

## Driving trade in the ASEAN region

### Progress of FTA negotiations

#### OVERVIEW

After negotiations between the EU and the Association of Southeast Asian Nations (ASEAN) for a regional free trade agreement (FTA) were suspended in 2009, the EU decided to pursue bilateral trade agreements with the individual ASEAN member states. To date, six of them have started talks on a bilateral FTA with the EU. Negotiations have already been concluded with two of these countries, Singapore and Vietnam, although those FTAs still await ratification.

The EU's final objective is to have a region-to-region agreement with ASEAN, based on the bilateral FTAs concluded with the ASEAN member states. Once the conditions required for this to happen are in place, the EU and its ASEAN partners will need to determine how to bring all these bilateral agreements under one regional FTA, with a view to including ASEAN member states with which the EU does not have bilateral agreements.

It is in the EU's strategic interest to strengthen economic cooperation with ASEAN, and to maintain its competitive position in the Asia-Pacific region, given its economic importance, combined with the expanding intraregional trade and investment relations and the growing number of regional integration initiatives.

Back in 2006, in its communication entitled 'Global Europe: Competing in the world', the European Commission identified ASEAN as a potential FTA partner that should be given priority based on key economic criteria. The Commission's new 2015 trade strategy, entitled 'Trade for all – Towards a more responsible trade and investment policy', reaffirmed this objective.



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### Dynamic economic relationship

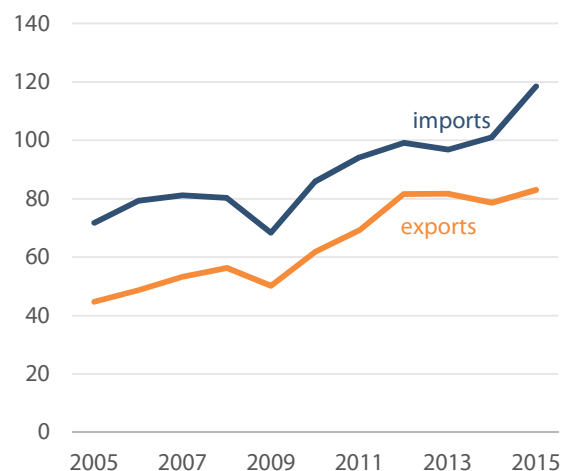
As a whole, ASEAN was the world's [sixth](#) largest economy in 2015. It was the EU's [third](#) largest goods trading partner outside Europe, after the United States and China, whereas the EU was the bloc's second-largest trading partner in goods, following China. Over the past decade, the level of trade between the two partners has grown steadily, with the exception of the decrease in 2009, triggered by the global financial and economic crisis. This increase in trade was, however, coupled with a constant negative trade balance on the EU side. In [2013](#), the EU trade deficit dropped to its lowest value since 2000. The deficit and its proportion of total trade increased in both 2014 and 2015.

In recent years, trade in services between the EU and ASEAN has also grown. During the period 2004-2012, it increased by [122 %](#); in 2012, the EU recorded a surplus of [€4.2 billion](#). EU-ASEAN trade in services accounts for approximately 40 % of total trade between the two partners.

The EU is the most significant source of foreign direct investment (FDI) in the ASEAN member states. In 2014, FDI inflows from the EU reached [US\\$29.3 billion](#), a share worth 21.5 % of total FDI inflows into ASEAN. As regards ASEAN investment in Europe, it accounted for over [€57 billion](#) at the end of 2013, constituting approximately 1.3 % of extra-EU inward stocks in that year. More than [11 000](#) European businesses are currently operating in the region.

