

REPORT

CHANGES IN SOUTHEAST ASIA AND ITS IMPACT ON EU-ASEAN RELATIONS

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INTRODUCTION

The Institute of International and Strategic Studies and the Diplomatic Institute of the Ministry of Foreign Affairs of Portugal organized a Conference held in Lisbon in June 2004 on "The changes in Southeast Asia and its impact on the relation with the European Union".

The theme was analysed by a group of distinguished speakers and experts organised in three panels. In the first panel, the two speakers, Dr. Ali Alatas, Senior Adviser to the President of the Republic of Indonesia, and Prof. Tim Huxley, Senior Fellow and coordinator of the Southeast Asia programme at the Institute of International and Strategic Studies (IISS), in London, dealt with the topic of the "New security priorities in Southeast Asia".

In the second panel, Mr. Ramos Horta, Minister of Foreign Affairs of East Timor, and Prof. Barbedo de Magalhães, President of IASI-UP, addressed the question of the "Political transitions in ASEAN countries and its impact on the relations with the EU". In the third panel, Mr. Aldo dell' Ariccia, Deputy Director of the Southeast Asia Department in the European Commission, and Prof. Miguel Santos Neves, Head of the Asia Programme at the IEEI, dealt with the topic "The EU-ASEAN relations : an agenda for partnership".

The Conference constituted not only an excellent opportunity for an in-depth and updated analysis of the current state of EU-ASEAN relations, but also a highly symbolic event of the reconciliation between Portugal-Indonesia and East Timor-Indonesia, suggesting that the development of a new trilateral cooperation "Portugal-East Timor-Indonesia" is a promising scenario that can effectively contribute to strengthen EU-ASEAN relations. The opening session, chaired by the Minister of Foreign Affairs of Portugal, Mrs. Teresa Patricio Gouveia, and benefitting from the presence and contributions of Dr. Ali Alatas, of the Minister of Foreign Affairs of Timor-Leste, Mr. Ramos Horta, and of the former Portuguese Ambassador to Indonesia, Mrs. Ana Gomes, was a crucial moment insofar as it reflected exactly the new spirit of constructive engagement.

The Report is organised in two parts. The first part deals with the nature and scope of the political, economic and security changes that occurred in Southeast Asia since the late 1990s. The second part, analyses the impact of these changes on the evolution of EU-ASEAN relations, seen in an historic perspective, and how far they contributed to create new opportunities to strengthen and revive the relationship.

1. ECONOMIC, POLITICAL AND SECURITY CHANGES IN SOUTHEAST ASIA.

In the course of the last decade, Southeast Asia went through several changes at the economic, political and security levels as a consequence of the interplay between the global process of acceleration of globalisation and regional factors.

1.1. Economic changes

At the economic level the Asian crisis of 1997-98 brought to an end a golden period of high growth led by exports and FDI inflows. The crisis had a major impact on Southeast Asia's economies, being Thailand, Indonesia, the Philippines and Malaysia among the worst affected. There have been timid positive signs of recovery (ASEAN's average growth reached 4% in 2002 and 2003) but the situation has been overall characterised by low growth rates, and a non-robust recovery. Three main structural factors, both internal and external, account for this. Firstly, the China factor, the emergence of China as a robust economic power in direct competition with ASEAN, leading to a diversion of trade and FDI flows from Southeast Asia to China.

Secondly, the relaxation in the implementation of required structural reforms and the persistence of domestic structural economic weaknesses already identified in 1997-98, in particular the fragility of financial systems, including the absence of an independent and proper banking supervision, and the lack of a competition policy, which negatively affects domestic Small and Medium size Enterprises (that constitute the bulk of the economy) and foreign firms. Thirdly, the deficiencies in the system of governance, and the persistence of non-transparent practices associated with an inability to curb corruption.

One of the implications of the joint interaction of these three factors has been the decline in foreign investment flows, including the EU outflows, and of the European investors' interest in ASEAN markets.

1.2. Political changes

At the political level, the major change has been the progress towards democratisation in the region with an increase in the number of ASEAN Members with democratic systems, namely the Philippines, Thailand and most notably Indonesia. The transition in Indonesia, precipitated by the Asian economic crisis, has a significant strategic interest, as pointed out by one of the participants,

that goes beyond the region insofar as it can demonstrate that democracy is viable and sustainable in the largest Muslim country in the world, thus proving that Islam and democracy can coexist.

East Timor is the most recent Southeast Asia democracy which, as pointed out by Ramos Horta, Barbedo de Magalhães and several participants, has contributed to strengthen the democratic group in the region. It was stressed that there were strong two-way linkages between East Timor's self-determination and Indonesia's democratisation: on the one hand, the transition to democracy in Indonesia facilitated the decision to go ahead with the referendum in January 1999, a rather unexpected development as confirmed by the former foreign minister Ali Alatas; on the other, the East Timor process leading to self-determination has contributed to strengthen the democratic sectors in Indonesia and to alleviate the pressure of the international community.

In this context, and in spite of the progress in democratisation, Southeast Asia became a politically more heterogeneous region where 3 different groups coexist: (i) a democratic group (although some with a weak rule of law system); ii) an "authoritarian with rule of law" group (Singapore, Malaysia) and iii) "authoritarian without rule of law" group (the extreme example being Myanmar).

