



EU-ASEAN TRADE & INVESTMENT 2019



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Message from the EU Ambassador to ASEAN

The partnership between the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) is 42 years old. Over these years, cooperation has expanded and deepened to encompass a wide variety of topics, from environment to security over digitalisation.

Over this period, one area has remained at the heart of the partnership between the EU and ASEAN: the close economic and trade ties. Even in times of global financial difficulties, trade and investment flows between the EU and ASEAN have grown substantially.

"Bilateral merchandise trade has almost doubled over the last decade."

The impressive numbers captured in this booklet testify to this closeness. The EU has become ASEAN's second largest trade partner (after China) and ASEAN is the EU's third largest trade partner outside Europe (after the US and China). To illustrate the scale of the inter-regional trade and investment flows, bilateral merchandise trade has almost doubled over the last decade to reach EUR 260 billion in 2018. When looking at trade in services, the num-

bers becomes even more striking, with a value of EUR 88.4 billion of trade in services in 2017, a 9% annual growth.

More impressive still, over the years, the EU remained the largest investor in ASEAN economies, with a solid investment stock of more than EUR 330 billion, almost doubling the figure in just four years. According to ASEAN records, in 2018 alone the EU had invested more than twice as much as China and 2.5 times as much as the US. ASEAN investment in Europe has also been growing steadily and reached a total stock of over EUR 140 billion, more than doubling the figure in just three years.

The EU and ASEAN's economic partnership has matured as inter-regional trade and investment have intensified. ASEAN remains an attractive trade partner for EU business. In 2018, strong domestic demand and investments drove economic growth in ASEAN to an impressive 5.2%. As a bloc, ASEAN currently represents the 6th largest economy in the world, and it is projected to become the 4th largest economy by 2050.

It is with this market potential in mind that the EU launched a series of FTA negotiations with selected ASEAN countries. So far, the EU has completed

Mr. Igor Driesmans

"The EU and ASEAN's economic partnership has matured as inter-regional trade and investment have intensified."

and signed Free Trade Agreements (FTA) with Singapore and Vietnam. Negotiations with Indonesia are ongoing since 2016 while negotiations with Thailand are about to resume. It is our ambition that these bilateral FTAs serve as building blocks towards a future EU-ASEAN agreement.

To back up these ambitions with financial means, the EU launched last year two flagship EU-ASEAN programmes: 'ARISE Plus' providing support for economic and trade connectivity and 'E-READI' facilitating policy dialogue in new policy areas of E-ASEAN engagement.

For all these reasons, the publication of this booklet on EU-ASEAN trade and investment relations comes at an opportune time. I hope therefore that the booklet serves as a valuable reference and will help to understand the dynamics and growth potential of both regions. I wish you interesting reading!



Message from the Chairman of the EU-ASEAN Business Council

Europe remains the largest source of Foreign Direct Investment to Southeast Asia and is also ASEAN's second largest trading partner. This is testament to the long-term and deep relationship that European businesses have with the region: many companies in the Business Council have been active in ASEAN for decades, some for more than a century.

Our latest Business Sentiment Survey reiterates this strong commitment. Nearly 9 out of 10 respondents signalled that they intend to increase their levels of trade and investment with Southeast Asia over the next five years. Over half reported that they saw ASEAN as the region with the best economic opportunity, ranking almost 2-to-1 over the next region, China.

“They saw ASEAN as the region with the best economic opportunity, ranking almost 2-to-1 over the next region, China.”

With the world's third largest workforce, strong trends of urbanisation and social development, a young and tech-savvy population, good economic fundamentals and decades of regional peace,

such confidence in the ASEAN region is hardly surprising.

However, our survey also showed that the European business community strongly believes that ASEAN needs to move faster on its economic integration agenda (particularly on removing Non-Tariff Barriers), and that the EU needs to do more to boost trade and investment relations.

The FTAs with Singapore and Vietnam, once fully implemented, will provide a boost to industry and create economic opportunity in both Europe and ASEAN. Those FTAs (and hopefully others to follow) will also allow European industry to contribute to the quality of economic development: sustainability, transparency, inclusiveness and access to technology, creating more resilient communities and better jobs for the future.

The EU-ABC looks forward to working collaboratively with the governments and with ASEAN businesses to help bring the very best of European businesses and facilitate long-term, sustainable investment.

We will continue to encourage lower barriers to achieve the full benefits of ASEAN integration and promote growth of key sectors in healthcare, the Digital Economy, modern manufacturing, logis-

tics, safe food, consumer goods and quality financial services.

“We will continue to encourage lower barriers to achieve the full benefits of ASEAN integration and promote growth of key sectors.”

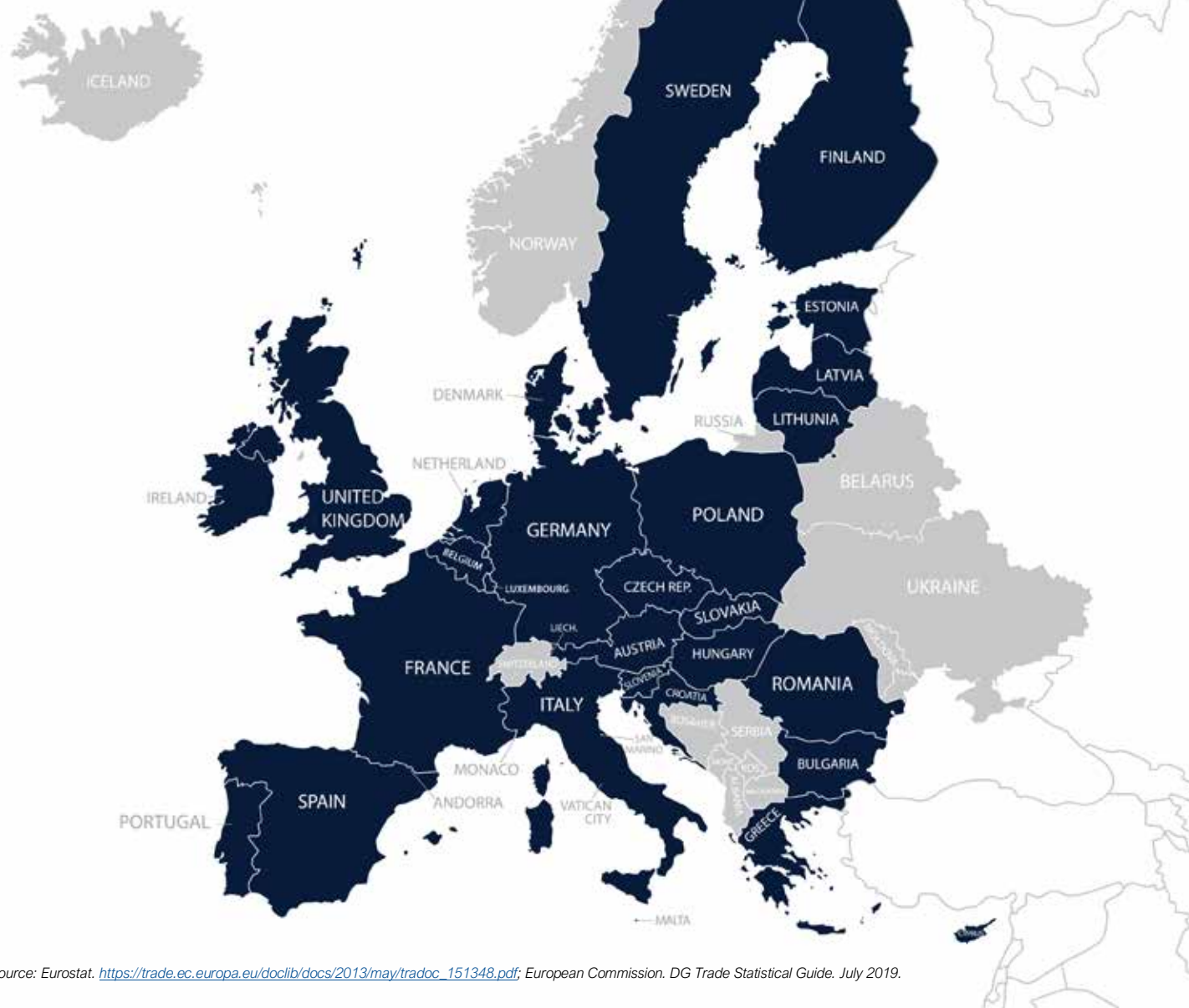
All of these are areas of keen interest to Southeast Asia's citizens and leaders, who are seeking a more secure, prosperous and inclusive future.

Mr. Donald Kanak



Chapter 1: The EU (European Union)

The European Union represents the world's second largest economy. In its decades of history, the EU has laid the foundation for a unique model of regional integration based on a common market with the free movement of goods, services, people and capital, comprising a harmonised set of rules.



THE EU AS A GLOBAL ECONOMIC PLAYER



GROSS DOMESTIC PRODUCT

15,89 TRILLION €

The EU is the second largest economy in the world. Although growth is projected to be slow, the EU remains the second largest economy in the world with a GDP per head of €25 000 for its 500 million consumers.

