

## ASEAN-in-Practice Episode 3 Transcript

**Denis:** A very good morning to all of you and welcome to the third episode of the ASEAN in Practice podcast series. My name is Denis Hew and I'm a Senior Research Fellow at the Centre on Asia and Globalisation at the Lee Kuan Yew School of Public Policy, National University of Singapore. ASEAN in Practice is an initiative launched by our centre and it is a podcast which aims to invite practitioners from around the region that have spent many years working on ASEAN related policy issues.

Particularly experts who have applied knowledge of ASEAN or ASEAN policies in their professions. We hope to gain valuable insights from their experiences, which ideally will feed into the policymaking level in the form of policy papers and future research on ASEAN. Today, we will be focusing on the European Union and its business and economic relations with ASEAN.

In particular, what are the opportunities and challenges in strengthening EU-ASEAN relations? To help us better understand this topic, our guest for today's podcast is Mr. Chris Humphrey. Chris is the executive director of the EU-ASEAN Business Council and has over 20 years of experience working with governments in this region.

Chris, thank you for taking the time to talk to us today. Let me start off by asking you what you do at the EU-ASEAN Business Council and how does your work support ASEAN?

**Chris:** Yeah, thanks, Denis, for having me. Yes, the EU-ASEAN Business Council is actually 10 years old this year, and we were originally set up to support the interests of European businesses operating in Southeast Asia.

The mission is very simple, and it is to improve the trade and investment climate for European industry operating in Southeast Asia and between Europe, things like free trade agreements and other policy instruments as well. Over the last 10 years, we've become an accredited entity with ASEAN.

We do a lot of stuff with the ASEAN secretariat and the ASEAN member states, particularly in areas like at the moment, for instance, being involved in consultation sessions or ASEAN's new Digital Economy Framework Agreement (DEFA) and being involved in consultations like I was this week on the upgrade of the ASEAN trades and goods agreement.

And a lot of work around promoting the idea of the ASEAN Economic Community (AEC). And I should also add at the council, we do a lot of work to promote ASEAN as a region. We believe it is a thriving region. One of the few bright spots in terms of growth in global economy. Businesses need to come and look more and more at Southeast Asia.

**Denis:** It sounds like you're doing a lot of work to support ASEAN and the ASEAN Secretariat. And I think you just got back right from Jakarta not too long ago. So, what are the main challenges in improving EU-ASEAN trade and investment relations?

**Chris:** It's a good question because it is an area which I think needs a bit of more care and love and attention.

Alright, the challenges, some of them actually are non-trade related, or at least non-directly trade related. Even though we have a strategic partnership between the EU and ASEAN, there are irritants in the relationship and that does create some problems when it comes to trade issues and the negotiation of more trade agreements.

So, think of things like the palm oil dispute that the EU had with Indonesia and with Malaysia fairly recently, and ongoing concerns from this part of the world here in Southeast Asia about things like the Carbon Border Adjustment Mechanism (CBAM) and deforestation directive. Another problem, certainly from our members point of view is the lack of free trade agreements.

So, we already have FTAs (free trade agreements) in place to the EU and Singapore and Vietnam. Indonesia, the negotiations have been dragging on and honestly, I don't think there's much hope of them being concluded from this side of a new government being formed in Jakarta later this year. Thailand's just recommenced; the second round is happening this week.

But other than that, there's not a great deal happening at the moment. And we need more of that to really bring that relationship closer and closer.

**Denis:** Besides bilateral FTAs, I believe the council is also promoting a regional FTA with between the EU and ASEAN in the longer term. Can you talk a bit more about the challenges or problems in the different ASEAN member states when it comes to FTAs?

**Chris:** It's different in different ASEAN member states. I think in FTA with the Philippines, once the recommence it, hopefully would move quite swiftly. Another problem is on the European side, trade deals have gone beyond pure trade issues. The negotiators in the EU now have to include a raft of other things, particularly around sustainability and green economy type issues.

And for some in Southeast Asia, that is not their view of what the trade agreement should look like. So, there's an ambition disconnect, perhaps sometimes. EU wants really top-notch platinum standard agreements with diamonds embedded into it. And sometimes on the ASEAN side, they want something a little bit less and much more purely trade and more investment focused.

And that's a difference which needs to be bridged. It can be bridged. Just look at the very, very good deal the EU has with Vietnam, for instance, as an example of that, or indeed the deal with Singapore as well. So, it's not beyond the wit of man to bridge it. Unfortunately, with Indonesia, it's proving a challenge, you know, we're dealing there with a much more heavyweight economy on the Indonesian side with quite strong views about some things, particularly like government procurement or local content requirements, for instance, but you need to find ways to get around these things.