**Figure 1 – Development of EU exports and imports of goods to and from ASEAN**

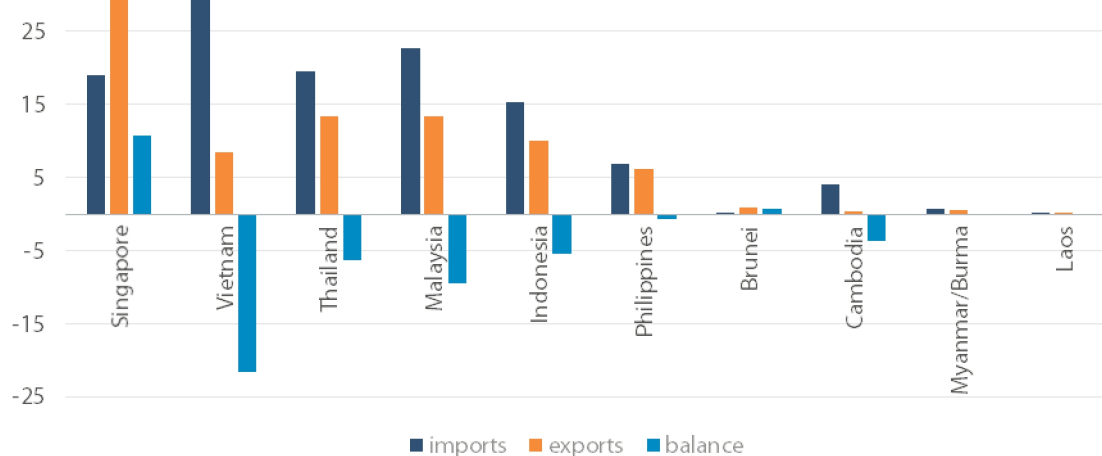
€ bn, 2005-2015



Data source: [European Commission, DG Trade](#).

**Figure 2 – EU trade in goods with ASEAN member states**

€ bn, 2015



Data source: [Eurostat](#), 2016.

Individual ASEAN member states' trade relations with the EU differ considerably. In 2015, within ASEAN, Singapore, Thailand, Malaysia and Indonesia were the EU's [main](#) goods exports partners, accounting together for approximately 80 % of total EU exports, while

Myanmar/Burma, Brunei, Cambodia and Laos together represented only 2.2 %. Regarding goods imports to the EU, the largest ASEAN sources were Vietnam, Malaysia, Thailand and Singapore, accounting together for around 77 %. Again, Myanmar/Burma, Brunei, Cambodia and Laos represented only 4.2 % of the total.

Making up almost a third of EU-ASEAN trade in goods and services, and approximately two thirds of investments between the two blocks, [Singapore](#) is the EU's largest trading partner within ASEAN.

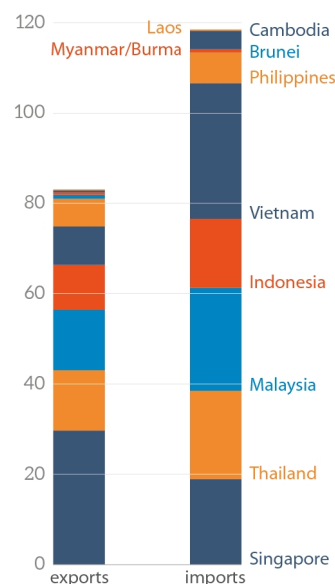
### The changing environment of EU-ASEAN trade relations

There is great potential for boosting existing EU-ASEAN trade and investment relations, all the more so because of the official launch of the [ASEAN Economic Community](#) (AEC) at the end of 2015. Aimed at creating a single market of more than 600 million consumers with a rapidly expanding middle class, AEC offers great opportunities for EU exporters and investors.

However, some factors should not be overlooked. As many [studies](#) point out, trade and investment relations furthered by geographical proximity are expanding at the expense of European and US partners. For example, ASEAN merchandise trade with the EU has grown by [133 %](#) between 2000 and 2014, but not nearly as fast as that with China and India (by 1 100 % and by 1 000 % respectively over the same period). Significant developments can also be observed regarding both regional economic integration efforts and regional bilateral FTAs. The [Trans-Pacific Partnership](#) (TPP), which includes four ASEAN member states (Brunei, Malaysia, Singapore and Vietnam) among its 12 members, is a mega-regional free trade agreement signed in February 2016. (However, its prospects are now in doubt following the US election, with President-elect Donald Trump having said he will withdraw the USA from the agreement.) There is also the China-led Regional Comprehensive Economic Partnership (RCEP), another mega-regional free trade agreement, made up of the ten ASEAN member states and another six countries, among them China, India and Japan; it is expected to be concluded at the end of 2016. Should these agreements be implemented, they will boost regional economic cooperation even further. Finally, in addition to the agreements concluded individually by its member states, both within and beyond the region, ASEAN has already signed FTAs with China, Japan, Korea and India, and jointly with Australia and New Zealand.