15.1%

WORLD SHARE OF
TRADE IN GOODS

27.3%

WORLD SHARE OF
TRADE IN SERVICES

**WORLD'S LARGEST
TRADING BLOCK.**



**TOP TRADING PARTNER
FOR 80 COUNTRIES.**

The EU is the most open to developing countries. Excluded, the EU imports more from developing countries than the USA, Canada, Japan and China put together.

**WORLD'S BIGGEST INVESTOR
AND THE WORLD'S LARGEST
RECIPIENT OF FDI**



513,481,691 PEOPLE

AS OF 01.12.19



The European Union is one of the most outward-oriented economies in the world. It is also the world's largest single market area. Free trade among its members was one of the EU's founding principles, and it is committed to opening up world trade as well.

From 1999 to 2010, EU foreign trade doubled and now accounts for over 30% of the EU's gross domestic product (GDP). The EU is responsible for the trade policy of the member countries and negotiates agreements for them. Speaking as one voice, the EU carries more weight in international trade negotiations than each individual member would.

In 2018, the EU represented a population of more than 512 million people, and is the second largest economy in the world. Accounting for one fifth of global trade, the EU is also the world's largest importer and exporter of goods and services.

Europe has become deeply integrated into global markets. Thanks to the ease of modern transport and communications, it is now easier to produce, buy and sell goods around the world which gives European companies of every size the potential to trade outside Europe. The EU is a strong supporter of the multilateral trading system embodied in the WTO (see box in the next page).

In addition, the EU actively engages with third countries and regions in order to negotiate mutually-beneficial trade agreements. The main objective of these trade negotiations is that both parties' companies can grow and run their business easily and freely. The EU supports and defends EU industry and business by working on removing barriers so that exporters gain fair conditions and access to other markets.

Shares of World GDP (2018)



Source: International Monetary Fund

The EU and the WTO

Both, the European Union and the individual EU countries are members of the World Trade Organization. Their main objectives at the WTO are to:

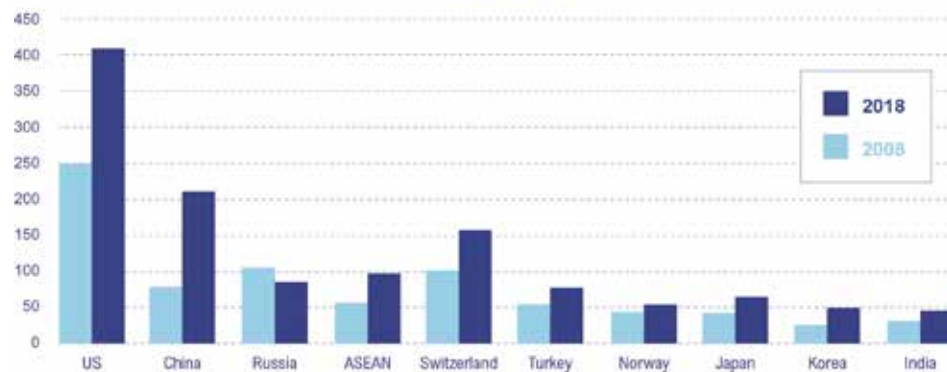
- keep the world's trading system fair, predictable and based on common rules
- modernise the world's trade markets so European goods, services and investment can benefit
- follow the common WTO rules, and make sure others also play by the rules
- make the WTO more open by interacting with both non-members and other international organisations
- bring developing countries into the WTO, its decision-making, and the global economy
- reinforce the WTO's support for sustainable trade policies worldwide

The European Commission has also put forward a first set of ideas¹ to modernise the WTO and to make world trade rules fit for the challenges of the global economy:

- updating the rule book on international trade to capture today's global economy
- strengthening the monitoring role of the WTO
- overcoming deadlock on the WTO dispute settlement system

¹https://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157331.pdf [EU concept paper on WTO reform]

**EU EXPORTS TO TOP 10 TRADE PARTNERS
(EUR BILLION)**



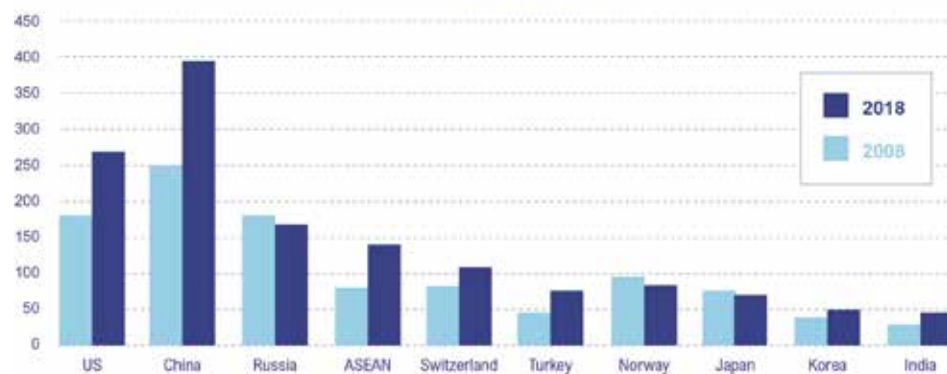
Source: Eurostat

**TRADE IN SERVICES BETWEEN THE EU-28 AND THE WORLD
(EUR BILLION)**



Source: WTO-UNCTAD-ITC

**EU IMPORTS FROM TOP 10 TRADE PARTNERS
(EUR BILLION)**



Source: Eurostat



1.2 The European Single Market



The European Single Market lies at the heart of the European integration project. Starting with the basic idea for the creation of a free trade area, the EU as of today has managed to develop an environment where people, goods, services and capital move freely. EU Member States jointly decided to remove a significant number of technical, legal and bureaucratic barriers in order to enable companies to expand their businesses across the EU market. As a result, European consumers have enjoyed a steady decrease of prices, as well as a wider range of available products. The membership of the European Single Market extends beyond the EU, as Iceland, Liech-

tenstein, Norway and Switzerland are also participating in the single market under negotiated frameworks.

On the 28th October 2015, the European Commission issued the most recent Single Market initiative. The Single Market Strategy aims at unlocking the full potential of the internal market by improving mobility for service providers, ensuring that innovative business models may flourish. An improved digital agenda should help retailers conducting businesses across borders, and, concurrently ease the access to goods and services across Member States.



THE EU SINGLE MARKET

- IS ONE OF THE WORLD'S LARGEST ECONOMIES
- HAS 500 MILLION CONSUMERS AND 21 MILLIONS SMES
- HAS ECONOMIC BENEFITS AMOUNTING TO 8.5% OF THE EU GDP

THE EUROPEAN SINGLE MARKET			
<p style="text-align: center; font-weight: bold; margin: 0;">SINGLE MARKET FOR GOODS</p> <p>The EU single market for goods consists of 500 million consumers and 21 million small and medium-sized enterprises (SMEs). Trade within the internal market is essential for the growth of enterprises and inward investment. The European Commission's main goal is to ensure the free movement of goods within the market, and to set high safety standards for consumers and the protection of the environment.</p>	<p style="text-align: center; font-weight: bold; margin: 0;">SINGLE MARKET FOR SERVICES</p> <p>They account for over 70% of the EU's GDP and an equal share of its employment. The European Commission aims to remove barriers for companies looking to offer cross-border services and to make it easier for them to do business.</p> <p>Main principles of Single Market of services:</p> <ol style="list-style-type: none"> 1. Freedom to establish a company in another EU country. 2. Freedom to provide or receive services in an EU country other than the one where the company or consumer is established. 	<p style="text-align: center; font-weight: bold; margin: 0;">PUBLIC PROCUREMENT</p> <p>To create a level playing field for businesses across Europe, EU law sets out minimum harmonized public procurement rules. These rules govern the way public authorities and certain public utility operators purchase goods, works and services. They are transposed into national legislation and apply to tenders whose monetary value exceeds a certain amount. For tenders of lower value, national rules apply. Nevertheless, these national rules also have to respect the general principles of EU law.</p>	<p style="text-align: center; font-weight: bold; margin: 0;">EUROPEAN STANDARDS</p> <p>Technical specifications defining requirements for products, production processes, services or test-methods.</p> <p>Standards ensure interoperability and safety, reduce costs and facilitate companies' integration in the value chain and trade.</p> <p>European Standards are under the responsibility of the European Standardisation Organisations (CEN, CENELEC, ETSI) and can be used to support EU legislation and policies.</p> <p>The Commission pays special attention to standardisation because standards can influence most areas of public concern such as the competitiveness of industry, the functioning of the Single Market, the protection of the environment and of human health, not to forget the enhancement of innovation.</p>

Chapter 2: ASEAN (THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS)



2.1

ASEAN Facts and Figures

ASEAN was established on the 8th August 1967 in Bangkok, Thailand. The five Southeast Asian countries of Indonesia, Malaysia, Philippines, Singapore and Thailand signed the ASEAN declaration (also known as the Bangkok declaration), giving birth to the first regional economic organisation in Asia.