The second major political change has been, although with some exceptions, the emergence of higher human rights standards and greater concern with human rights protection in the region. This has been partly explained by the fact that the "Asian values theory" became less fashionable and was gradually abandoned after the Asian crisis. However, it should be noted that it was exactly when the human rights culture was making its way and being consolidated, that the new global fight against terrorism emerged as a priority giving rise to new tensions between security and human rights. As noted by one of the speakers, this created a puzzling and ironic situation, as illustrated by the case of the influence exerted by the US on the Indonesian government for the latter to put pressure on the judicial system and reduce the suspect terrorists' defence guarantees, exactly in contradiction with what were previous recommendations aimed at strengthening the rule of law. Although the political evolution and progress in democracy and human rights brought ASEAN closer to the EU, creating a potential favourable environment for a more intense relationship, paradoxically the whole EU-ASEAN relationship did not registered any major progress, fundamentally because it became hostage of the Myanmar problem, as was pointed out by Aldo dell'Arcia and Miguel Neves in the third session.

1.3. Security changes

As far as the security dimension is concerned important changes occurred in Southeast Asia in recent years in particular after September 11. One of the main conclusions that came out from the Conference debate was that the changes in regional security were the most important changes in

Southeast Asia in recent years, overshadowing economic and political changes. In fact, security became the predominant dimension conditioning both economic and political ones and raising new challenges to the processes of economic recovery and democratic transition.

In terms of economic recovery, the fact Southeast Asia became the second front in the fight against global terrorism raised the political risk profile of ASEAN countries with a negative impact on FDI, crucial for economic recovery, and significant costs namely for the tourism industry, one of the most important in the region. The SARS crisis in 2003 contributed also to a reduction in GDP growth although there was a recovery in the second half of the year. As a consequence in the post-crisis period of 1998-2003 the average annual GDP growth rate was 2.4%, significantly lower than the 7.6% average annual growth rate in the pre-1997 crisis decade. However, both in 2002 and 2003 economic growth was relatively stronger with 4.1% and 4.5% respectively for the ASEAN as a whole (being the best performers Vietnam and Thailand). So, although the 1997-98 economic crisis - which most affected Indonesia, Thailand, Malaysia and the Philippines - was the main factor behind economic decline, it should be noted that the worsening of the security situation worked as a major impediment to a quicker and more robust recovery, leading to a situation where the average ASEAN growth rate in the post-crisis period is 3 times lower than the average rate in the pre-crisis period. Furthermore, there was a clear interruption of the recovery cycle in 2001 as growth declined from nearly 6% in 2000 to 3% in 2001, to a great extent explained by security factors.

At the political level, the new security situation presented new and complex challenges to political systems in Southeast Asia, particularly to those involved in democratic transitions. Firstly, the need to respond to the new security problems created additional problems for moderate Muslim governments caught between closer ties with the US / co-operation on the security front and serious risks of radicalisation of their Muslim populations which voice increasing reservations against the US strategy and the invasion of Afghanistan and Iraq. In other words, the need to address security concerns created a problem of legitimacy for democratic governments.

Secondly, the democratic transitions are also undermined by the fact that their systems of governance are weaker. As was pointed out, ironically those which are considered the most effective and model countries in the fight against terrorism (Singapore, Malaysia), are not the best examples of democracy, where police and judicial practices that are not entirely consistent with human rights standards are used (i.e. holding a suspect without trial and formal accusation for long periods); while Indonesia is considered a problem and a weak link in terms of regional security. The tension between effectiveness in the fight against terrorism and the respect for democratic values and human rights rules, is particularly acute in Southeast Asia, the more so as we have still fragile democracies which coexist with non-democratic regimes that face less constraints in limiting public liberties.

The analysis of the changes in the post-September 11 regional security framework has been one of the main focus of the first session. The different speakers have converged in the diagnosis but diverged in the solutions, particularly as far as ASEAN's capacity for self-management of regional security is concerned.

1.3.1. Major changes in regional security

On the convergence side both Alatas and Huxley agreed that there were 3 major changes in the regional security context in the post-September 11:

- (i) The change in the nature of the priority threats to regional security;
- (ii) The change in the US policy towards the region and a growing strategic competition with China;
- (iii) Some progress, still limited, in the regional co-operation efforts in security matters.

Firstly, there was a change in the nature of the priority security threats. In fact, and contrary to past experience, non-military non-traditional security threats (soft security) emerged as the priority for the region, in particular terrorism but also maritime piracy, drug trafficking and arms smuggling. Traditional hard security threats associated with the risks of inter-state conflict related to territorial disputes and other contentious matters became less relevant, namely the territorial disputes in the South China Sea, partly as a consequence of the urgency of non-traditional threats and partly as a result of the new and more constructive engagement of the PRC with Southeast Asia that culminated in the signature of the "Declaration on the Code of Conduct in the South China Sea" in November 2002. However, this qualitative change does not mean that traditional hard security tensions between ASEAN countries have gone away. Just to remind us that despite change old problems persist, Huxley recalled that in the course of 2003 bilateral tensions between Singapore and Malaysia intensified with Malaysian politicians referring to the risk of war ; tension between Cambodia and Thailand escalated in January 2003 leading Thailand to close its border crossing and both sides to withdraw their respective ambassadors; or the tension between Brunei and Malaysia concerning a dispute over maritime territory containing potentially important oil and gas reserves, which escalated in June 2003 following an incident between a Malaysian patrol boat and an exploration vessel.