**Figure 3 – Share of ASEAN member states within EU total exports to and imports from ASEAN**

€ bn, 2015



Data source: [Eurostat](#), 2016.

[ASEAN](#) was established in 1967, with the signing of the Bangkok Declaration by five countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei joined in 1984, followed by Vietnam in 1995, Laos and Myanmar in 1997 and finally Cambodia in 1999. ASEAN member states differ greatly in terms of politics, economy and culture. They also have significantly different levels of economic development. Based on the principles of consensus and non-interference, ASEAN was established to secure peace and stability and to promote economic development in the region. Over the years, economic integration has gained much importance.

## Brief overview of agreements and state of play

### Free trade agreements

Following the launch of negotiations between the EU and ASEAN for a bi-regional FTA, talks were suspended in 2009. Negotiations for bilateral FTAs began with Singapore (2010), Malaysia (2010), Vietnam (2012), Thailand (2013), the Philippines (2015) and Indonesia (2016). Negotiations with Singapore were concluded in 2014 and with Vietnam in 2015. The resulting agreements have yet to be ratified.

**Figure 4 – State of play of FTAs**

EU-ASEAN	Negotiations suspended (2009)
EU-Singapore	Negotiations concluded (2014)/Not ratified
EU-Vietnam	Negotiations concluded (2015)/Not ratified
EU-Malaysia	Negotiations ongoing (started 2010)
EU-Thailand	Negotiations ongoing (started 2013)
EU-Philippines	Negotiations ongoing (started 2015)
EU-Indonesia	Negotiations ongoing (started 2016)

### Partnership and cooperation agreements (PCAs)

The European Parliament's 2008 [resolution](#) on trade and economic relations with ASEAN states that 'a Partnership and Cooperation Agreement (PCA), containing enforceable human rights clauses, is a prerequisite for the Union to conclude an FTA with any country'. Negotiations for a PCA<sup>1</sup> are under way with [Brunei](#) and have already been concluded with [Malaysia](#), the Philippines, Singapore and Thailand. The PCA with [Indonesia](#) entered into force in 2014 and that with [Vietnam](#) in [October 2016](#).

### A region-to-region FTA: the EU-ASEAN agreement

The failure of the Doha Round of world trade negotiations and the conclusion of an ASEAN-Japan FTA, prompted the EU to consider opening negotiations with ASEAN both to secure access to the south-east Asian market and to keep its competitive edge. Following the identification in the 2006 Global Europe Communication of ASEAN as a priority region, the Council of the EU authorised the Commission to start negotiations for an FTA in 2007. Although Cambodia, Laos and Myanmar/Burma were not included in the group that started the talks, they were offered the option to join later. Negotiations were launched in the same year, with the EU striving for a comprehensive deal leading to broad liberalisation of trade. Investment protection was not covered by the original negotiating mandate, as the Lisbon Treaty took effect only after the adoption of the mandate.

In 2006, at the Commission's request, a [report](#) focusing on the economic impact of the EU-ASEAN FTA was drawn up as part of the preparation of the negotiating authorisation. The report stated that both the EU and ASEAN member states would gain from the FTA, yet benefits would be significantly higher for the latter. In 2009, while negotiations were ongoing, a Trade Sustainability Impact Assessment ([Trade SIA](#)) was published which evaluated the likely economic, social and environmental impacts of the future FTA. It concluded that, with some sectoral exceptions, the FTA was expected to have a positive impact on all countries. It predicted significant gains in terms of GDP, income, trade and employment for all ASEAN member states, and small but positive effects for the EU (a gain of 0.2 % of GDP and more than a percentage point in export value under the most ambitious long-run scenario). In 2010, the Commission produced a [position paper](#) on the SIA, which was complemented by country-specific annexes on Singapore, Malaysia and Vietnam.

**Figure 5 – ASEAN in numbers, 2015**

Data source: [ASEAN](#).