This document set the principal aims and purposes that would be the core of the co-operation between the member countries. ASEAN Member States agreed on strengthening the relations in the economic, social, cultural, technical and educational fields. Additionally, they committed to promote regional peace and stability, respecting the rule of law and adhering to the obligations that arise from international agreements.



successfully overcome tough difficult economic times such as the Asian financial crisis of 1997 and the global economic crisis of 2008, maintaining economic growth and doubling its membership to 10 member nations by 1999. Since then, the region GDP quadrupled.

Within the last decade, ASEAN has successfully positioned itself as one of the world's leading economic powers. With a combined GDP of nearly USD 3 trillion in 2018 (ASEAN is one of the fastest growing economies in the world, growing by 5.3% on average from 2000 – 2017 period), it forms the third largest economy in Asia and the fifth largest economy in the world.

The ASEAN as a bloc, it constitutes the third largest economy in Asia, and is projected to become the 4th largest economy in the world by 2050, with a rapidly growing middle-class population, and favourable demographics, the region is attracting trade and investment on an unprecedented scale.



However, ASEAN's economy remains highly concentrated in its three leading markets (Indonesia, Thailand and the Philippines), which collectively account for more than

60% of the regional GDP. From a GDP per capita perspective, Singapore and Brunei Darussalam led the group.



Source: BlueBook 2019

2.2 Key Developments under the AEC



The enhancement of the ASEAN Economic Community (AEC) was done in December 2015 at the Kuala Lumpur Summit. The AEC aims to develop an integrated, cohesive and inclusive economy supporting high economic growth and offering opportunities in the form of a huge market of nearly US\$3 trillion and over 622 million people.



Source: "ASEAN Economic Community at a Glance – 2016"



Source: "ASEAN Economic Community at a Glance – 2016"

The AEC Blueprint 2025 is aimed towards achieving the vision of realising an AEC by 2025. It succeeded the AEC Blueprint (2008-2015), which was adopted in 2007.

The AEC Blueprint 2025 consists of five interrelated and mutually reinforcing characteristics, namely: (i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN. These characteristics support the vision for the AEC as envisaged in the ASEAN Community Vision 2025.

To operationalise the Blueprint's implementation, these strategic measures will be further elaborated in and implemented through the work plans of various sectoral bodies in ASEAN. The sectoral work plans will be reviewed and updated periodically to ensure their relevance and effectiveness.

AEC BLUEPRINT 2025

Highly integrated and cohesive regional economy: supports sustained high economic growth by increasing trade, investment, and job creation; improving regional capacity to respond to global challenges and megatrends; advancing a single market agenda through enhanced commitments in trade in goods, and through an effective resolution of non-tariff barriers; deeper integration in trade in services; and a more seamless movement of investment, skilled labour, business persons, and capital.

Competitive, innovative and dynamic community which fosters robust productivity growth including through the creation and practical application of knowledge, supportive policies towards innovation, science-based approach to green technology and development, and by embracing the evolving digital technology; promotion of good governance, transparency and responsive regulations; effective dispute resolution; and a view towards enhanced participation in global value chains

Enhanced connectivity and sectoral cooperation with improvements in regional frameworks, including strategic sectoral policies vital to the effective operationalisation of the economic community.

A resilient, inclusive, people-oriented and people-centred community that engenders equitable development and inclusive growth; a community with enhanced micro, small and medium enterprise development policies and cooperation to narrow the development gaps; and a community with effective business and stakeholder engagement, subregional development cooperation and projects, and greater economic opportunities that support poverty eradication.

Global ASEAN that fosters a more systematic and coherent approach towards its external economic relations; a central and foremost facilitator and driver of regional economic integration in East Asia; and a united ASEAN with an enhanced role and voice in global economic fora in addressing international economic issues.

THREE PILLARS OF ECONOMIC INTEGRATION

ATIGA

ASEAN TRADE IN GOODS AGREEMENT

Signature: February 2009, and subsequently entered-into-force on 17 May 2010.

Objectives: To establish an integrated market and production base with a free flow of goods by 2015. It is aimed to realise one of the goals of the formation of the ASEAN Economic Community (AEC) by 2015.

Key Elements:

1. Consolidates and streamlines all the provisions in the CEPT-AFTA and formalizes several ministerial decisions.
2. Comprises several new elements to ensure the realisation of free flow of goods within ASEAN.
3. Makes tariff reduction schedules transparent and predictable for the business community.

ATISA

ASEAN TRADE IN SERVICES AGREEMENT

Signature: April 23, 2019. At the 25th ASEAN Economic Ministers Meeting in Phuket, Thailand.

Objectives:

1. Achieving an improvement of the regulatory standards for the services sector in the region.
2. Reduction of unnecessary barriers to services trade within ASEAN.
3. Increasing the respective regulatory transparency in each member state.

Key Elements:

1. To advance services liberalization that will lead to closer regional economic integration.
2. The intention to liberalize requires each Member State to consider carefully the justification for each non-conforming measure listed in the reservations lists.

ACIA

ASEAN COMPREHENSIVE INVESTMENT AGREEMENT

Signature: April 23, 2019. At the 25th ASEAN Economic Ministers Meeting in Phuket, Thailand.

Objectives: Create a free and open investment environment through the consolidation and expansion of previous agreements between the ASEAN member countries.

Key Elements:

1. ACIA specifies exact definitions of authorized investments and investors.
2. The agreement's scope of application requires for an investment to be undertaken either by a natural person originating from an ASEAN member state, or by an ASEAN-based legal entity being subject to further definition in ACIA.

CHAPTER 3: EU-ASEAN RELATIONS

The European Union (EU) and the Association of Southeast Asian Nations (ASEAN), the two most advanced examples of regional integration in the world, are natural partners with a history of cooperation across a range of sectors that spans more than four decades. The EU wants to deepen the relations with ASEAN, enhancing its connectivity within the ASEAN Economic Community (AEC) and with the rest of the world, and contributing to prosperity and stability in Asia – the fastest growing region in the world.



3.1 Enhancing the EU-ASEAN Partnership

Both regions can look back at more than 40 years of relations characterised by their shared goals: peace and prosperity for its peoples and countries and look forward to further deepening relations based on trust, mutual respect, common interests, and values. Even during difficult times, EU and ASEAN trade and investment has grown, as a direct consequence of the deep and close relation established between the regions.

EU has become ASEAN's second largest trade partner (after China) and ASEAN is the EU's third largest trade partner outside Europe (after US and China). Actually, EU companies have been investing an average of 14 billion euros annually in the region since 2004 as ASEAN is not only one of the most dynamic regions in the world but also an attractive trade partner for the EU. Consequently the EU, having in mind this potential market, has launched FTA negotiations with ASEAN region in 2006, complemented with a series of FTA-negotiations with

individual ASEAN countries in order to fully realise the market opportunities for EU companies.

On 21 January 2019, the 22nd EU-ASEAN Ministerial Meeting was held in Brussels. There was a unity of purpose, a common desire to strengthen EU-ASEAN cooperation and relations in order to have closer connections and trade policies. Optimism about ASEAN's future remains as strong as ever.

EU-ASEAN relations will continue to be strengthened by a mutual commitment to a rules-based international order, shared values and interests, and a common goal to jointly address global challenges. The EU remains the largest donor to ASEAN, helping the regional organization and its governments to reduce poverty and spread opportunity. Over €200 million is allocated to support ASEAN regional integration and connectivity, over €3 billion designated to bilateral assistance to ASEAN Member States, and through the direct efforts of our 28 EU Member States.



The EU and ASEAN are partners in sustainable development, and enjoy mutually beneficial cooperation in areas such as education, economic integration, connectivity, food security and climate change mitigation. Currently, EU-ASEAN cooperation continues to expand into new fields such as maritime security, counter-terrorism and transnational crime.



Source: Blue Book 2019. A Strategic and Sustainable Partnership. EU-ASEAN Cooperation.





The EU has dedicated over €200 million to support ASEAN integration between 2014 and 2020:



Source: Blue Book 2019. A Strategic and Sustainable Partnership. EU-ASEAN Cooperation.

As regional organisations, the EU and ASEAN are uniquely positioned to support regional integration processes as effective tools to narrow development gaps and address cross-cutting development issues. This potential can be harnessed through

enhanced region-to-region dialogue, by leveraging innovative development models. All EU-ASEAN programmes are designed in alignment with ASEAN's own integration policies and priorities.

3.2 EU-ASEAN Projects Supporting the AEC



EU and ASEAN, both derive significant value from enhanced connectivity among their Member States. To support the implementation of the Master Plan on ASEAN Connectivity (MPAC) 2025, the EU projects cover all of the strategic areas outlined in the MPAC, such as: harmonisation of standards, mutual recognition of technical regulations and reduction of non-tariff measures under regulatory excellence; and people-to-people mobility.