And the argument I often put to the people in Brussels is you can't always have the highly polished diamond. Sometimes you've got to accept something, which is a little bit rougher because something is better than nothing much of the time, particularly with a country like Indonesia. So, there's some of the problems on the bilateral side, but those same problems then relate to the potential for a region to region FTA.

It is a longer-term ambition. You know, in that respect, Europe is lagging behind other dialogue partners in ASEAN. Japan, Korea, China, Australia, New Zealand; they've all got their FTAs in place with ASEAN. That's always been Europe's intention, but they found that the ambition disconnect was too much.

And they felt the divergence in the economies in ASEAN was perhaps just too great to have one all-encompassing agreement with all 10 members. So, they've gone down the bilateral route. The long-term intention is there as a business council and the views of our members. We do a survey every year. The view consistently is we need a region to region deal that will deliver greater benefits than a series of bilaterals.

In practical terms, we accept at the moment, it's going to be a series of bilaterals. Maybe when they've got four, perhaps five in place, then we can return to the idea of a region to region deal.

**Denis:** It's interesting you mentioned the word “disconnect” because my next question is: Do you see a disconnect between the private sector and government officials? And if there is this disconnect, how do we bridge the gap?

**Chris:** That's another good question from you. I think European businesses are a lot more enthusiastic about Southeast Asia than politicians are, and therefore that flows down to officials in Europe. At the same time, I am seeing that changing slightly. There seems to be more attention, particularly from the Directorate-General (DG) trade in the European Commission on Southeast Asia.

Now that's very, very welcome, but we see we have a lack of very high-ranking politicians coming out to Southeast Asia to meet their counterparts. Now, unfortunately, the tendency in European Commission is we'll come out when we've got something to say, when there's something to announce, when there's some deal to be struck.

That's not the way Southeast Asia works. Southeast Asia works on, please come and meet us. Let's have a conversation. And we can use those conversations to build the bridges between us. So eventually we can perhaps reach some deeper dialogue, understanding, maybe an agreement.

I think that we need to get altered in the mindset of politicians in Europe, particularly at the European commission level, it needs to be more of that. But you see businesses coming out and you will see every year a raft of global CEOs from European industry coming to the region because they see the growth potential, they recognize the importance of it to their own long-term viability.

**Denis:** As you are aware, the European Union and ASEAN have two very different economic integration models. I think, you know, with ASEAN, they're working towards the ASEAN Economic Community (AEC) by 2025. So, during your discussions, do you find this as a stumbling block given the fact that you're coming from two different kinds of models in terms of economic integration?

**Chris:** No, not really. They are very different models in terms of their political setup. The EU has an extremely strong centre, some might argue overly strong. It has a supranational body at the centre, all governing everything, European Court of Justice, et cetera. So, a number of checks and balances and ways of whipping EU member states into line.

ASEAN doesn't have that, and ASEAN never will have that, and nor should they. It doesn't suit them. It's not what they were setting themselves up to do. If you look at the AEC and the objectives in the first blueprint, the most recent one, the objectives are extremely high. Some might say too high, maybe unachievable.

If they can pull it off, it will be truly remarkable. And they've done a lot of good work, to be honest, already. But there's a long way to go if they want to emulate a true single market like Europe has. But you can't really emulate a true single market like Europe has without having a stronger political centre.

And that's not the way that ASEAN is geared up. And we will have to accept that and understand it. There are lessons that ASEAN can learn from Europe. Equally, there are lessons around the other way as well that can be learned. And I would never say, I never do say, follow Europe's lead. You can look at what Europe's done, see the good bits, take the good bits, see the pitfalls.

And we have to remember, even though Europe is a much stronger centre, it's taken Europe 60 years to get to where they are in terms of developing a single market. And the single market is still not 100 percent perfect. It's a lot further forward, of course, than we have in Southeast Asia, but it takes time.

And I think we have to accept that ASEAN, it will take time. And they will edge forward a bit and they may take two steps forward and one step back every now and then, but the general direction of travel is correct.

**Denis:** Yeah, another big difference, of course, is that there's a wide economic divide among ASEAN member states.

I think you know that from your work, which is quite different from the European Union. I've always often argued that this is a major challenge for economic integration in ASEAN. What's your views on that?

**Chris:** It is a challenge without a doubt. I think we should make greater use of an ASEAN Minus-X formula at times when we're looking at ASEAN integration stuff to allow some of the less developed countries or the ones who don't have so much capacity for change to work at a slightly slower pace.

