

The Dynamics and Problems of ASEM Enlargement on Economic Co-operation

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Abstrak

Tulisan ini bermaksud menganalisa perkembangan terbaru pada ASEM yang berkaitan dengan perluasan keanggotaan baik di Uni Eropa maupun di Asia Timur, sejauh mana penambahan anggota ini mempengaruhi proses ASEM. Uni Eropa telah bertambah dengan 10 negara anggota baru, sementara Asia Timur dengan tiga anggota baru. Selain itu, telah terbentuk banyak sekali *bilateral free trade agreements* di kawasan Asia Timur. Semua perubahan-perubahan ini tentunya saling mempengaruhi dan kait-mengait serta menentukan arah dari proses ASEM selanjutnya.

Keywords: regional economic cooperation, ASEM, ASEAN+3

The Genesis of ASEM

The Asia Europe Meeting (ASEM) was founded in 1996 in Bangkok under the initiative of the then Prime Minister Goh Chok Tong of Singapore. 15 member countries of the EU and 10 Asian countries (ASEAN-7, China, Japan and Korea) decided to join together in promoting economic co-operation between the two continents. The European Community (EC) has since the 1970s signed co-

operation agreement with most of the East Asian countries. A co-operation agreement is "... a non-preferential, framework agreement which sets out objectives for commercial, economic and development cooperation. It aims to promote trade, investments and business between the two regions." (European Commission: 17). In the EU, a co-operation agreement is the lowest level of economic relations between the EU and other countries

as compared to a free trade agreement or an association agreement with other countries like with the ACP countries and the economies in transition (see Tarmidi: 381). The EC has concluded a trade and cooperation agreement with China in 1985 (Letta: 55). And in March 1980, the EC signed also a non-preferential co-operation agreement with the ASEAN-6, which main objectives were to promote trade, investments and business relations between the two regional organizations. This co-operation agreement has been renewed several times, until it was dissolved in 1992 during the Foreign Ministers Meeting in Manila, due to the dispute between Indonesia and Portugal concerning East Timor.

The EU has signed a bilateral Co-operation Framework Agreement with Vietnam in 1995 (European Commission: 56) and a Trade and Co-operation Agreement with the Lao Republic in April 1997 (Letta: 174), just at the time when both countries became members of ASEAN. No other ASEAN member countries have signed a bilateral agreement with the EU.

Between the EU and ASEAN, in particular with the ASEAN-6, there exists already a close relationship and a growing partnership (see European Commission). This growing partnership will be further enhanced as the Economic Ministers Meeting in Ho Chi Minh City, Vietnam, April 2005,

agreed to start a study on forming an ASEAN-EU Free Trade Area. This process will be in many areas overlapping with the ASEM process. In the end, this will strengthen further the bilateral relationship between ASEAN and the EU and complement the ASEAN-EU relationship and the ASEM process.

The EC—China Trade and Co-operation Agreement was signed in 1985, replacing an earlier EC—China Trade Agreement signed in 1978. This Agreement is complemented with the Science and Technology Agreement signed in 1999, which entered into force in 2000, and on December 2001 another agreement on Maritime Transport was also signed. As of end of 2003, agreements on customs co-operation and mutual administrative assistance were still underway. (Letta: 55, 62). With the EU, Korea has signed a Framework Agreement on Trade and Co-operation, which became effective as of April 2001 (Letta: 109). However with Japan, the EU has no bilateral economic agreement (see Letta: 81-91).

Fields of economic co-operation in ASEM are channeled through the following programmes:

- An Investment Promotion Action Plan (IPAP), which established the Investment Experts Group (IEG);
- A Trade Facilitation Action Plan (TFAP);
- Establishing financial institutions like the European Financial

Expertise Network (EFEX) and the ASEM Trust Fund;

- Setting-up of an Asia-Europe Business Forum (AEBF). (Tarmidi: 398-9; McMahon: 242-4).
- The establishment of the Asia Europe Foundation, which is hailed by Soesastro) as the only success in institution building (Soesastro: 57).