In the months following the launch of negotiations, high-ranking EU officials [criticised](#) their slow progress. This sentiment was shared in a 2008 Parliament resolution on trade and economic relations with ASEAN. As one [study](#) noted, within ASEAN, there was a general perception that the EU was focusing more on China, and 'did not fully appreciate the role played by ASEAN in the various emerging regional architectures'. Another [study](#) indicated that negotiations had been halted because of the human rights concerns related to Myanmar/Burma, and because of the lack of consensus among ASEAN member states in areas other than trade in goods. This lack of consensus would have led to a deal less ambitious in coverage than the EU had wanted. Finally, the fact that most ASEAN member states were not ambitious enough in pursuing their FTA objectives has also been [mentioned](#) as a reason for the halt in negotiations.

In March 2009, during the seventh Joint Committee for the ASEAN-EU FTA, the two sides agreed to suspend regional negotiations. In December 2009, EU Member States gave their approval to pursuing FTA negotiations with ASEAN member states in a [bilateral format](#). In fact, adopted in 2007, the Council's negotiating directives for an FTA with ASEAN had already [provided for](#) the possibility of negotiating with countries bilaterally.

The 2007 negotiating directives for an FTA with ASEAN were modified in [July 2011](#), to authorise the Commission to open negotiations on investment protection provisions within the FTA with Singapore. In October 2013, the Council adopted an [updated mandate](#) modifying the directives for the negotiation of FTAs with ASEAN countries and extending the scope of the agreements to include provisions on investment protection.

### **Bilateral FTAs with ASEAN member states**

This section looks at the state of play of the six bilateral FTAs between the EU and ASEAN member states. The information provided on Singapore and Vietnam is more extensive because these agreements have been completed. Negotiations with Malaysia, Thailand, the Philippines and Indonesia are still ongoing.

## Singapore

Singapore is the first ASEAN country, and second Asian economy after South Korea, to have concluded a free trade agreement with the EU, the EU-Singapore FTA (EUSFTA).

### *Negotiation process*

Negotiations for a comprehensive FTA started in early 2010, based on the ASEAN negotiating directives adopted in 2007. After the conclusion of talks on investment protection, negotiations were [completed](#) in October 2014, with other parts of the FTA having already been initialled in September 2013. Negotiations on investment protection were opened later, as the [Lisbon Treaty](#) made FDI part of the EU's exclusive competence. The [draft agreement](#) has to be presented to the Council for approval and subsequently to the Parliament for consent.

The process leading to the entry into force of the agreement has been delayed, as in July 2015 the Commission lodged a [request](#) for an opinion from

the Court of Justice of the EU (CJEU) on the EU's competence to sign and ratify the EUSFTA. More specifically, it was [asked](#) which provisions of the agreement are within the EU's exclusive or shared competences, and which remain within the exclusive competence of the EU Member States. The previous Commission had already [decided](#) to lodge this request, to 'solve an ongoing difference of opinion between the Commission and the Council on the interpretation of the Lisbon Treaty' with respect to [investment](#) issues. In the [Commission's](#) opinion, the EUSFTA is within the EU's exclusive competence.

Court proceedings for such opinions generally last 18 months on average. In early September 2016, the CJEU held a [hearing](#) on the EU's competence. The Advocate-General is expected to issue her opinion before the end of 2016.

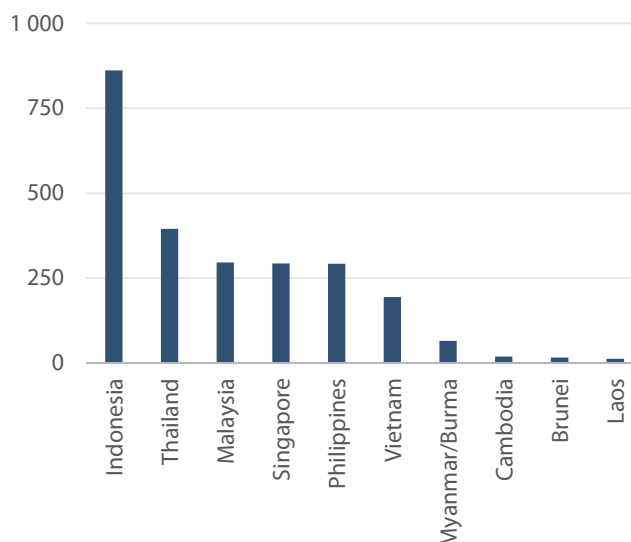
In reply to a Parliamentary question from May 2016, Trade Commissioner Cecilia Malmström [stated](#) that the Commission would not propose to go ahead with the signing and conclusion of the EUSFTA before the CJEU has ruled on the case. Some observers [expect](#) that the UK's vote to leave the EU might delay the approval and ratification of the agreement further, and could have an impact on its relevance, for instance, in the case of the financial services chapter.