Additionally, half of the EU development cooperation funding to ASEAN from 2014 to 2020 has been allocated to ASEAN's economic integration, as the EU has a priority for the economic and trade connectivity as the bedrock of EU-ASEAN relations. The EU-ASEAN collaboration in this area aims to improve institutional connectivity, and contribute to the development and completion of the ASEAN Economic Community (AEC).

Improved trade and investment relations with ASEAN, which generate mutual economic, social, and political benefits for the two regions, continue to be a strategic priority for the EU. Enhanced dialogue on trade-related regulatory and policy frameworks, intellectual property, standards, customs and transport and civil aviation are supported by development cooperation programmes.

Both sides acknowledged that these initiatives benefit ASEAN and its people through the consolidation of the ASEAN Community. Important areas of the ASEAN economic integration process are supported by the ARISE+ programme such as the single market, trade facilitation, reducing non-tariff barriers to trade, along with Intellectual Property Rights, civil aviation and ASEAN statistics. Via the E-READI programme (Enhanced Regional EU-ASEAN Dialogue Instrument), ASEAN's integration process is supported through sharing of the EU integration experience.



ARISE+

- ARISE+ is the largest ever EU-ASEAN programmes, it represents 50% of our current EU-ASEAN Development Cooperation. ARISE+ is a unique combination of support both at Regional and National Level:
- The Regional activities (EUR 40 million) focus on supporting: trade facilitation, standards and conformance, customs and transport measures, intellectual property rights, civil aviation, regional statistics and integration monitoring. ARISE+ is big, multifaceted, and strives to advance the ASEAN Economic Community agenda. ARISE+ is fully aligned with the AEC 2025 and its priority areas.
- The regional activities are complemented by eight (8) national Trade Support projects (EUR 50 million): Cambodia, Laos, Myanmar, Vietnam, Indonesia, Philippines, Malaysia, Thailand. These projects support the specific needs of these countries within the overarching goal of the ASEAN Economic Community. The synergies between these programmes are being monitored to ensure the best impact at regional and national level.



Consists Of These Components



Trade Facilitation and Transparency



Standards and Conformance Assessment in Healthcare and Food Products



Customs, Transport and ASEAN Customs Transit System (ACTS)



ASEAN Economic Integration Monitoring and Statistics

EU SUPPORT TO REGIONAL ECONOMIC INTEGRATION

The EU has a strategic interest in strengthening its relationship with ASEAN. A strong, cohesive and self-confident ASEAN proceeding with its own integration is good for regional stability and prosperity and creates new opportunities for cooperation on regional and global challenges. An integrated ASEAN with over 600 million consumers offers great investment and export opportunities for European business. Below are some key EU-supported initiatives in supporting the realisation of the ASEAN Economic Community and deepening of the economic integration of ASEAN.



Facing problems trading in ASEAN? ASSIST is your solution!

The ASEAN Solutions for Services, Investments and Trade (ASSIST) allows businesses to lodge e-complaints or questions directly with the ASEAN Member State Governments when exporting problems to other ASEAN countries are encountered. The ASSIST mechanics are simple and meant to provide an answer within 60 days. Confidentiality and anonymity are guaranteed. ASSIST is available at <http://assist.asean.org/>

Making ASEAN Trade rules transparent and accessible 24/7!

Trade facilitation, regulatory transparency are key drivers for ASEAN regional economic integration. The ASEAN Trade Repository (ATR) enhances the transparency of trade and customs procedures. The ATR is an electronic interface through which the public can access 24/7 the information available on the National Trade Repository of each ASEAN Member State. The ATR is available online at <http://atr.asean.org>

The Harmonised Standard adopted by ASEAN are all ready to be consulted on the ATR. The ATR is a live tool; new Non-Tariffs-Measures are being uploading as they are validated or notified by the ASEAN Member States. For the food producers/exporters/traders: Already 1,700 Sanitary/phytosanitary measures have been uploaded.



Faster movement of goods by road within ASEAN!

The ASEAN Customs Transit System (ACTS), the first ever computerised customs transit management system in ASEAN, will come to life in 2020. The first deployment is for Singapore, Malaysia, Thailand, Cambodia, Laos, Myanmar and Vietnam. Thanks to the ACTS the ASEAN private sector will be able to move goods between countries faster and at lower cost for traders. The ACTS is accessible on <https://acts.asean.org/>

ASSIST, ATR and ACTS are supported by the EU under ARISE+ Programme



CHAPTER 4: EU-ASEAN TRADE AND INVESTMENT

ASEAN

Association of Southeast Asian Nations

The ASEAN region is a dynamic market with more than 640 million consumers and ranks as the sixth economy in the world, whereas the European Union, with an estimated population of about 513 million people, is the biggest player on the global trading scene.

Over the past decade, the EU and ASEAN's economic partnership has matured as inter-regional trade and investment have intensified. In the last ten years, merchandise trade between ASEAN countries and the EU has almost doubled; in 2008 it was EUR 137 billion, while in 2018 it exceeded EUR 237 billion. This positive trend is today reflected by the fact that the EU is ASEAN's second largest trading partner, behind China. Similarly, ASEAN now ranks as the EU's third largest trading partner outside Europe, after the US and China.

On the other hand, the EU is the biggest

provider of FDI in ASEAN; in 2017, the EU had an investment stock of EUR 337 billion in the region. During that same period, EU's inward stock from ASEAN Member States totalled EUR 141 billion. In 2017, the EU and its Member States have invested twice as much as China and more than five times as much as the United States.

ASEAN and the EU are currently negotiating a region-to-region Comprehensive Air Transport Agreement (CATA).

As the first ever bloc-to-bloc agreement, it will go beyond traffic rights to encourage cooperation on safety, security and air traffic management. Plus, while providing a significant boost to air traffic, it will connect a combined population of 1.2 billion. An EU report estimated that an EU-ASEAN CATA could generate economic benefits of EUR 7.9 billion during the first seven years.

4.1 EU-ASEAN Economic Cooperation And Trade Agreement

The EU and ASEAN have a long history of economic cooperation. Cooperation between the two regions is framed by a bi-annual ASEAN-EU Trade and Investment Work Programme. Discussions at ministerial and senior economic official levels, dialogue groups, cooperation activities, as well as Business Summits are some of the activities held under such programme.

Negotiations for a region-to-region trade and investment agreement between the EU and ASEAN were launched in 2007 and paused by mutual agreement in 2009 to give way to a bilateral format of negotiations. So far, the EU has concluded negotiations for Free Trade Agreements (FTA) with Singapore in 2014 and with Vietnam in 2015. Negotiations with Indonesia are ongoing since 2016, and the negotiations

with Thailand will resume shortly. The negotiations with Malaysia and the Philippines are currently on hold. Negotiations of an investment protection agreement are also under way with Myanmar. Bilateral FTAs between the EU and ASEAN countries will serve as building blocks towards a future EU-ASEAN agreement, which remains the EU's ultimate objective.

Since March 2017, the European Commission and the ASEAN Member States are undertaking a stocktaking exercise to explore the prospects towards the resumption of region-to-region negotiations. A joint EU ASEAN Working Group for the development of a Framework setting out the parameters of a future ASEAN-EU FTA gathers at a regular basis.