However, despite the many good wills and programmes, at least until 2000, the ASEM progress has only met with meager results (Soesastro: 48). And although the co-operation agreement is hailed as a new partnership between equals (Tarmidi: 397), one cannot close his eyes to the fact that looking at the above programmes the co-operation is more a development assistance from the EU (formerly 15) to in particular ASEAN developing countries and China. One could also question the position of the developed East Asian countries (Japan, Korea, and Singapore) in the ASEM process. And more specifically, is there a need for a co-operation agreement between the EU and Japan, since their economic relationship is already quite intensive?

In the ASEM 5 Summit in Hanoi in October 2004, which was closed with the Hanoi Declaration on Closer ASEM Economic Partnership, the Leaders would like to see co-operation in other sectors like energy, transport, intellectual property rights protection and enforcement, E-commerce, tourism, and SME facilitation in and between the regions. Co-operation in these

sectors could be strengthened through sharing of information, experiences and best practices. It can be seen that there are still wide opportunities for co-operation between the two regions.

The upcoming 6th ASEM Summit will be held in Helsinki in September 2006. The priorities of the Helsinki Summit consist of the following issues:

- Support for the multilateral international system
- Addressing security threats (including global health threats such as the avian flu)
- Questions related to energy security and climate change
- Support for a conclusion of the negotiations on the WTO/DDA
- Questions relating to globalization, competitiveness and structural changes in the global economy
- Intercultural dialogue.

The Implications of ASEM Enlargement

With the entrance of ten new member countries the number of EU's population increased significantly by 74.3 million from before 379.3 million to 453.6 million. But the total Gross National Income adds only by a relatively small amount of US\$ 428 billion from an earlier US\$ 9,267 billion, an increase of around 4.6 percent only. This is because the average per capita income in the ten new member countries in 2003 was only US\$ 7,019 as compared to the EU-

TABLE 1. THE EUROPEAN UNION: MAIN INDICATORS, 2003

COUNTRY	POPULATION (MILLION)	GNI (US\$BILL)	GNI/CAPITA (US\$)	EXPORTS (US\$ bill.)	IMPORTS (US\$ bill.)
Belgium	10.3	267	25,820	267.2	250.4
Denmark	5.4	182	33,750	67.9	58.7
Germany	82.6	2,085	25,250	748.4	493.7
Greece	10.7	147	13,720	13.0	45.4
Spain	40.7	698	16,990	151.9	200.1
France	59.7	1,523	24,770	384.7	388.4
Ireland	3.9	106	26,960	92.7	52.8
Italy	57.6	1,243	21,560	290.2	289.0
Luxembourg	0.4	171	43,940	-	-
The Netherlands	16.2	427	26,310	293.4	261.1
Austria	8.1	215	26,720	96.2	97.7
Portugal	10.2	124	12,130	31.2	44.8
Finland	5.2	141	27,020	52.8	41.3
Sweden	9.0	258	28,840	100.9	82.3
United Kingdom	59.3	1,680	28,350	303.9	388.3
EU-15	379.3	9,267	25,475	2,894.4	2,694.0
Czech Republic	10.2	69	6,740	48.7	51.3
Estonia	1.4	7	4,960	5.6	8.0
Cyprus	0.8	9	12,320	-	-
Latvia	2.3	9	4,070	2.9	5.2
Lithuania	3.5	16	4,490	7.3	9.9
Hungary	10.1	64	6,330	42.7	47.7
Malta	0.4	4	9,260	-	-
Poland	38.2	201	5,270	52.3	66.9
Slovenia	2.0	23	11,830	12.7	13.8
Slovakia	5.4	26	4,920	22.0	22.3
New members	74.3	428	7,019	194.2	225.1

GNI: *Gross National Income*Source: World Bank. 2005. *World Development Report 2005*, New York: Oxford University Press, pp. 256-7, 262-264.