### *Scope of the EUSFTA*

The EUSFTA is a 'new generation' FTA agreement, with an ambitious, comprehensive scope that goes beyond current World Trade Organization (WTO) commitments. It covers areas such as tariff liberalisation (elimination of virtually [all tariffs](#)); reduction of non-tariff trade barriers (for instance, removal of duplicative testing requirements for motor vehicles and electronics); and promotion of services and investment. Other trade-related issues include, for example, [stronger protection](#) for certain geographical indications (GIs) than required in the WTO Agreement on Trade-Related Aspects of Intellectual Property

**Figure 6 – ASEAN member states' GDP**

US\$ bn, 2015



Data source: [World Bank](#), 2016.



Rights (TRIPS),<sup>2</sup> based on a register of GIs. The FTA will also provide improved access to government procurement opportunities. The EU has, for example, for the first time in an FTA, granted access to tendering opportunities in the railway procurement market; similarly, Singapore has included in the EUSFTA, also for the first time, some of its key procuring entities in certain utilities sectors, such as the Public Utility Board. Moreover, the EUSFTA includes provisions on promoting 'green growth', and a comprehensive trade and sustainable development chapter.

While preserving the parties' right to regulate in the interest of the public, the investment-protection chapter introduces important [innovations](#) on substantive standards and investment dispute settlement. However, the FTA does not cover all aspects of the EU's new investment approach, as already reflected in the EU-Vietnam FTA, because negotiations with Singapore had ended prior to the finalisation of the new approach. The Commission [plans](#) soon to start work with Singapore on exploring ways to adapt the investment chapter to the EU's new approach, and hopes to do this without having to reopen negotiations or delay the adoption process.

#### *Impact of the agreement*

The 2009 Trade SIA estimated that in the long-run, most ambitious scenario, the national income effects on Singapore would total €21.5 billion and its GDP would increase by 12.8 %. Following the conclusion of the EUSFTA negotiations, an [economic impact assessment](#) of the outcome of the FTA was published in September 2013. The economic estimates predicted that, among other things, over a ten-year period EU exports to Singapore would grow by approximately 3.6 %, and that in absolute terms the FTA would boost EU GDP by nearly €550 million. Over the same period, Singapore's exports to the EU would grow by around 10.4 %, and its economy would gain €2.7 billion. The lower benefits for the EU are due to the fact that tariffs are cut asymmetrically because Singapore already applies zero tariffs on almost all goods. An ex-post evaluation would be carried out after the EUSFTA becomes operative.

### **Vietnam**

#### *Negotiation process*

FTA negotiations with Vietnam were launched in 2012, in accordance with the original 2007 negotiating directives, as in the case of Singapore. Negotiations were conducted to allow for complete [policy coherence](#) with the EU-Singapore FTA, and were concluded in December 2015. On 1 February 2016, the [draft EU-Vietnam FTA](#) was published, together with a Commission staff working document on human rights and sustainable development. The FTA will be presented by the Commission to the Council for approval and subsequently to the Parliament for consent in early 2017. It is expected that the FTA will take effect in [early 2018](#), although concerns have been raised regarding the impact of the UK's EU vote on the approval and ratification procedure. Moreover, the opinion of the CJEU on the EU-Singapore FTA could also influence the ratification process, even if the date when the opinion will be issued is not yet known.

#### *Scope of the EU-Vietnam FTA*

According to the Commission, the EU-Vietnam FTA (EUVFTA) will be the [most comprehensive](#) FTA concluded by the EU with a developing country. It includes tariff liberalisation (it will eliminate over 99 % of tariffs in a far-reaching, fully symmetrical approach) and reduction of non-tariff barriers (for instance, Vietnam will increasingly use international standards in its regulations), and contains provisions on other trade-related aspects, such as services and public procurement. It will be easier for European

companies to provide services in Vietnam, including in its postal and banking sectors. Furthermore, they will be able to bid for public contracts with, for instance, Vietnam's two biggest cities and some important state-owned enterprises. The EUVFTA introduces significant [improvements](#) in the area of intellectual property rights as well. For instance, Vietnam will provide data protection for pharmaceutical products (representing 8 % of EU exports in 2015) for five years. Still in this chapter, the FTA provides recognition and protection for 169 European and 39 Vietnamese GIs. The FTA also [includes](#) the EU's new approach on investment protection; and the investor-state dispute settlement (ISDS) model has been replaced by the new investment court system (ICS).<sup>3</sup> The FTA [makes](#) a legally binding link to the PCA, allowing the EU to take appropriate measures concerning the FTA in case it deems that Vietnam has committed a material breach of its obligations, including in the human rights domain, under the FTA.