Secondly, the fact Southeast Asia became the second front in the fight against terrorism and a strategic centre for the organization of Al Qaeda operations has contributed for the region to become again a priority in the US strategic agenda after a period of decline of American interest and engagement following the end of the Cold War. The United States' security role in Southeast Asia far from diminishing despite the increasing anti-americanism of many Muslim sectors in the region, has increased as demonstrated by the signature of a cooperation agreement on the fight against transnational terrorism with ASEAN in

2003, and the strengthening of bilateral security cooperation with priority allies in the region (Thailand, the Philippines and Singapore) allowing US forces greater access to Southeast Asia staging posts and logistic support. As pointed out by Huxley, the US designated Thailand a major Non-NATO Ally (MNNA), which allows wider access to US-supplied arms and military technology. With the new bilateral framework agreement on Defence and Security, Singapore will gain similar benefits and the Philippines has been already granted the major ally status. While the US relations with Malaysia have improved, with Indonesia they remain difficult as Jakarta is seen as the weak link in regional security showing many hesitations in launching an articulated programme for the fight against terrorism. In addition, relations with Indonesia's military remain difficult as a result of the sanctions imposed as a response to the 1999 East Timor crisis aggravated by the death of two americans in Papua in 2002 in relation to which there are strong suspicions of TNI involvement.

As far as external powers are concerned, the other important change is the increasing influence and presence of China in the region and the development of a real US-China strategic competition in Southeast Asia. Beijing has initiated a new phase of relations with ASEAN in the economic sphere with the initiative of the China-ASEAN Free Trade Area, cemented by the economic power and dynamism of the Overseas Chinese regional networks, but also in the strategic field. In 2003 China acceded to the 1976 Treaty of Amity and Cooperation (the first non-ASEAN member to do so) and signed the "Joint Declaration on Strategic partnership for peace and prosperity" to built a partnership characterised as "non-aligned, non-military and non-exclusive", which Huxley interpreted as a Chinese early move towards incorporating Southeast Asia into a Chinese-led East Asia economic, political and security community. In January 2004 ASEAN and China signed a memorandum for cooperation in the non-traditional security areas (drug trafficking, people trafficking, maritime piracy, terrorism, arms smuggling, cybercrime) which includes 4 main areas of cooperation: information exchange; training and exchange of experts; cooperation in the area of law enforcement; joint investigation. It can be argued that China's main strategic objectives involve not only counterbalancing the US predominance in the region but also to ensure the existence of a stable external environment crucial for China's economic development, and get access to alternative sources of energy to ensure greater energy security. Furthermore, the Southeast Asian waters are crucial for China's vital interests insofar they are the sealane for the transport of a high percentage of chinese exports and for the large majority of China's oil supplies from the Middle East.

Japan, although a more marginal actor, has also strengthened its ties with ASEAN, motivated by competition with China, its own economic interests and energy security concerns. Tokyo has signed with ASEAN a framework agreement covering comprehensive economic cooperation in 2003 and later on the two sides agreed that Japan would also accede the Treaty of Amity and Cooperation and signed the "Declaration for a Dynamic and enduring Japan-ASEAN Partnership in the New Millenium" which involves political and security cooperation.

The response of ASEAN to the increasing presence of, and competition among major external powers in the region has been a strategy of diversification of relations and counterbalancing each other in order to avoid becoming excessively dependant on one single power. As Huxley mentioned "ASEAN members have no intention of acquiescing in China's rise to regional hegemony" and therefore pursue a strategy aimed at engaging other powers that can contain China.

Thirdly, there was a major change related to progress in regional cooperation in security matters, particularly in the fight against terrorism. This might be the first move to reverse the traditional deficit of cooperation in security, which in the words of Ali Alatas, was deliberately downplayed in the first years of ASEAN. Later, in spite of the creation of new instruments and a political discourse to enhance political and security cooperation (ZOPFAN, Treaty of Amity and Cooperation, SEA-NWFZ), the fact was that these instruments were left inoperative and were not translated into action. However, it can be argued that the real explanation lies elsewhere. Firstly, as pointed out by Huxley, intra-ASEAN relations have often featured distrust and tension. Secondly, the key principle of non-interference has been a major impediment to cooperation in a sensitive area like security. In many respects, ASEAN has been a space for the consolidation of national sovereignties which tended to exclude cooperation in high politics matters seen as a risk to that process of consolidation. Finally, the US strategy of cultivating bilateral security ties with individual ASEAN members leading to a network of bilateral treaties as a means to secure predominance, was also an obstacle to direct ties and cooperation among ASEAN countries.