And it's happened before. You, if you read the original ATIGA (ASEAN Free Trade in Goods Agreement) agreement, it allowed some member states more time to do certain things. And I think that's the formula that should be approached. I would say there is economic disparity in Europe as well. You've got very rich countries, the Nordic States, Germany, France, for instance. And then you've got some poorer countries, particularly those in the more Eastern parts of the EU. The differences may not be as stark as between Singapore and Brunei and Laos, but there are differences there and Europe is managing those differences.

**Denis:** I see that the EU-ASEAN Business Council, you mentioned it too, you have been helping ASEAN in terms of its AEC initiative.

And you've got a recent report out, I think a year ago, on proving ATIGA, the ASEAN Trade and Goods Agreement. What other areas are you helping out in terms of helping ASEAN to achieve the AEC?

**Chris:** I think the upgrade of ATIGA is one of the more important things that ASEAN is working on. It is currently over a decade old and it does need an upgrade.

It's way behind where ASEAN is, for instance, on the, Regional Comprehensive Economic Partnership (RCEP) or on some of the ASEAN plus one FTAs or in the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) as well. So, it does need an upgrade. The issue that we often see with Southeast Asia and ASEAN is things like the customs procedures are not operating as well or as efficiently as they could do and we need to do a lot more work in that space. Things like simplifying the rules of origin, which we hope the new ATIGA will do, but also help businesses trade more in the region. So these, there's also discussions we have on a regular basis, myself and indeed other business councils, in the region as well.

We're all pushing for the same thing. And I think actually at the moment as well, there's a need to upgrade, to take account of new issues like development of the digital economy, development of e-commerce, putting in circularity concepts into the ASEAN trades and goods agreement as well. Very, very important.

And then beyond the ATIGA, clear focus for us this year would be on the DEFA. I think that has the scope to be truly ground-breaking for ASEAN and perhaps even a world leading agreement in that respect. And there's a lot of stake here for industry as well. It will impact every business, both micro, small, medium, and the large MNCs.

And it's something that we can't ignore. And we have to work with ASEAN to make sure it's an agreement that works for business of all sizes and all types. Otherwise you end up with an agreement, which is then meaningless.

**Denis:** Yeah. You know, I've attended some meetings looking at digital trade, digital economy, and other forums, and it's always very challenging and we hope that they'll be able to achieve DEFA by, I think it's 2025, I believe is the deadline.

**Chris:** That's their deadline. And I must say, I feel it is a bit ambiguous as working on digital regulation and digital economy is not easy, because often the private sector in the market is moving ahead at such a pace that things are changing and regulators are often patent play catch up. So, it's not an easy task for them in developing agreements like this.

**Denis:** What about the technical assistance and support? What value added in terms of, you know, technical support can the EU provide to ASEAN? That's different from, say, other dialogue partners, whether it could be the US or Japan. What can they offer that's different?

**Chris:** Well, I must say, I think the EU is probably one of the largest aid and development supporters for ASEAN across a whole raft of areas, not just from the Commission, actually from individual European member states as well.

The EU at the moment - there was a project called ARISE Plus (ASEAN Regional Integration Support by the EU) that was working very closely with ASEAN on the AEC and its development and including technical assistance on things like the ASEAN Customs Transit System, for instance, there are new projects in place now about to start or have already commenced.

One of those will again, looking at providing support on the AEC and its development, but also providing support on things like connectivity. Both digital connectivity and physical connectivity with Europe and other projects. Another, which has the rather mouthful name of hashtag green team Europe Initiative for ASEAN, which of course is looking at a whole range of sustainability related issues.

So technical support around developing concepts and projects in energy transition, for instance, work on trying to make agriculture a lot more sustainable going forward as well, as well as other green issues. So, there's a lot of support there. And I think if you add up the programs the EU is definitely the biggest aid and development support for ASEAN.

And there's things also outside the economic area on higher education and on non-political security issues. As well, and indeed on transnational crime is quite a big area of support. So, the EU has been providing very practical, very meaningful support, particularly around capacity building developments of ideas, working very closely with the ASEAN member states and the ASEAN secretariat to deliver things that ASEAN wants and is asking for.

**Denis:** Let's talk about geo-economic issues here now. Has US-China global rivalry and concerns of, whatever you want to call it, decoupling, de-risking, having an impact on EU foreign investments in the ASEAN region?

**Chris:** EU foreign investments in the ASEAN region have bounced back very strongly post COVID. They did decline in COVID, as most peoples did, but they've bounced back very strongly.

De-risking is the term that I would use, not de-coupling. De-risking is increasingly important, and there are good reasons for it. And it's not all led by US China conflict. Part of it is led by China is just such a big market. Businesses want to ring fence China for China as well. And of course, by doing so, they avoid some of the geopolitical tensions that may happen.