#### *Human rights issues related to the EUVFTA*

In 2013, during the negotiation stage of the agreement, two NGOs [asked](#) the Commission to carry out a human rights impact assessment because in their view, if FTA impacts were not assessed, existing violations of human rights, for example, as regards freedom of expression, religion and assembly, could worsen. In its [resolution](#) of April 2014 on the state of play of the EU-Vietnam FTA, the Parliament also requested that the Commission conduct an impact assessment on human rights as soon as possible. In addition, the Parliament asked that a link be made between the FTA and the PCA 'to include the possibility of suspension of the FTA in case of severe human rights abuses'. For various reasons, the Commission refused to carry out the impact assessment, arguing, for example, that a sustainability impact assessment had already been carried out in 2009 on the EU-ASEAN FTA, which included Vietnam.

After the NGOs lodged a complaint with the European Ombudsman, the latter declared in a [draft recommendation](#) from March 2015 that the Commission should conduct the impact assessment without further delay. In July 2015, the Commission maintained its refusal to carry out the human rights impact assessment. Parliament's Committee on International Trade (INTA) tabled an [oral question](#) on human rights in the EU-Vietnam trade negotiations for the plenary session in November 2015. Following calls from the Parliament and various NGOs, the Commission produced a staff working document, published together with the draft agreement on 1 February 2016, claiming it responded to the concerns voiced, as it focused on human rights. In February 2016, the European Ombudsman issued a [decision](#), declaring the Commission guilty of maladministration for its failure to provide valid reasons for its refusal to carry out the above-mentioned impact assessment while negotiations on the FTA were still ongoing. During a debate in March 2016, the Commission's position, including the fact that it had not responded to the Ombudsman's decision, was strongly criticised by members of the Parliament's Human Rights Subcommittee (DROI). In June 2016, Parliament adopted a [resolution](#) on Vietnam, in which it welcomed 'the strengthened partnership and the human rights dialogue between the EU and Vietnam', but expressed concerns about persisting human rights abuses.

#### *Impact of the agreement*

The impact assessment carried out within the framework of the EU-ASEAN Trade SIA in 2009 suggested that Vietnam would gain the most among the ASEAN countries in GDP percentage terms. The EUVFTA would raise Vietnam's GDP by more than 15 % in the long-run, most ambitious scenario and its export value by almost 35 %. After the conclusion of the negotiations, an economic assessment of their outcome was [commissioned](#), which is



expected to be published by the end of 2016. An ex-post evaluation is to be carried out after the EUVFTA becomes operative.

Vietnam signed, as did Singapore, the TPP in February 2016. Vietnamese businesses [expect](#) bigger benefits from the EUVFTA. It offers, for example, more favourable conditions with regard to government procurement, allowing Vietnamese companies to bid for contracts not only at national, but also at regional level. As regards one of Vietnam's key export sectors – garments and textiles – the EU will apply the 'fabric forward' principle<sup>4</sup> instead of the 'yarn forward' principle included in the TPP, which will also be beneficial for Vietnam.

### Malaysia

Negotiations on an FTA between the EU and Malaysia were [launched](#) in October 2010, after the Council gave its approval in September 2010. They were put on hold after the last round in April 2012. According to different sources, there were various reasons for the halt, such as preparations for the Malaysian [national elections](#) in 2013, Malaysia's participation in the TPP [talks](#), which restricted its negotiating capacity, and the [failure](#) of both sides to agree on the terms of the agreement. On the occasion of the 22nd ASEAN Economic Ministers' Retreat in March 2016, the two parties agreed to [restart](#) talks on the trade agreement. Meanwhile, the parties continue their discussions and joint work on a technical level. The EU [expects](#) Malaysia to be open to an 'ambitious deal'. However, a number of contentious issues remain, such as intellectual property rights, competition, government procurement and sustainable development. In its [resolution](#) from December 2015, the Parliament urged the Commission 'to make sure that human rights concerns are duly taken into account during future negotiations on an EU-Malaysia FTA and PCA'.