The awareness of the existence of sophisticated ties between different terrorist groups in Southeast Asia and their collective close links to Al Qaeda - particularly the Abu Sayaf and MIFL groups in the Philippines, the Jemaah Islamiyah group, the Aceh and Sulawesi groups in Indonesia and the group in South Thailand, form a regional alliance, the Rabitabul Mujahidin, which shares resources, operational training, arms procurement and terrorist operations planning – led some countries in the region to understand that only a collective response could effectively deal with the threat. The most important concrete initiative was the signature of the May 2002 trilateral anti-terrorist agreement between the Philippines-Malaysia-Indonesia, after joined by Cambodia and Thailand, exactly the three states the terrorist network aims to unify under a pan-regional islamic state. This agreement foresees various areas for cooperation, particularly strengthening border control, information exchange, sharing lists of passengers of air flights and police cooperation. However, crucial areas like legal and judiciary cooperation, namely extradition agreements, are left out.

1.3.2. Regional responses and solutions

As far as regional responses and solutions are concerned there was clearly a divergence of views and different perspectives emerged from the Conference debate.

In general the significance of the Declaration of Bali ASEAN Concord II of October 2003 was underlined by the speakers and participants insofar it sets out a long term plan for the creation of an ASEAN Community, based on three complementary pillars: (i) ASEAN Economic Community, associated with the creation of a single market by 2020 (ii) ASEAN Security Community (iii) ASEAN Socio-Cultural Community. This clearly represents a project of deepening of the ASEAN regional integration process. The main focus of analysis was the ASEAN Security Community aimed at enhancing political and security cooperation in the region. While the Economic Community was mainly proposed and promoted by Singapore, the proposal for the establishment of a Security Community was an initiative of Indonesia. The rationale behind Indonesia's proposal was not so clear and different explanations were offered.

Ali Alatas pointed mainly to regional concerns associated with the fact Indonesia considers that political and security cooperation, not only trade, is an important dimension to deliver regional peace and stability; the consideration that a viable economic community can only be sustained if supported by a security community; and the need for ASEAN to respond to the new challenges of globalisation, in particular international terrorism and the surge of non-traditional and transnational threats to security.

In contrast, Huxley offered a different explanation more centred on Indonesia's national strategic objectives, arguing that this initiative serves Indonesia's objective to reassert its leadership within ASEAN, which has been dormant in the last few years, on the one hand, and is aimed at promoting regional self-management of security matters because of Jakarta's concern about the increasing presence and intrusion of external powers (US, China, Japan, Australia) in the region, on the other.

There were clearly two different views on whether the ASC can be successfully implemented and contribute to respond to regional security threats and enhance regional stability.

A more optimistic view was held by Ali Alatas and to a lesser extent by Ramos Horta. Making clear that the ASC is not a defense pact or a military alliance and will not involve a common foreign policy, Ali Alatas considered this to be a viable project which will make possible a self-management of regional security problems by ASEAN. Confronted in the debate with the existence of major obstacles to overcome, namely the long established and rigid principle of non-interference, the consensus-based decision and the strong tradition of affirmation of national sovereignty, Ali Alatas acknowledged the existence of such obstacles but considered that the formula for success is a

flexible and selective application of those principles. Two factors were mentioned by Ali Alatas in this respect as necessary conditions for success : deepening of the “enhanced interaction” approach which should lead to the possibility of Member States working together to help a member country dealing with an internal problem which has regional implications; flexibilisation of the consensus-based decision system, by applying to the political and security realm the “ASEAN minus X” formula applied to certain economic decisions or even going further by adopting the “2 plus X” approach according to which in certain areas any two member countries could initiate a cooperation first with other members following later. In other words, these are not minor changes and therefore the viability of ASC depends to a certain extent on a far reaching change in some of ASEAN's golden rules and principles. It was mentioned that the implementation process had already began as Indonesia is drafting a Plan of Action in which some innovative mechanisms are being contemplated such as an ASEAN Center for combating terrorism and other transnational crimes, an ASEAN Commission on Human Rights, an ASEAN Maritime Forum and a Regional Peacekeeping Arrangement.

Finally, Ali Alatas stressed that the ASC was not a substitute for the Asean Regional Forum but a complement and that ARF was supposed to remain the main forum for regional security dialogue. However, it remained unclear what would be in reality the relationship, articulation and the division of labour between ARF and the ASC.

Ramos Horta highlighted the importance of regional cooperation in security matters for stability in the region, and of East Timor's involvement in this process to compensate for its vulnerabilities, arguing that, being a non-member of ASEAN, the East Timor's present priority to integrate itself in the regional security community was the accession to the Asean Regional Forum (ARF) for which the country counts on ASEAN's support.

During the debate the issue of East Timor's accession to ASEAN was raised and some participants argued that full membership would be an extremely important security guarantee for the new State. Ali Alatas considered that East Timor full membership of ASEAN was not viable in the short term but only within 5-6 years time, because of technical problems, mainly the lack of institutional and financial capacity of East Timor to comply with its obligations and participate in numerous ASEAN meetings. Although there was not any controversy on this, the explanation is, however, more complex than that. On the one hand, there is a resistance on the part of some Member States to further enlargements to include less developed countries in the face of the persistent problems from the last enlargement in the second half of the 1990s. On the other, a political factor related to the veto of Myanmar and probably the lack of enthusiasm of other authoritarian regimes. Ramos Horta revealed that East Timor has been developing a strategy of building bilateral relations with each one of the ASEAN countries (with the exception of Myanmar), which he sees both as a necessary condition and a preparatory stage for acceding to ASEAN.