15, which was on average US\$ 25,475 or about three and a half times higher. The new members' contribution to EU foreign trade is also minimal, in 2003 exports increased only by US\$ 194.2 billion or 6.7 percent and imports by US\$ 225.1 billion or 8.4 percent. See Table 1. This means that although entry of exports into the new member

countries is made easier through their accession to the EU, but for Asian countries the probability of increasing exports to these countries is only marginal. Besides, upon accession the new member states must also offer preferential trading arrangements to developing countries, which most of them did not have before, and thus

TABLE 2. MAIN INDICATORS OF ASIAN ASEM MEMBER ECONOMIES, 2004

COUNTRY	POPULATION (million)	GDP (US\$mill)	GDPCAPITA (US\$)	EXPORTS (US\$ bill.)	IMPORTS (US\$ bill.)
Brunei	0.4	5,181	13,879	5.1	1.4
Indonesia	216.4	258,266	1,193	72.2	50.6
Malaysia	25.6	118,318	4,625	126.6	99.1
Philippines	82.7	86,106	1,042	38.7	45.1
Singapore	4.2	106,884	25,207	197.3	166.1
Thailand	64.5	163,547	2,539	94.9	93.7
Vietnam	82.0	45,402	554	26.5	28.8
ASEAN-7	478.8	783,704	7,006	561.5	484.9
China*)	1,288	1,417	1,100	438.4	412.8
Japan*)	127	4,390	34,510	471.9	383.0
Korea*)	48	576	12,020	194.3	178.8
Total	622.1	790,387		1,666.1	1,459.5
Cambodia	13.6	4,864	358	2.5	3.2
Lao Republic	5.8	2,437	423	0.4	0.7
Myanmar	54.7	9,081	166	3.0	2.0
ASEAN New 3	74.1	16,382	316	5.8	5.9

Source: ASEAN Secretariat; *) Year 2003. World Bank. 2005. World Development Report 2005, New York: Oxford University Press, pp. 256, 262.

provide better access of products from developing countries (Molina: 236)

Though the total volume of imports of the new EU entrant countries is still relatively small, but the benefit of the new accession countries to other non-EU countries is that the new member countries except Estonia must lower their external tariff substantially to EU rates, which is on average already down to 5.3 percent. The EU's trading partners will have access to a larger market with one set of rules and standards. But for some developing countries, their exports will meet the higher EU standard norms than it was before. (Richelle: 5; Pelkmans and Casey: 198). Some new entrants will have to offer preferential trade access to countries better off than they are (Richelle:4).

Vice versa, economically speaking, the impact of the entrance of three new Asian countries (Cambodia, Lao and Myanmar) to ASEM, is also minimal. Increase of population by these three new members amounts to 74.1 million, which is quite a large number, but the GDP in 2004 increased only by a meager US\$ 16,382 million or 2.1 percent East Asia-10 total GDP, because the level of GDP per capita is still very low. Their contribution to exports and imports is also minimal, US\$ 5.8 billion and US\$ 5.9 billion respectively. See Table. In other words, the economic impact of their entrance into ASEM is rather small.

With the enlargements on both

sides, both face common problems of the development divide between developed and developing countries. In the EU, the 10 new members in their stage of economic development are still far below most of the old 15 EU members. On the Asian side, the same problem also arises but far deeper than is the case in the EU. The complex inter-regional relationship can be seen from the stage of economic development matrix below. If under this very complex inter-relationship there should be a co-operation agreement, then what will be the most optimal co-operation agreement that can accommodate and satisfy all the diverse interests of all the countries concerned?

Upon accession, the new EU member countries have signed the *acquis communautaire* related to the Community's development cooperation, confirming their willingness to adopt and support the Community's development cooperation policy and programmes. In terms of development aid, they might not be able to fulfill their contribution as to e.g. the ASEM Trust Fund, because they themselves were recent recipients of external assistance. Several new entrants have a per capita income that is much lower than the EU average, and few have a lower per capita income than some more advanced developing countries they are supposed to help. (Richelle: 4; Molina: 237-8; Inotai: 180-1). "Some of the accession countries have

**MATRIX 1. CLASSIFICATION OF COUNTRIES BY
REGION AND GROSS NATIONAL INCOME (GNI) PER CAPITA, 2003**

INCOME GROUP	EUROPEAN UNION	EAST ASIA
Low income: GNI/capita < \$ 765		Cambodia, Lao, Myanmar, Vietnam Total GNI: \$ 45 bill. excluding Myanmar
Lower-middle income: \$ 766 - \$ 3,035]		China, Indonesia, Philippines, Thailand Total GNI: \$ 1,814 bill.
Upper-middle income: \$ 3,036 - \$9,385	Czech, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Total GNI: \$ 392 bill.	Malaysia GNI: \$ 94 bill.
High income: GNI/capita > \$ 9,386	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom, Cyprus, Malta, Slovenia Total GNI: \$ 9,132	Singapore, Brunei, Japan, Korea Total GNI: \$ 5,056 excluding Brunei Total GNI: \$ 9,132