As pointed out by the Malaysian trade minister, most of the complex issues discussed in the FTA negotiations are similar to those that Malaysia faced during the TPP talks.

### Thailand

Following the Council's authorisation from February 2013, the [first round](#) of FTA negotiations with Thailand was held in May 2013. The EU suspended negotiations after Thailand's military took power in the country in May 2014. The Council [conclusions](#) on Thailand from June 2014 urged the country to return to democracy and to establish respect for human rights and fundamental freedoms. The conclusions also stated the EU's refusal to sign the PCA concluded with Thailand in February 2013 until a democratically elected government has assumed office.

EU institutions continue to follow developments in Thailand closely. In its latest [resolution](#) on Thailand, adopted in October 2015, the Parliament expressed deep concerns about 'the deteriorating human rights situation following the illegal coup of May 2014' and urged the restoration of democratic governance. Since the military coup, the first official visit of a delegation of MEPs in Thailand took place in [May 2016](#). Following the national referendum of 7 August 2016 on the new constitution, the EU continues [to call](#) for a return to democratic rule. According to the [Thai authorities](#), general elections, aimed at putting in place a government through a democratic process, are scheduled for 2017, and the recent death of the Thai monarch will [not affect](#) the election timetable.

In the meantime, certain [issues](#) that could influence a relaunch of negotiations have been brought to the forefront. Forced labour and trafficking in persons are two examples of concerns related to human rights and to working conditions in the Thai fruit-processing

and fishing industries. Another issue is the Commission's [decision](#) of April 2015 to put the country on formal notice over shortcomings in combating illegal fishing.

### **The Philippines**

Following the [exploratory talks](#) that started in 2013, negotiations for an FTA with the Philippines were officially [launched](#) in December 2015. The Commission published two questionnaires addressed to stakeholders and interested parties, launching a consultation to gather information that would help define a negotiation position. The survey closed on 30 April 2016, and a number of priority issues were identified. The [first round](#) of negotiations took place in May 2016, during which the EU highlighted the need for harmonisation of the prospective agreement with those already concluded with other ASEAN member states (Singapore and Vietnam), with a view to finalising an EU-ASEAN region-to-region FTA. During the discussions, which focused on issues such as rules of origin, sanitary and phytosanitary measures, services and investment, the EU presented its position based on its most recent negotiations (for instance, those conducted on its FTAs with Singapore, Vietnam and Japan, and on the transatlantic trade and investment partnership, TTIP).

On 8 June 2016, the Parliament adopted a [resolution](#) in which it welcomed the agreement of December 2015 to open negotiations on an FTA. While the Parliament stressed the need for high standards on human rights, labour and the environment, it underlined that such an FTA should act as a step towards a region-to-region EU-ASEAN agreement.

### **Indonesia**

Negotiations for an EU-Indonesia FTA [were launched](#) on 18 July 2016, after the Council gave its approval that day. The [first round](#) of negotiations took place in Brussels on 20-21 September 2016. Here again, the EU highlighted the need for coherence with the results achieved in its bilateral free trade agreements with other ASEAN member states. For example, as regards rules of origin, the EU made reference to the agreements concluded with Vietnam and Singapore. During this round, 18 negotiating areas were discussed, including trade in goods, trade in services, investment, trade and sustainable development, competition, energy and raw materials. The next round of negotiations is scheduled for early 2017.

### **Interest on both sides to reopen negotiations for a bi-regional FTA**

In recent years, a number of statements have confirmed the intention of both sides to reopen negotiations. In April 2015, Trade Commissioner Cecilia Malmström met with the economic ministers of the ASEAN member states at the 13th ASEAN Economic Ministers (AEM)–EU Trade Commissioner consultations. The [joint statement](#) reaffirmed the commitment to further improve EU-ASEAN relations, and expressed the intention of holding a stock-taking exercise on assessing the possibility of resuming negotiations.