The second view, more pessimist, was presented by Huxley who clearly believes that the ASC is extremely difficult to implement and that self-management of regional security by ASEAN itself is not a realistic outcome. To support his view three different arguments were put forward. First, ASEAN is particularly weak, lacking leadership and faced with a problem of declining credibility, following its inability to respond to the East Timor crisis, to solve the Myanmar problem controlling its security impact on neighbouring Thailand and contain growing tensions between members. Second, there is no clear substantial support beyond Indonesia for ASC in ASEAN, so Jakarta's enthusiasm is not shared by others suggesting the absence of a strong political will. Third, and most importantly, the level of presence and intrusion of external powers in Southeast Asia and the increasing strategic competition among them reached such high levels that self-management of the regional security order is simply not viable and is still "a distant prospect". It suffices to recall that the links and cooperation between some individual Member States and the US or China are stronger than the links with other ASEAN Members.

2. THE IMPACT OF ECONOMIC, POLITICAL AND SECURITY CHANGES IN SOUTHEAST ASIA ON THE EVOLUTION OF EU-ASEAN RELATIONS.

2.1. The EU-ASEAN relations in perspective

The evolution of the EU-ASEAN relations was a topic addressed in the last session by Aldo dell'Ariccia, from the EU Commission, and Miguel Santos Neves, from IEEI. Both have stressed the fact that the EU-ASEAN is the oldest inter-regional relation in the world and therefore constitute a relevant element in the international system. As a matter of fact the relations between the EU and ASEAN date back from the 1970s and went through 3 different stages that Miguel Neves characterised as follows:

(i) The 1970s until the mid 1980s :

This period was characterized by "economics in command", being economic relations dominated by trade flows and aid flows, with limited relevance of FDI flows. The relationship had a non-comprehensive nature and both sides had high expectations about the future of the relationship. The EC saw ASEAN as the most promising follower of the European regional integration paradigm. For ASEAN, the EC was in the context of the Cold War an alternative partner that could help ASEAN reaching a more neutral status and reducing the pressure of both the US and the Soviet Union. Finally, this was the period of institutionalisation of relations formalised in 1977 and consolidated with the 1980 EC-ASEAN Cooperation Agreement.

(ii) The mid-80s until mid-90s:

In this period economic relations were still predominant and expanding, with a rapid increase in trade and investment flows with total trade reaching 73 billion Ecus in 1995, more than double the amount of trade in 1990 and 7 times larger than the 1980 level. It was a period of high economic growth in ASEAN associated with the emergence of the second generation of NICs. There was a renewed European interest in Asia and the Asian markets, which led to the formulation of the 1994 Asia Strategy, where ASEAN is classified as one of the priority relationship in Asia.

However, despite the euphoria and impressive growth of bilateral economic relations, there was, interestingly, an awareness of the limitations and risks affecting bilateral relations and of the need to develop a more comprehensive relationship. This was clearly the main message of the new "Spirit of Karlsruhe" at the 11th ASEAN-EU Ministerial meeting, which recognised the need to develop a more comprehensive approach going beyond economics and covering political, security and cultural areas.

In this period the EU deliberately pursued the role of an external federator in relation to ASEAN using two strategies: functioning as a regional integration model and a partner in the inter-regional dialogue; supporting projects on a regional scale in order to force ASEAN countries to cooperate among themselves.

(iii) From the mid-90s onwards:

This period was marked by the decline in economic relations and trade flows largely explained by (i) the effects of the Asian financial crisis and (ii) diversion of flows as a result of the “China market magnet” effect and the clear priority attached to China by the EU Governments and business circles.

At the same time the relationship gained a new political dimension but in a negative mode as it became dominated by hot contentious issues. First there was the East Timor issue and later on, even more problematic, the Myanmar issue which has severely damaged and, as pointed out by del' Arricia and Miguel Neves, still blocks the relationship until the present day.

On the other hand, for ASEAN the joint impact of the Asian economic crisis and the enlargement/expansion of membership led to a stagnation in its integration process, despite some progress in AFTA, as many countries became more inward-looking concentrated in their domestic problems and ASEAN's diversity increased, both in political and development levels terms.

2.2. Features of the current relationship

The current state of relations can be characterised by the following features

a) The relationship is unbalanced and asymmetrical as it is still predominantly centred on economics, with a reduced though tense political dimension and a very marginal security component, as the EU does not play any significant role in Southeast Asia's regional security. Even economic relations have experienced a clear decline in recent years. Total EU-ASEAN trade declined -3,4% in 2001 and -2% in 2002 when it reached a total amount of 100 billion Euros, mainly explained by the decline of ASEAN exports to the EU. Only in the first semester of 2003 there were some signs of recovery as total trade registered an increase of 7.6% when compared with the same period of 2002. In 2002, the EU was ASEAN's 3rd largest trading partner, accounting for 14% of ASEAN trade : 3rd ASEAN source of imports with 12% after Japan (19%) and the US (14%) ; 2nd market for ASEAN exports absorbing 16% after the US (19%) and ahead of Japan (14%) and China (6%). From the EU perspective, ASEAN supplied 6,3% of total EU imports and absorbed 3,9% of total EU exports.