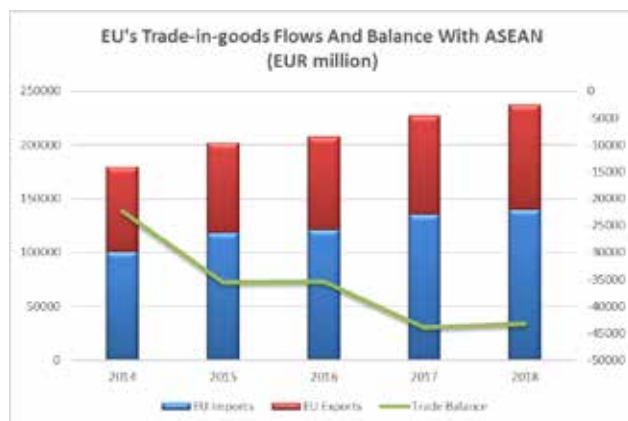
4.2 Trade in Goods



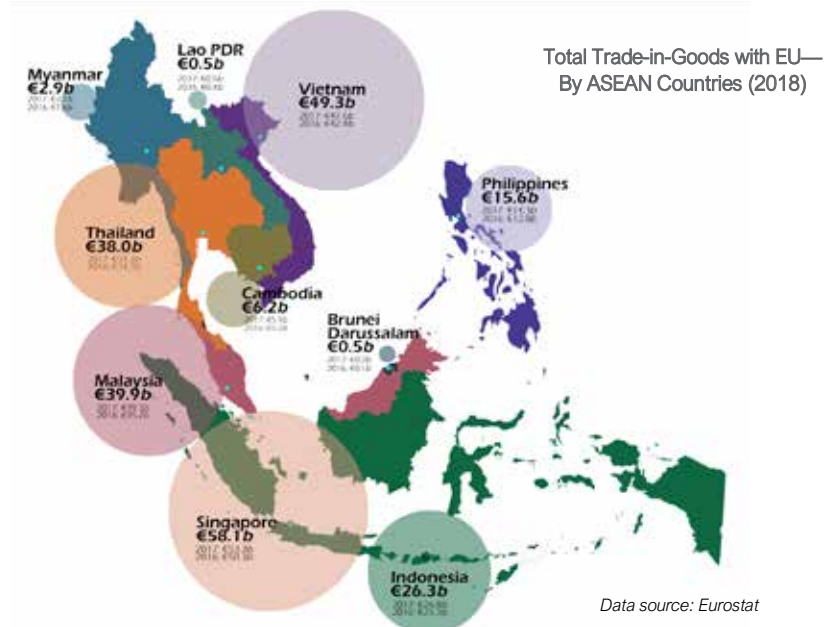
The EU and ASEAN are two of the most dynamically developing regions in the world. In 2018, more than EUR 237 billion of goods were traded between the two blocs, which accounted for 6% of the EU's total trade in goods with the rest of the world. EU exports to ASEAN amounted to EUR 96.9 billion, whereas EU imports from ASEAN countries registered EUR 140.3 billion; EU's trade deficit with ASEAN totalled EUR 43.4 billion. All this corresponded to a 6.95% annual average

increase of total merchandises trade between the two regions during the last five years (2014-2018).

Singapore accounted for more than 24% of the EU's total merchandise trade with ASEAN in 2018. Together with Brunei Darussalam, they are the only ASEAN Member States with which the EU recorded a trade surplus (EUR 16 billion and EUR 0.5 billion, respectively). All other ASEAN countries recorded a considerable sur-



Source: Eurostat

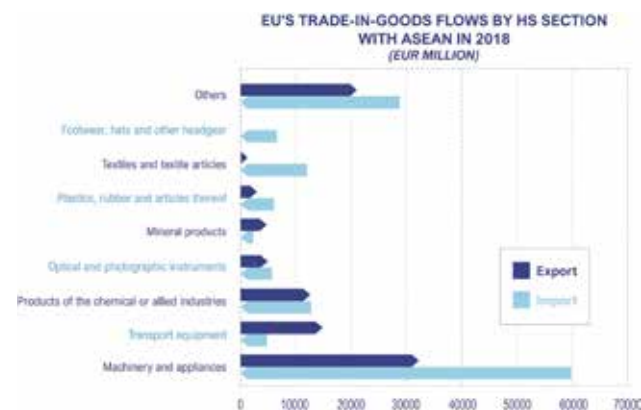


plus in their trade with the EU. Vietnam, the EU's second largest merchandise trade ASEAN partner (20.7%), enjoyed the largest surplus of EUR 27.1 billion in total. It was followed by Malaysia, which accounted for almost 17% of the EU's total trade-in-goods with ASEAN, recording a trade surplus of EUR 11.5 billion.

The largest share of EU's exports to ASEAN countries in 2018 was held by the machinery and appliances sector, with

33.4% of the total share. Transport equipment ranked second (15.5%) and products of the chemical or allied industries ranked third (13.1%).

Similarly, EU's imports from ASEAN were also dominated in 2018 by machinery and appliances, which constituted 42.7% of the total share. Products of the chemical or allied industries ranked second (9.3%), while textile and textiles articles ranked third (8.8%).



Source: Eurostat

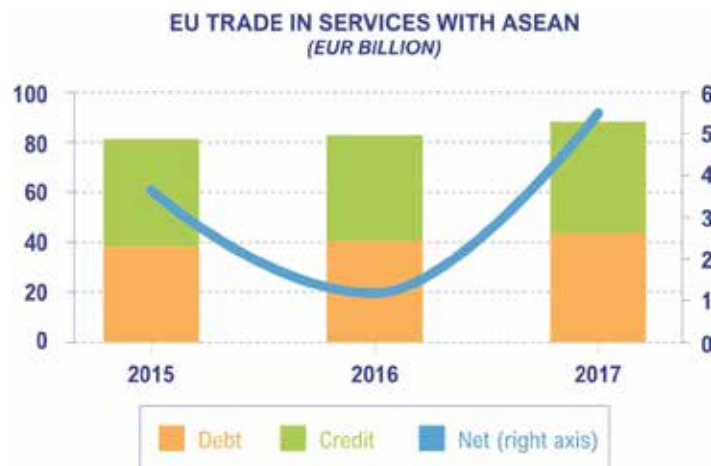
4.3 Trade in Services



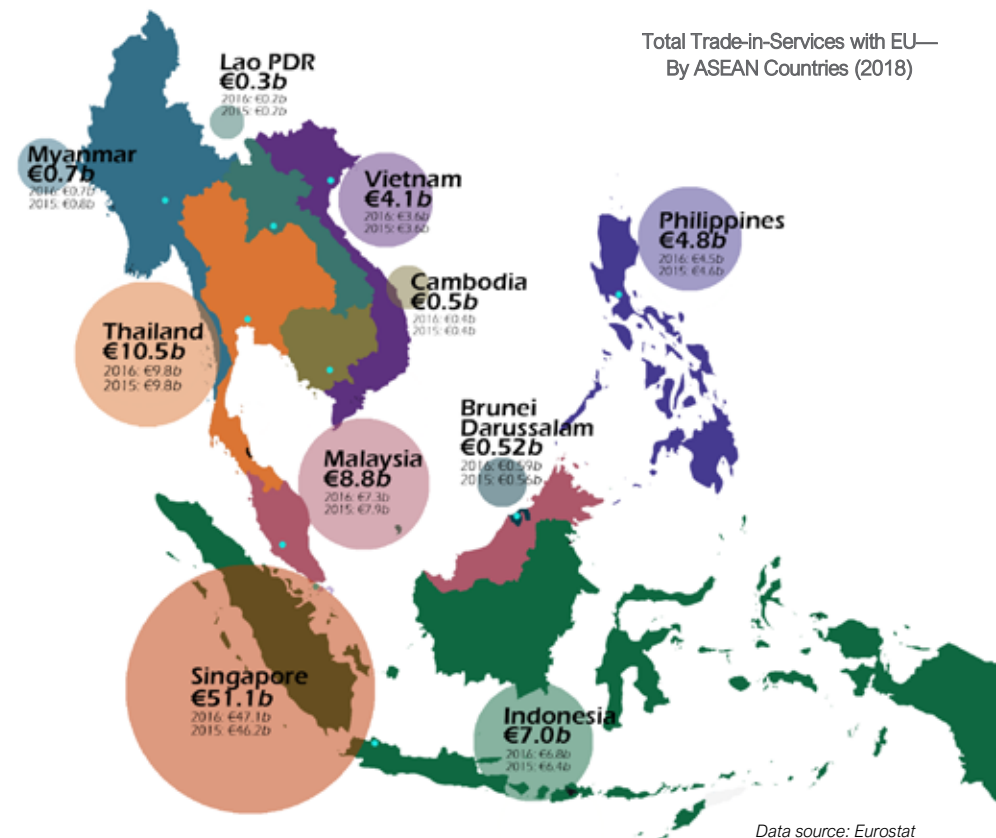
Services are a sizeable and constantly expanding component of ASEAN countries with increasing opportunities. As of 2017, the total bilateral trade in services between the EU and ASEAN amounted to EUR 88.3 billion, a 9% year-over-year growth (EUR 81 billion in 2016). It accounted for 5.41% of the EU's total trade

in services with the rest of the world. Plus, the EU continued to enjoy a surplus in trade in services with ASEAN in 2017, which amounted to EUR 5.5 billion.

Singapore accounted for more than 57% of the EU's total trade in services with ASEAN in 2017 (EUR 51.1 billion), with



Source: Eurostat



which the EU recorded a trade surplus of EUR 6.5 billion. It also highlights the trade balance registered with Indonesia; trade between the two regions accounted for more than EUR 7 billion, and the EU enjoyed a surplus of EUR 1.2 billion.

On the other side, Thailand, EU's second largest trade-in-services ASEAN partner (11.9%), enjoyed the largest surplus of EUR 3.1 billion in total. It was followed by Malaysia, which accounted for almost 10% of the EU's total trade-in-services with ASEAN, recording a trade surplus of EUR 0.4 billion.

In 2017, EU registered more than 93% of its ASEAN trade in services with Singa-

pore, Thailand, Malaysia, Indonesia and the Philippines. Trade in services between these two blocs mainly consisted of transport services (EUR 17.5 billion), followed by charges for the use of intellectual property (EUR 15.3 billion) and travel services (EUR 10.6 billion).

EU maintained a EUR 6.4 billion net balance in charges for the use of intellectual property and a EUR 2.8 billion in telecommunications, computer, and information services. In turn, top five ASEAN partners had a positive balance in travel services (EUR 4.8 billion), in financial services (EUR 1.4 billion), as well as in manufacturing services (EUR 0.9 billion).