Source: World Development Report 2005, pp. 256-7, 264.

already implemented official cooperation with developing countries during the Soviet period (Czechoslovakia for instance, was providing technical assistance from 1966 to its dissolution). But this policy was stopped as the Soviet bloc was dismantled and the countries

concentrated on their own political and economic problems. Therefore all the accession countries are facing the challenge of establishing a development policy, or at least of restructuring and modernising their development policy to a high degree." (Krichewsky: 6; IDC: 7, 9)

The Dynamics of ASEM Enlargement

The enlargement in the EU does not pose big problems as to the identity of representing Europe, since they all together have one common identity and fall under the aegis of the EU umbrella. They have the European Parliament, which represents the interests of the people and in their outward relations, they are represented by the European Commission, who acts on their behalf. In other words, the EU already speaks with one voice. Though it can not be denied, that "... the process of the EU enlargement and actual absorption of its ten new members could well set back the EU's search for a new capacity to act in international affairs (Letta: 34). The EU enlargement is not final yet as pretty soon, the EU will see further accession membership with the joining of Bulgaria and Romania in 2007.

Contrary to the EU position, on the Asian side, there is lack of an East Asian institutional infrastructure, except for the ASEAN group. And this could be a most serious deficiency for the ASEM process. (Soesastro: 50-51). So far East Asia is in the process of integrating itself into the so-called ASEAN+3. Adjacent to the ASEAN annual Summit Meeting, ASEAN organises a Dialogue Partners Meeting with a large number of countries including with China, Japan and Korea. The ASEAN+3 meetings have

now become the main forum for the 13 East Asian countries, though it lacks substance as it is only a forum of dialogue and it does not have any institutional arrangement. (Soesastro: 51).

But closer economic ties between ASEAN and three East Asian countries are in the making. The ASEAN-China FTA has already been signed, an ASEAN-Korea FTA, a Japan-ASEAN Comprehensive Economic Partnership Agreement, and a Japan-Malaysia-Philippines-Thailand FTA are currently being negotiated. Some bilateral EPAs have already signed between Japan and Singapore, Japan and Malaysia, Japan and the Philippines, Japan and Thailand. Bilateral EPAs between Japan and Indonesia, Japan and Korea are still under negotiation. In October 2003 a joint statement has been relished as to the formation of a Japan-China-Korea EPA. Bilateral FTAs between China and Thailand and between Korea and Singapore have already become effective. And other bilateral FTA between China and Korea is being studied, while between Korea and the Philippines has already been signed. See Table 3. As can be seen, there is a proliferation of FTAs and EPAs going on in the East Asian region. This regional infrastructure will pave the way to greater economic integration in East Asia in the future. And lastly to complete the inter-regional relationship, an ASEAN-EU FTA is on the way. □

**TABLE 3. BILATERAL FREE TRADE AGREEMENTS
BETWEEN EAST ASIAN COUNTRIES**

BILATERAL FTA	STATUS
Japan - ASEAN Comprehensive Economic Partnership Agreement	Under negotiation
Japan - Malaysia - Thailand - Philippines FTA	Under negotiation
Japan - Singapore Economic Partnership Agreement (EPA)	Effective as of November 2002
Japan - Philippines EPA	Signed November 2004
Japan - Malaysia EPA	Signed May 2005
Japan - Thailand EPA	Signed April 2006
Japan - Indonesia EPA	Under study
Japan - Korea EPA	Under negotiation
Japan - China - Korea EPA	Joint statement on October 2003
China - ASEAN FTA	Signed November 2004
China - Thailand FTA	Effective as of 2003
China - Korea FTA	Under study
Korea - ASEAN FTA	Under negotiation
Korea - Singapore FTA	Effective as of January 2006
Korea - Philippines FTA	Signed

Source: C.G.M. Letta. 2003. P. 47.

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