As far as investment is concerned, the share of ASEAN in EU total FDI declined from 3,3% in 1998 to 1,8% in 2001 which shows that there has been a decline in interest for ASEAN on the part of EU investors, explained by the effects of the Asian financial crisis, the diversion of flows to other countries, in particular China, and the increase in the level of political risk and security concerns associated with the ASEAN markets.

b) The relationship is below its potential, a circumstance recognised by both sides, and expectations have not been fulfilled. The ASEAN side has even argued that there was a decline in the EU's political interest and commitment towards ASEAN, as recently stated in the last Meeting of ASEAN-EU Economic Ministers. This view also underlines the conclusions of the 14th EU-ASEAN Ministerial Meeting of January 2003, which pointed to the urgent need to reinvigorate the relationship by concentrate in two main priority areas: expand trade and investment flows; strengthen cooperation in non-traditional security issues.

This concern over the decline in economic relations led to launch the Transregional EU-ASEAN Trade Initiative (TREATI), proposed by the EU Commission in its July 2003 strategy paper "A new partnership with Southeast Asia", aimed at contributing to the expansion of trade and investment flows by strengthening cooperation in key priority areas : trade facilitation, investment, technical barriers to trade and sanitary and phytosanitary measures, customs and tourism. Besides this strategic priority, the EU has also defined other five priorities related to (i) supporting regional stability and the fight against terrorism; (ii) human rights, democratic principles and good Governance; (iii) mainstreaming Justice and Home Affairs issues; (iv) continuing to support the development of less prosperous countries; (v) intensifying dialogue and cooperation in specific policy areas.

c) The relationship is too centralised and dominated by Government-to-Government relations : relations are too concentrated at the official level and there are few ties at the civil society level although there have been recent efforts to promote links between academic/University networks, youth organisations but with limited results. The role of ASEF has been very important in this field, but is still limited.

It was possible to identify two divergent views on the nature of the EU-ASEAN relations. Firstly, the perspective presented by Aldo dell' Ariccia, who considered that ASEAN is a priority partner for the EU in Asia and looks with reasonable optimism to the impact of the New Partnership strategy, more comprehensive in nature, in terms of revitalizing the relationship. Furthermore, it attaches greater priority to the role of governmental circles and government-to-government ties.

Secondly, the view held by Miguel Neves, who considered that in spite of formal political discourses and statements, in reality the EU-ASEAN relation is increasingly a secondary relationship for both sides and shows clear signs of stagnation. However, he argued that even if it is to remain a

secondary relationship this does not mean it can not be useful and made more effective, and should not paralyse both sides just because it can not be their first priority. Furthermore, he considered that the missing link is a greater involvement of civil societies, people-to-people ties, and that this is the priority dimension to revitalise the relationship.

2.3. Obstacles

Looking at the difficulties, Miguel Neves, stressed that the current state and level of relations and the slow progress registered so far, is explained by different obstacles both on the EU and on the ASEAN sides:

- a) Each part has a different first priority relationship:
 - for the EU undoubtedly China is the first priority in Asia and most of its political energy and economic resources have been concentrated there, in a context where the EU has a global deficit of involvement in Asia.
 - for ASEAN the priority relation is the US not only because it is its main trade partner but also because it is the key strategic player in Southeast Asia whose presence is an important guarantee for regional security, in particular as a counterbalance to the growing power and influence of Beijing, and to a certain extent China itself. To a large extent ASEAN saw the EU as a player with instrumental balancing functions in the region to moderate the American and Chinese influences.
- b) The EU's dual identity as a coherent and strong actor in "low politics" areas, in particular in trade and economic matters where it acts with a single voice, and a weak and divided actor in "high politics" matters, namely in defence and security matters, where it has many and contradictory voices. The fact the EU did not play any role in the regional security framework which was traditionally dominated by hard security questions and the risks of conflict between states, has contributed over the years to reduce the EU relevance to the Southeast Asia region, where a security awareness is acute.
- c) ASEAN's enlargement in the second half of the 1990s has not only reduced the level of cohesion of ASEAN and created a two-speed process leading to a more inward orientation, aggravated by the economic and social crises induced by the Asian financial crisis, but has also generated the Myanmar problem which has been a stumbling bloc in EU-ASEAN relations. The regional process has also lost momentum because of lack of leadership, as Indonesia lost that role exhausted by its own domestic turmoils.
- d) The ASEAN and the EU models of regionalism were apparently similar but only on the surface, in reality there were two different and contradictory models: while integration for the EU was a

legally built and deep process with a strong institutional strategy involving the sharing of sovereignty and exercising it in common; the ASEAN perception was clearly to create a regional process to allow space for national sovereignty to be consolidated, for nation and state-building, so aimed at the consolidation not the sharing of sovereignty.

2.4. Impact of changes in Southeast Asia on EU-ASEAN relations

The recent changes in Southeast Asia had some impact on the evolution of EU-ASEAN relations.

