASEAN members vis-à-vis China or the Quad nations (India, Japan, Australia and the US), ASEAN and the EU can support each other where they have overlapping interests. A future stable Southeast Asia region must find ways to balance external competition and influence, especially with the rising tensions in the South China Sea. ASEAN can find a reliable partner with some common interests, issues and gradually pursue broader political cooperation.

The Covid-19 pandemic has raised tensions between global powers over vaccine supply, as well as competition for influence and economic recovery. Both the EU and ASEAN must be ready to compromise, accommodate respective differences and work collaboratively to pursue common interests.

The EU's strategic interests in the region continue to be driven by the EU's aim to remain a regulatory standard-setter. By playing a role in ASEAN connectivity projects as well as pursuing connectivity agreements such as CATA, the EU and ASEAN can complement and improve inter-regional connectivity, in addition to bilateral partnerships between individual members of either EU or ASEAN. Prospects for a closer partnership include substantial efforts in the digital economic environment. EU support for MPAC 2025 is a pre-requisite for these developments for closer enhancement of cross-regional initiatives.

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