Foreign Direct Investment (FDI) is a major contributor to economic growth in ASEAN Member States. Investments prospects in the region are promising, with improvements in the investment environment, a strong economic growth, a growing middle class and regional integration. According to the ASEAN Secretariat Database, in 2018, total FDI flows to ASEAN rose to an all-time high of USD 155 billion, with a rise in EU investment, from the USD 15 billion fell in 2017 to USD 21.9 billion in 2018.

The vast majority of this investment was destined for Singapore (USD 17.92 billion; 81.62%), with a smaller share to Malaysia (USD 2.24 billion; 10.18%) and, the remainder, less than one tenth of the total, split between the other ASEAN Member States.

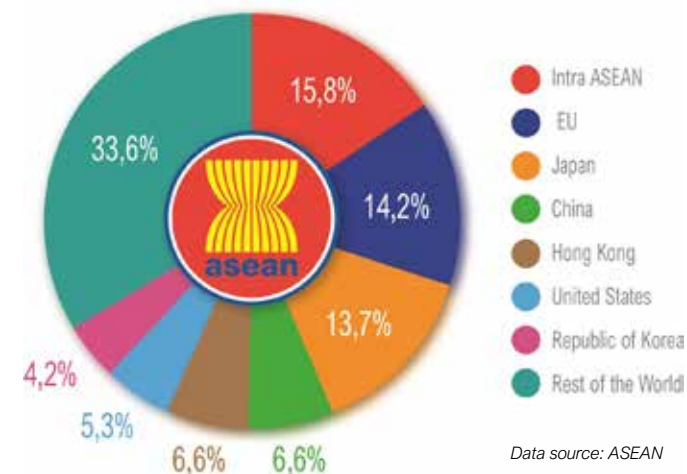
EU's FDI went mainly to financial and insurance activities (USD 14.16 billion), followed by manufacturing (USD 6.76 bil-



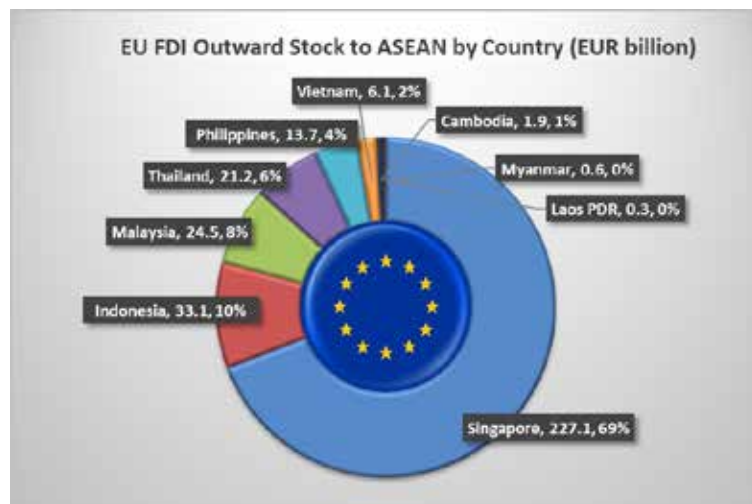
lion), and transportation and storage (USD 2.46 billion). At the same time, investments in a few emerging recipient industries are worth monitoring closely because of their potential impact on economic and social development. These industries in-

clude health care, as well as research and development activities. Additionally, emerging investment opportunities in the digital economy will push more digital firms to adopt regional strategies to benefit from network effects and scalability.

SHARE OF ASEAN FDI INFLOWS
PER COUNTRIES / REGIONS IN 2018

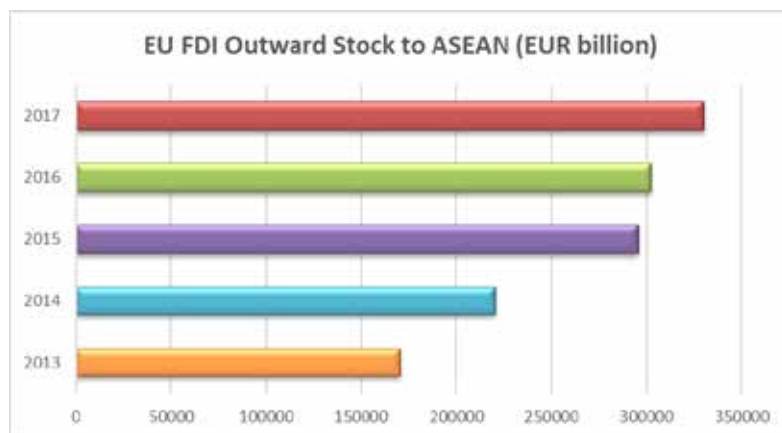


4.5 Investment Relations: ASEAN in EU



The EU has long been the largest investment partner in ASEAN. In 2017, it had an investment stock of EUR 337 billion in the region, a 93.73% increase since 2013 (EUR 170.6 billion). Singapore registered

EUR 227.1 billion of EU outward FDI stock, representing 69.1% of EU outward FDI stock in ASEAN countries. It was followed by Malaysia (EUR 24.5 billion) and Thailand (EUR 21.2 billion).



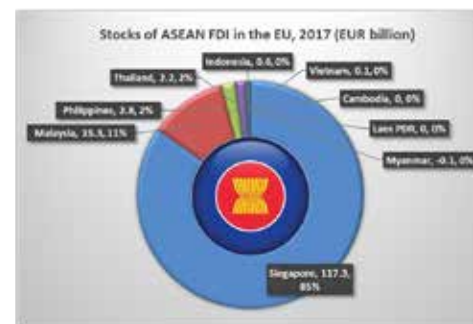
Sources: Eurostat



The EU has one of the world's most open investment regimes, as acknowledged by the OECD. The openness of EU's trade regime means that the region has become deeply integrated into global markets and remains a good region to do business with.

Even though companies controlled by ASEAN investors are still small in number in the EU, Singapore is the third largest Asian investor in the EU, after Japan and Hong Kong.

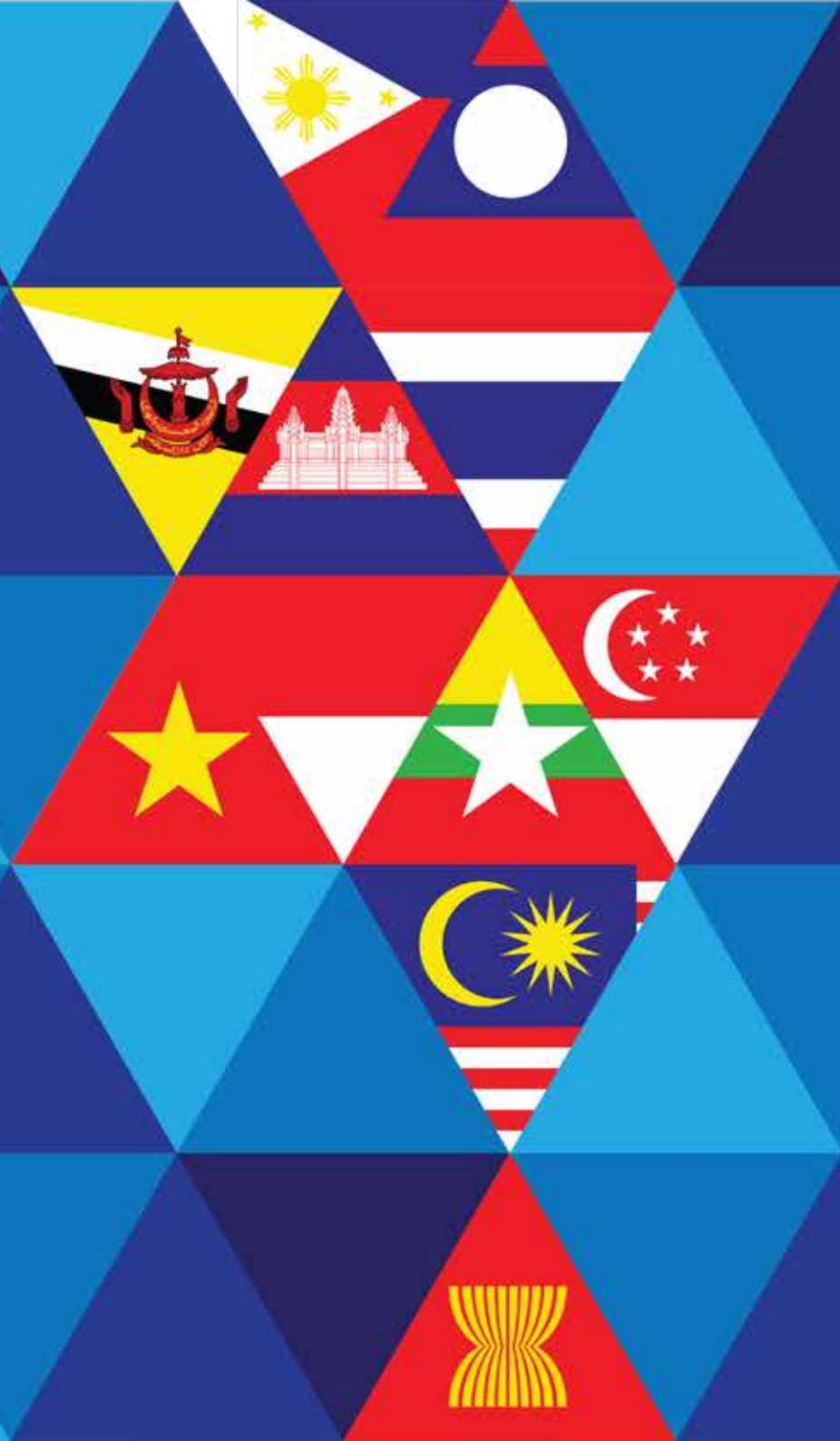
EU inward stocks from ASEAN Member States totalled EUR 141 billion in 2017, representing a 144.24% increase from 2013 (EUR 56.83 billion). Singapore's reached a value of EUR 117.3 billion, an increase of 33.75% compared to 2016 (EUR 87.7 billion); stocks from Malaysia, the second ASEAN investor in the EU, registered EUR 15.3 billion; and the Philippines, the third largest ASEAN investor in EU, reported EUR 2.8 billion. ASEAN companies in Europe mostly invested in various manufacturing sectors for technology and market access purposes.