As far as economic changes are concerned the weak recovery of ASEAN economies and the fact the ASEAN average growth rate in the post-crisis period is three times lower than the average rate prevailing in the pre-crisis period, associated with the increase in the level of political risks and the China market effect, led to a significant decline in the EU FDI flows to ASEAN, from 3.3% in 1998 to 1.8% of EU total outflows in 2001.

However, another major development still in formation, the ASEAN closer relation with China and the signature of the agreement for the creation of an ASEAN-China Free Trade Area can reverse the situation in the future. However, it is still in its early days of implementation and therefore did not have yet an impact on EU-ASEAN economic relations. However, if this project is translated into reality, then it will bring about a deep and structural change in ASEAN and will certainly boost the interest of the EU for ASEAN as the latter becomes more integrated with the vast China market.

At the political level, the progress towards democratisation in various ASEAN countries, signs of improvement in the implementation of rule of law systems, better regional human rights standards and a new and more positive attitude that distances itself from the relativist view on human rights advocated by the "Asian values" theory, objectively brought ASEAN and the EU closer together in political terms. The EU has expressed support to the Indonesia transition and provided assistance to the improvement of the rule of law system (judiciary, transparency).

However, paradoxically, this potential was not been translated into reality as the political dialogue has been dominated by the Myanmar question which led to a clear cool down of political relations in a context where there is exactly an unprecedented progress towards democracy in the region. The problem is that ASEAN has not been able to deal with the Myanmar question and to press effectively that Member to respect minimum standards. Even the threat of expulsion advanced by the former Malaysian Prime minister Mahatir, although an interesting sign, was never implemented. In other words, it is the lack of a democratic principle behind ASEAN's project that is at the heart of the problem.

The changes at the security level and the degradation of the regional security situation in Southeast Asia, created a window of opportunity to develop the EU-ASEAN cooperation in security matters, traditionally a marginal dimension in bilateral relations. Interestingly, this seems to be the field where the recent changes in Southeast Asia had a more positive impact on the evolution of EU-ASEAN relations.

2.5. Future opportunities to strengthen EU-ASEAN relations

The identification of the opportunities to strengthen the EU-ASEAN relations was one of the topics analysed in the last panel. Miguel Neves argued that there are three relevant factors that can potentially bring the two players closer together:

a) Firstly, the change in the security priorities in Southeast Asia in the post 9/11, from the traditional hard security issues related to the risks of conflict between states (arms race, South China Sea disputes) to a greater priority to non-traditional security issues, namely terrorism, maritime piracy, smuggling, drug traffic and traffic of people, money laundering, which require more complex responses. This opens new opportunities for a greater involvement of the EU in regional security and a greater relevance of its potential constructive role than when a hard security perspective prevailed (when the EU role in regional security was negative and limited, basically as seller of arms).

The EU and ASEAN have jointly elected the fight against terrorism a key priority, as stated in the Joint Declaration on Cooperation to Combat Terrorism (January 2003, EU-ASEAN Ministerial Meeting) where both parties agreed on a more comprehensive strategy which involves economic, social, political, legal, military dimensions to address the root causes of terrorism in the long term, in contrast with the US approach which has advocated mainly a military strategy to address the problem. The EU offers clearly an alternative strategy to that of the US insofar it supports (i) a more comprehensive response (ii) greater concern in terms of finding the right balance between fight against terrorism and human rights, democratic liberties (iii) greater emphasis on cooperation between law enforcement agencies, police, namely EUROPOL and ASEANPOL, so that the EU can share its experience of ways to improve cooperation between police and share of information, an area which has progressed slowly in ASEAN (iv) EU support and co-operation to assist ASEAN members to implement the Security Council Resolution 1373, and emphasis on the multilateral efforts. Two interesting examples of the effective implementation of this approach are the EU Commission concrete assistance under the EC Rapid Reaction Mechanism to the Philippines in the fields of border management and money laundering; and to Indonesia in the fields of combat to financing of terrorism and judicial capacity building.

The issue of maritime piracy is also of particular interest to the EU-ASEAN relations, as Southeast Asia is by far the critical area where the highest number of piracy attacks take place, accounting for 43% of the world cases in 2003 (189 cases in a total of 445 at the world level as registered by the International Maritime Bureau) being Indonesia the weakest link (attacks against tankers increased rapidly raising concerns about potential environmental disasters). The EU experience of coordination between maritime authorities can be of great help.

The exploitation of this opportunity has two different implications. Firstly, the expansion of ties in the non-traditional security areas tends to contribute to reinforce the trend of governmentalisation of relations and might run contrary to the objective of greater decentralisation of relations and more civil to civil society exchanges which many sectors on both sides hoped to see develop faster.

Secondly, the fight against terrorism and the ability of the EU to help implementing a comprehensive strategy can go a long way in terms of asserting the presence and role of the EU as a security player in Southeast Asia and strengthen its position in relation to the US in a crucial region which is the "second front" in the fight against global terrorism.

b) Secondly, the option for a strategy of deeper integration on the part of ASEAN, following the Bali Concord II Declaration (October 2003) aimed at building an ASEAN Community with 3 pillars : ASEAN Economic Community(AEC); ASEAN Security Community (ASC) and ASEAN Socio-Cultural (ASC) Community, leading among other objectives to the conclusion of an internal market by 2020. This implies a major change in ASEAN's strategy which brings it closer to the EU model which, for the first time, is clearly recognised as a reference and source of inspiration for ASEAN. The potential for the EU to play again an effective role as an external federator will be undoubtedly enhanced.