ASEAN is the obvious winner in de-risking. We perhaps could do more. The member states of ASEAN, unfortunately, or fortunately, depending on your point of view, compete very heavily for FDI. Sometimes they may want to work more collaboratively together to attract FDI to the region and share the spoils.

But certainly for European businesses, they see Southeast Asia as a region of great economic opportunity. I think for the last three or four years in our annual survey, ASEAN's come out top. That's the region of best economic opportunity. And the numbers are consistently high for companies saying we intend to expand our operations. We intend to invest more. And that's for obvious reasons. It's because it has close proximity to other large markets, China, India.

It's because ASEAN itself has great growth rates, high GDP rates, growing populations, increasing middle class, highly skilled labour as well. And it does allow Europe then to make sure that its supply chain is not all in one basket, it is spread around a bit more. And I think that's very important. That was clear during COVID. So many companies everywhere, all their eggs in one basket. And that was clearly a mistake. I think the Russia Ukraine war and the, some of the problems that created have highlighted that need. And therefore, you are seeing acceleration in supply chain diversification or de-risking as we might want to call it.

**Denis:** There's also something to call the China plus one strategy, which is similar to what you've been arguing. But do you see that happening as well that some of these multinationals European in this context are moving some of their operations or all the operations from China to Southeast Asia?

**Chris:** I don't think any are moving all of their operations. What they are intending to do is their operations in China are being designed to serve China as a market. And then they are relocating some of their supply chains to elsewhere in the world to serve other markets globally. And a lot of that then is coming to Southeast Asia.

**Denis:** So, one last question. ASEAN policy makers are currently in the midst of coming up with a new AEC strategic plan or blueprint — I haven't heard any announcement whether it's going to be a blueprint or a strategic plan yet — post-2025. What would be your wish list of policy actions to be included in this new AEC post-2025 plan?

**Chris:** I often joke about this with officials around the region. My wish list would be very simple. Please stop coming up with new ideas and work on implementing the ones you've currently got, because the ones you've already come up with are fantastic.

The objectives are brilliant, and if you can achieve them, ASEAN will be in an extremely strong place going forward as a region, as a hub, as a production centre, as a political entity as well for that matter. My concern is ASEAN is very good at coming up with new ideas, new work plans, new implementation plans, new frameworks, and some of the stuff gets left behind.

So, if you look in recent times, we've had the 2015 blueprint, we've had the 2025 blueprint, neither of which are fully implemented. We then have the ASEAN Comprehensive Recovery Framework (ACRF) developed during COVID. It's a brilliant document with really good ideas and objectives in it, but I fear that some of that is being forgotten about and getting left behind.

So, they're always looking to try and come up with new ideas in the region. I think it's a bit flippant. Ideally, the post-2025 community vision will say, we will do everything we've already promised to do. And it should be as simple as that. But I know it won't be. Because ASEAN loves to come up with new ideas all the time. And often then forgets the ones it's already been working on.

We've seen it. Look back at the 2015 AEC blueprint, the 2025 blueprint, full of great stuff. Not all of it fully implemented. Then we have the ASEAN comprehensive recovery framework developed during COVID. Again, it's full of brilliant things. And if only we could implement just the ACRF by itself, ASEAN will be in a tremendous place, but they will come up with new ideas.



I think some of that focus going forward beyond, you know, obvious things that are close to my heart, like trade facilitation improvements, it would be on developing the digital economy, making sure that we are operating truly as ten (ASEAN member states), trying to get as close as we can to a single model for digital economy going forward.

It would also be on skills development. We need to make sure that the people in the region have the right skills for the future economy to really drive ASEAN forward. And then I'd like to see a lot more around things like developing the circular economy and energy transition for the region. The region needs to do more. It needs to move faster on some of these things. If it wants to keep itself attractive for Foreign Direct Investments (FDI), then we need to make sure that energy supplies are getting greener. We need to make sure that the environment is being looked after with supporting biodiversity as well.

**Denis:** Thank you so much, Chris, for taking the time today to speak with us.

As a final word, I think that from this podcast session, we have certainly learned a lot about EU-ASEAN business relations and its challenges. You mentioned particularly challenges in the area of trade, trade facilitation, and also as a longer-term goal, a regional EU-ASEAN Free Trade Agreement would be something that would be desirable.

And hopefully that might be reflected maybe in the post 2025-AEC blueprint or plan. Thank you again for taking part in the podcast episode, and I hope that all of you will look forward to the coming episodes ahead. Thank you.

\*The podcast was recorded on June 5, 2024.