Sources: Eurostat

CHAPTER 5: EU-ASEAN BUSINESS SUPPORT

The EU and ASEAN have over the last decades developed an active and regular business dialogue that is supported by leading business organisations on both sides. Most notably, the EU and ASEAN hold regular EU-ASEAN business summits which bring together top CEOs from Europe and the ASEAN in order to discuss ways to enhance further the trade and investment partnership, and to provide policy recommendations to their respective Governments. Furthermore, the EU is funding various platforms in the ASEAN for supporting EU business expansion in the ASEAN region, by for example providing tailored business services and information services to SMEs, bringing business delegations from the EU in selected sectors, and organising fairs and networking events that bring together EU and ASEAN business.



5.1 EU-ASEAN Business Council



The EU-ASEAN Business Council (EU-ABC) is the sole pan-regional body representing the interests of European Businesses across the ASEAN region. Formally established as a registered society in Singapore in April 2014, the EU-ABC had its origins as a joint body allowing the various European Chambers of Commerce in Southeast Asia to work collaboratively in running an annual

engagement with the ASEAN Economic Ministers. It evolved and developed further leading up to its official formation as a broad membership-driven body which today includes more than forty of Europe's largest and most world-known multinational corporations as well as all nine officially recognised European Chambers of Commerce in ASEAN.

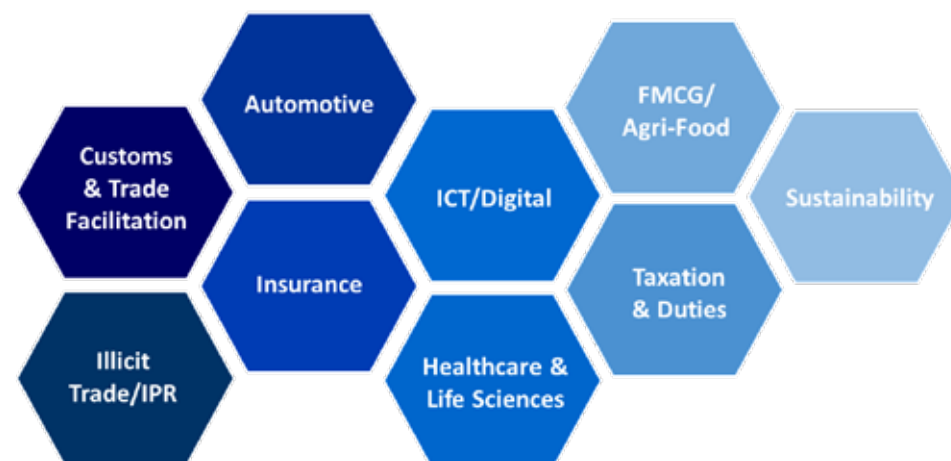


Above: 2019 ASEAN-EU Business Summit, Bangkok Thailand.

The EU-ABC has been officially recognised as the European business body for ASEAN by both the European Commission and the ASEAN Secretariat, and is also a recognised ASEAN Entity under Annex 2 of the ASEAN Charter. Independent from both bodies, the EU-ABC has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote increased trade and investment

between Europe and the ASEAN region. The EU-ABC works on a sectorial and cross-industry basis to help improve the investment and trading conditions for European Businesses in the ASEAN region through influencing policy and decision makers throughout the region and in the EU, as well as acting as a platform for the exchange of information and ideas amongst its members and regional players within the ASEAN region.

EU-ABC Advocacy Groups



The Latest Publications



Download EU-ABC publications at <http://www.eu-asean.eu/publications/>

The EU-ABC and its members have regular interaction with various ASEAN Ministerial Groups and ASEAN working groups, where we look to promote the interests of our members and work closely and collaboratively with ASEAN, its member states and other related bodies such as the ASEAN Business Advisory Council on a wide range of issues, including the sustainable development, improving trade facilitation, boosting foreign direct investment, and promotion of advances in ASEAN's own economic integration agenda. The Council also undertakes regular trade and investment missions to individual ASEAN countries. In addition, there is also activity with the European Commission and the various EU Delegations in ASEAN, where the EU-ABC works to improve involvement and co-ordination with between European institutions and ASEAN.

Throughout the year the Council issues various position papers and publications, focusing on key issues of importance for European industry. It also publishes an annual Business Sentiment Survey which reflects the views and perceptions of European businesses operating within ASEAN. Those surveys have consistently demonstrated a strong appetite from European businesses to expand their investments and trade with ASEAN. For this year's Survey, some 88% of respondents said that they expected to increase their trade and investment in ASEAN over the next 5 years.

More information on the results of the Survey can be found in the infographic on the right.

EU-ASEAN BUSINESS SENTIMENT SURVEY KEY FINDINGS

HIGHLIGHTS OF THE 2019 REPORT

53% OF RESPONDENTS SEE ASEAN AS THE REGION WITH THE BEST ECONOMIC OPPORTUNITY

An increase from 51% in the 2018 survey



88% OF RESPONDENTS EXPECT TO INCREASE TRADE & INVESTMENT IN ASEAN IN THE NEXT 5 YEARS

ONLY 3% OF RESPONDENTS FEEL THAT ASEAN ECONOMIC INTEGRATION IS PROGRESSING FAST ENOUGH

Sentiment is down from 11% in 2018



DESPITE VARIOUS ASEAN-LEVEL COMMITMENTS TO ELIMINATE NON-TARIFF BARRIERS TO TRADE, 58% OF RESPONDENTS FOUND THAT THE NUMBER IN ASEAN HAS NOT CHANGED MUCH

94% OF RESPONDENTS WOULD LIKE THE EU TO ACCELERATE FTA NEGOTIATIONS WITH ASEAN AND ITS MEMBERS



Download the full report at www.eu-asean.eu/publications



EU-ABC Membership



To find out more information about the work of the EU-ABC, please visit www.eu-asean.eu or email info@eu-asean.eu.



5.2 EU Sustainable Business Practices in ASEAN



EU companies invest in sectors with high value added products or activities that provide high quality jobs. These companies bring cutting edge technologies, helping ASEAN countries to climb the value added chain.

They also attach high importance to Corporate Social Responsibility (CSR) and encourage sustainable business practices supporting inclusive growth, as shown in the following case studies:

INDUSTRY 4.0 GOES TO SCHOOL



Bosch Rexroth, partnering with the German Society for International Cooperation (GIZ), supports a modern learning centre

in Dong Nai province to prepare both instructors and apprentices for the networked future.

The apprentices are being trained in the use of new technologies – and their instructors are, too. Students are delighted with the new training program. It allows them to gain insight into the important methods and technologies that are associated with Industry 4.0, laying the ideal foundations for finding an attractive job after graduation.

Bosch has been training young people in Vietnam in line with the German concept of

dual occupational training since 2013, establishing a partnership with LILAMA 2 Technical and Technology College in Dong Nai province.

In that time, 144 young people have completed apprenticeships to become industrial mechanics and mechatronics engineers. The site also runs an exchange program for apprentices, with sites in Germany and China.

FAMILY LEAVE POLICY



In May 2019, Diageo, one of the world's largest producers of spirits and beers, announced the global roll-out of an ambitious new family leave policy applicable to employees across its business. The new policy offers female employees in all markets a minimum of 26 weeks of fully paid maternity leave.

The company is also setting a global minimum standard of four weeks paternity leave on full rate of pay in all markets, with a significant number of Diageo's businesses moving to 26 weeks fully paid paternity leave including the ASEAN markets in Singapore, Thailand and the Philippines,

where 50% of the employees and 25% of its senior leadership team are female. Aligned with their values and purpose as a business, it provides a benchmark that is well above regional standards in Southeast Asia.