The [joint communication](#) on the EU-ASEAN partnership, adopted by the Commission and the EU High Representative for Foreign Affairs and Security Policy in May 2015, and the Foreign Affairs Council [conclusions](#) of June 2015 both re-emphasised the EU's commitment to take EU-ASEAN trade relations to a higher level and to work towards a region-to-region agreement. The Council also encouraged the Commission to continue with the bilateral negotiations with all major ASEAN economies. The Council [conclusions](#) of November 2015 stated that 'the resumption of bi-regional negotiations with ASEAN should remain a strategic objective in the medium term'. In March 2016, at the 14th AME–EU Trade Commissioner consultations, it was [agreed](#) that the senior economic officials

should intensify their joint assessment work and be ready to present, at the next consultation, the recommended subsequent steps towards an EU-ASEAN FTA. In October 2016, at the 21st Ministerial Meeting in Bangkok, in a [joint declaration](#) the two parties reaffirmed their commitment to intensify work towards the timely resumption of EU-ASEAN FTA negotiations, and noted the progress of the joint assessment work as well as the status of bilateral FTAs.

The renewed interest on both sides to reopen talks can be explained by [various reasons](#). Among these are ASEAN's significant steps in the past ten years towards economic development, and the launch in December 2015 of the ASEAN Economic Community, both of which potentially make it easier for ASEAN member states to reach consensus on the adoption of common negotiating positions; the signing of the TPP agreement in February 2016 and the expected conclusion of RCEP negotiations in 2017, which would allow ASEAN countries to focus their attention on the EU FTA talks; the EU's interest in securing preferential access to the south-east Asian market in these economically challenging times; concerns over the potentially adverse effects of the TPP and RCEP on the EU's interests, once these agreements enter into force; the democratic reforms introduced in Myanmar/Burma; and the lifting in 2013 of the restrictive measures imposed on this country by the EU.

### Regional coherence

As mentioned previously, the EU considers the bilateral FTAs as building blocks towards the final objective of a region-to-region agreement. However, as a [study](#) by the Polish Institute of International Affairs points out, the key is whether the different FTAs can be harmonised; that is, whether, for example, certain provisions of the agreements concluded with Singapore and Vietnam, such as those related to the rules of origin, would be accepted by other ASEAN member states. Moreover, it will be necessary, once the required conditions are met, to determine how to bring all of these agreements together under one regional FTA, with the aim of also including those ASEAN member states with which the EU does not have bilateral agreements. Finally, the added value that can be expected from the region-to-region FTA compared to the bilateral agreements should be determined.

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## Endnotes

- <sup>1</sup> The PCAs cover political, economic and trade cooperation with a given country, creating a strengthened overall framework for bilateral relations. In 2003, the EU decided to [propose](#) bilateral PCAs to south-east Asian countries. In its [resolution](#) of January 2014 on the future of EU-ASEAN relations, the Parliament welcomed the negotiation of a PCA with seven of the ten ASEAN member states and urged accelerated talks with the remaining three.
- <sup>2</sup> 'The TRIPS Agreement, which came into effect on 1 January 1995, is to date the most comprehensive multilateral agreement on intellectual property.' (Source: [Overview: the TRIPS Agreement](#), WTO.)
- <sup>3</sup> The new ICS was introduced as a response to the very strong opposition to ISDS. It is modeled on the Appellate Body of the World Trade Organization (WTO). For example, the Trade Committee appoints the members of the Tribunal and Appeal Tribunal, from which the judges dealing with individual cases will be chosen on a rotational basis. This selection process is clearly different from ISDS, where arbitrators are chosen on an ad hoc basis by the disputing parties (investor and state in the dispute). An in-depth analysis on Investor-State Dispute Settlement by Laura Puccio is to be published shortly by EPRS.
- <sup>4</sup> In the case of the TPP, the rule of origin for textile products is based on the 'yarn forward' concept, under which only garments made of TPP country yarn and fabrics will benefit from duty-free status. In the case of the EUVFTA, duty-free status is given to textile products made of fabric produced in Vietnam or the EU ('fabric forward' concept); textiles produced using fabric made in South Korea, which also has an FTA with the EU, are also eligible for duty-free status. This concept will allow Vietnam to use yarn made outside the EU, Vietnam and South Korea, which is often cheaper.

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