Most likely there will be a greater interest from ASEAN in knowing the EU experience and for the EU to share it with ASEAN, in particular in areas where there is a clear deficit in ASEAN, in particular (i) Institutional framework for integration ; (ii) Competition policy and standards; (iii) Regional policy and correction of regional disparities; (iii) Judicial settlement of disputes between Member States, through an independent and non-political mechanism.

Furthermore, the consolidation of a "2 plus X" or "ASEAN minus X" approach in ASEAN crucial to move forward in the ASEAN Community project, as pointed out by Ali Alatas, implying the existence of different groups in different areas and a core group which leads the process, has a potential positive impact on EU-ASEAN relations, not only because it will increase flexibility, but also because it will be possible to move faster in certain areas and overcome sensitive problems like the Myanmar one. One potential practical example of this new possibility could be the

possibility of the EU signing a Free Trade Agreement with Singapore before negotiating one with ASEAN as a whole.

c) Thirdly, the interest in the development of paradiplomacy links between EU regions/sub-national governments and sub-national governments and regional players in ASEAN countries.

The development of paradiplomacy is not only an important new trend in the international system fuelled by globalisation but is also a necessary strategy to deal with the heterogeneity both of ASEAN and the EU, particularly relevant in “low politics”, i.e. economic and socio-cultural areas.

The main implications are that this new dimension can contribute to facilitate the development of more decentralised relations, a greater participation of SMEs in bilateral inter-regional relations as well as a more active participation of civil society in the process.

CONCLUSIONS

The main conclusions of the Conference can be summarised as follows:

1. There have been significant changes in Southeast Asia in recent years at the economic, political and security levels. Security emerged as the dominant dimension, marked by a new set of non-traditional security priorities and by an increasing involvement and influence of external powers that compete to strengthen their position in the region. This new context presents a paradox insofar it requires an enhanced regional cooperation to face the new challenges at the same time the increasing role of external powers has diminished ASEAN's capacity for self-management of regional security.
2. ASEAN registered a slow progress in terms of regional integration as it has been struggling with structural problems which include: an increasing heterogeneity both in political and development asymmetries terms; lack of leadership to move forward the regional integration process; reduced credibility as a consequence of failing to solve the East Timor crisis and the Myanmar problem ; and the lack of flexibility, resulting from the persistence of a rigid implementation of the principles of "non-interference", consensus-based decision and protection of national sovereignties. The launching of the ASEAN Community project in 2003 constitutes the most important political decision in recent years and contains a strategy to overcome these structural problems, with potential long term far reaching implications both for the region and for its external relations with other regions.
3. East Timor is the most recent democracy in Southeast Asia actively pursuing integration in ASEAN as one of its foreign policy priorities. However, accession will not be viable in the short term and East Timor's strategy of integration in the regional order involves the combination between observer status in ASEAN, membership of ARF and consolidation of bilateral relations with ASEAN members. For the EU, East Timor although not a formal member of ASEAN is a member of the Southeast Asia region and is part and parcel of the EU's Southeast Asia policy. Furthermore, East Timor is potentially an important asset in EU-ASEAN relations.
4. The EU-ASEAN relations, which lack an holistic perspective and are still largely dominated by economics, have not only registered a clear decline in recent years, as trade and FDI flows declined and political relations became hostage of the Myanmar problem, but run the risk of becoming a secondary relationship. The changes that occurred in Southeast Asia, namely the progress towards democratisation and better human rights standards which brought ASEAN closer to the EU, have not so far had a major impact on, or contributed to reinvigorate the relationship. Excessive governmentalisation, the EU's dual identity and ambiguity as an

international player and the divergence between the EU and ASEAN's regional integration models, are some of the structural obstacles that account for the current difficulties.

5. There are nevertheless opportunities for reinvigorating EU-ASEAN relations brought about by 3 fundamental developments: the new priority attached to non-traditional security threats in Southeast Asia opened positive prospects for the development of bilateral security cooperation and for a more relevant EU role in regional security ; the ASEAN recent option for deepening the regional integration process with the creation of the ASEAN Community brought it closer to the EU model of integration and enhanced the EU's role as an external federator and the relevance of the EU's technical expertise and cooperation ; the development of paradiplomacy initiatives on the part of EU and ASEAN sub-national governments, opens new prospects for a more decentralised relationship crucial to overcome excessive governmentalisation, promote greater participation of civil societies and small businesses and ensure respect for the heterogeneity of both the EU and ASEAN as well as a higher degree of flexibility.
6. The development of a new trilateral cooperation Portugal - East Timor - Indonesia can be one of the first manifestations of the new concept of flexibilisation of relations along the line of "2 plus X" model, potentially contributing not only to consolidate good relations inside the triangle, but also to foster EU-ASEAN relations. What was once a stumbling bloc for the EU-ASEAN relations is presently a potential building bloc for the revival of the relationship.