The policy supports Diageo's ambition to create a fully diverse and inclusive workforce, where barriers to career progression are removed and talent is retained and nurtured. This initiative also supports gender equality, allowing more parents to access the same benefits, and challenging gender norms.

DATA SCIENCE EXPLORERS



The ASEAN Foundation and SAP has formed a strategic partnership to further positive social impact in the ASEAN region. This joint effort focuses on engaging youths and social entrepreneurs to contribute to ASEAN's vision of an inclusive people-centred and people-oriented community.

The Memorandum of Understanding between the two organisations is a part of SAP's Corporate Social Responsibility policy. This agreement focuses on driving digital literacy to support sustainable growth for the communities that the programmes aim to benefit.

DISASTER RESPONDER



In a matter of days after an earthquake struck Palu, Indonesia, last year, Deutsche Post DHL Group's (DPDHL) Disaster Response Team (DRT) was on the ground facilitating aid relief logistics.

The trained volunteers of DPDHL-DRT in the region kept close tabs on the developments, standing by for deployment to ground zero at any time.

Designated as the main humanitarian relief hub for the sourcing and sorting of incoming relief goods, the Balikpapan airport was one of the two key sites for DRT deployment – the other being a distribution centre at the airport in Palu handling and storing relief goods.

Structure and organization were badly needed to facilitate the humanitarian logistics

flow at both airports. This was where the expertise of DRT was absolutely critical. DHL played a central coordination role during this deployment.

The team functioned as a control tower, bringing together multiple parties to deliver a successful humanitarian logistics mission.

EDUCATIONAL SUPPORT PROGRAM



BMW Group Thailand, in partnership with the German-Thai Chamber of Commerce, launched a BMW Service Apprentice Program, participated by more than 167 students from vocational colleges.

Students receive training in technical fundamentals, while theoretical and practical training is provided at the BMW Training Centre with on-the-job training and support provided by BMW certified technicians at authorized BMW dealerships.

Since its inception, the partnership has developed young technicians and enabled them to become skilled workers in the automotive industry while also reinforcing Thailand's potential as a global automotive production hub.

Earlier this year (2019), the program recently oversaw the donation of a four-cylinder internal combustion engine used in the latest plug-in hybrid electric vehicles from BMW to Chitralada Vocational School for educational purposes, enhancing the mechatronics skills as well as laying a stronger foundation for their expertise in electric mobility.

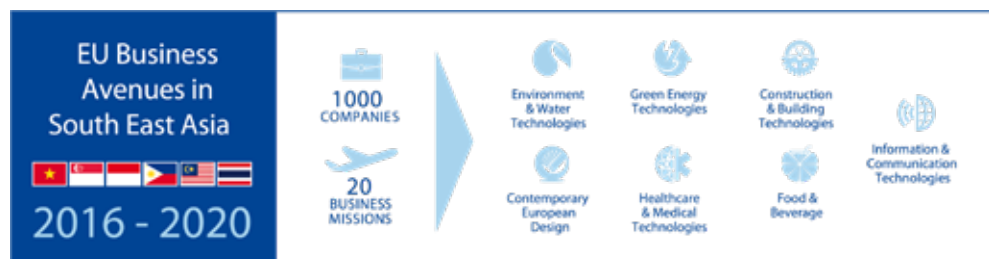
Similarly, BMW Manufacturing Thailand has been collaborating with the Thai-Austrian Technical College in Sattahip and Chitralada School to develop greater expertise in mechatronics through the Dual Excellence in Education vocational training program.

5.3 EU Business Avenues in South East Asia



The EU Business Avenues in South East Asia is an initiative funded by the European Union to help European companies establish long-lasting business collaborations in South East Asia. The programme provides a comprehensive suite of dedicated services covering business, cultural and legal needs - Market Studies, Business Culture Awareness Training and Business Meetings. All of these are expected to facilitate collaboration with local players, in the form of joint ventures, distributorships or licensing agreements, and to smoothen and speed up the process of entry into local markets. For each business mission, the European companies will visit two countries in South East Asia to allow the European companies to expand their business network and outreach within the region.

From 2016-2020, business missions under this programme span the following sectors: Contemporary European Design, Construction & Building Technologies, Environment & Water Technologies, Organic Food & Beverage, Green Energy Technologies, Healthcare & Medical Technologies, and Information & Communication Technologies.



5.4 The EU Trade Helpdesk



Your guide to the EU market's import rules and taxes

Want to export your product to the European Union and get access to a market of 513 million consumers in 28 countries?

Then visit our Export Helpdesk online:

<https://trade.ec.europa.eu/tradehelp/>

It is specially designed for businesses based outside the EU or importing into the EU.

You will find all you need to know about exporting to the EU, including:

- ▶ Health, safety and technical standards you will need to meet
- ▶ Customs duties you will need to pay at the border
- ▶ Internal taxes in each of the 28 countries
- ▶ The rules of origin that define where a product is from and whether it profits from preferential duty rates
- ▶ Forms to send with your shipments

5.5 South-East Asia IPR SME Helpdesk



Free South-east Asia Intellectual Property advice for European SMEs

#knowbeforeyougo!

The SEA IPR SME Helpdesk provides free information and services in the form of jargon-free first-line confidential advice on IP and related issues, plus training materials and online resources.

It raises awareness about IP matters in South-east Asia affecting European SMEs, and helps them make informed IP decisions.

For more information on how we can work together, please contact us:

Tel: +84 28 3825 8116 / + 32 2 663 30 51

E: question@southeastasia-iprhelpdesk.eu

www.ipr-hub.eu



A initiative of the
European Commission



Project implemented by:



5.6 List of Useful Contacts



European Chamber of Commerce in Cambodia

#30 Preah Norodom (corner st. 148)
Bred Bank building 3rd floor
Khan Daun Penh, Phnom Penh
Cambodia

Ph: +855 023 964 141 / +855 010 871 388

Email: info@eurocham-cambodia.org

W: <https://www.eurocham-cambodia.org/>



European Business Chamber - EuroCham Indonesia

World Trade Centre 5, 13th Floor
Jl. Jenderal Sudirman Kav. 29 – 31
Jakarta, 12920 Indonesia

Ph: (+62) 21 571 0085

Fax: (+62) 21 571 2508

Email: info@eurocham.id

W: www.eurocham.id



European Chamber of Commerce and Industry in Lao PDR

Villa Inpeng, No 74, Inpeng Street,
Watchan Village,
Vientiane capital P.O. Box 11781
Chanthabouly District, 1000

Ph: +856 21 264330

Email: contact@eccil.org

W: <https://eccil.org/>



EU-Malaysia Chamber of Commerce and Industry

Suite 10.01, Level 10,
Menara Atlan,
161B Jalan Ampang, 50450
Kuala Lumpur, Malaysia

Ph: +603 2162 6298

Fax: +603 2162 6198

Email: eumcci@eumcci.com

W: <https://www.eumcci.com/>



European Chamber of Commerce in Myanmar

Parkside One
271-273 Bagayar Street
Sanchaung Township
Yangon
Republic of the Union of Myanmar

Ph: +95 9 45058 2335

Email: info@eurocham-myanmar.org

W: eurocham-myanmar.org



European Chamber of Commerce in the Philippines

19/F Philippine AXA Life Centre
Sen. Gil Puyat Avenue corner
Tindalo Street, San Antonio
Makati City, Metro Manila, 1200
Philippines

Ph: +632 845 1324 / +632 759 6680

Fax: +632 845 1395 / +632 759 6690

Email: info@eccp.com

W: <https://www.eccp.com/>



European Chamber of Commerce in Vietnam

GF, Sofitel Plaza Hanoi, 1 Thanh
Nien Road, Ba Dinh District,
Hanoi, Vietnam

Ph: +844 3 715 2228

Fax: +844 3 715 2218

Email: info-hn@eurochamvn.org

15F, The Landmark, Room 2B, 5B

Ton Duc Thang, District 1, HCMC

Ph: +848 3 827 2715

Fax: +848 3 827 2743

Email: info-hcm@eurochamvn.org



European Association for Business and Commerce (EABC)

208 Wireless Road Building, 14th floor,
Wireless Road, Lumpini, Pathumwan
Bangkok,
10330 Thailand

Ph: 02 2528751 52 #109

Email: office@eabc-thailand.org

W: <https://www.eabc-thailand.org/>



European Chamber of Commerce (Singapore)

138 Robinson Road, #11- 04
Oxley Tower,
Singapore 068906

Ph: +65 6836 6681

Email: info@eurocham.org.sg

W: <https://eurocham.org.sg/>



Mission of the European Union to ASEAN

Menara Astra, 38th Floor, Jl. Jend Sudirman 5-6

Jakarta, Indonesia

Phone: +62 21 25546200

Fax: +62 21 2554 6201

mission-asean@eeas.europa.eu

www.eeas.europa.eu/asean

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