

## [PHILIPPINES]

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## 10 Years of ASEM: A Philippine Assessment

The Asia-Europe Meetings (ASEM) were first organized in 1996 with the original objective of creating a new Asia Europe partnership based on a greater understanding between the people of both regions and strengthened dialogue between and among the governments of the countries involved. By the time of the Hanoi Meeting in 2004, ASEM involved 39 partner states and institutions -- the ten ASEAN member states, China, Japan, Korea, the 25 EU member states (after the latter's expansion in May 2004 from 15 to 25 members), and the European Commission.. In operational terms, ASEM sought to create an environment for cooperation between these countries by identifying priorities for concerted and supportive action in three areas or pillars: political dialogue, economic cooperation, and social and cultural cooperation. The prospects for ASEM in the immediate aftermath of the inaugural meeting in Bangkok were largely seen in a positively light and much was expected of the ASEM process towards promoting and enhancing interregional cooperation.

The international environment, however, has changed in the last 10 years. The world has seen the emergence of a largely unipolar global order. Both Europe and Asia have shared the experience of seeing the rise and spread of democratic governance, and the rapid growth of regionalism. At the same time, Asia's economic dynamism was dampened by the 1997 financial crisis, and the subsequent recovery affected by Japan's decade long economic malaise. On the other hand, the rise of China as a political and economic player in the Asia Pacific brings to the fore a new variable that has potentially long-term consequences for power relations and dynamics in the region. Underscoring all these is the United States' increased turn towards unilateralism since the 11 September 2001 terrorist attacks on New York and Washington, DC. In particular, the war launched against Saddam Hussein's Iraq has posed a serious challenge to multilateral institutions at a time when there is an urgent need to strengthen them.

In the context of these global and regional events and developments, it becomes necessary to review the relevance and importance of multilateral efforts and initiatives such as ASEM. The significance of ASEM, however, can only be measured in terms of how it has affected Asia Europe relations by looking at its impact on individual countries in Asia and their relationship with Europe, and vice versa. This paper looks into the extent to which ASEM has been instrumental in enhancing the Philippines' relationship with Europe. The analysis given in the paper is structured in the context of the different pillars of ASEM. It is argued here that while ASEM claims to have achieved success over the past 10 years of its existence, this success has not translated into any meaningful enhancement of Philippine relations with Europe. Several

factors can be identified as having contributed to condition, but in the end it points to ASEM's lack of impact on Philippine-European relations.

## **Institutionalization and Political Dialogue**

The underlying principle in multilateralism, especially efforts and projects that involve institution building, is that cooperation relies heavily on shared interests. Societies sharing common values make regime formation easier and, conversely, value differentials make institution-building more difficult.<sup>10</sup> While structural change affects regime formation, Crone likewise recognizes that value differences and the need for common accepted norms and principles are significant. ASEM clearly reflects differences in cultures and national policy perspectives. The diverse political and economic systems of partners have also challenged norms that they have adopted. Despite these differences among its participants, ASEM has allowed them the opportunity to improve their relationship.

ASEM brought together EU and Southeast Asia and the three East Asian countries – China, Japan, and South Korea. It aims to strengthen relations and broaden opportunities between Asia and Europe through processes that emphasize informality, multidimensionality, equal partnership, and high-level participation. It was an opportunity to allay the “fortress of Europe” notion in view of the deepening integration process in Europe in the aftermath of the Treaty of Maastricht in 1992 and the Treaty of Amsterdam in 1998. On the part of Asia, it was also a symbolic expression of their “Asianness” where Asia became interested in Asia<sup>11</sup> even prior to the creation of the ASEAN Plus Three. In an interesting twist of logic, ASEM was seen as providing an interregional framework that could provide a platform for further strengthening intra-regional cooperation.<sup>12</sup> In other words, the ASEM process helped pave the way to the institutionalization of East Asian cooperation, and thereby contributing to multilateralism in Asia.

The establishment of the practice of bi-annual Summits, and identifying the three key pillars and priorities for ASEM were decided upon at the second ASEM Summit in London in 1998. Since then, ASEM has tried to map out a political and security agenda which its participants are supposed to look into. ASEM has succeeded in promoting and expanding high level political

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<sup>10</sup> Cited in John Avila, *Regional Cooperation in APEC and ASEM: An Institutionalist Perspective*. Available in <http://www.Auckland.acnz/apec/papers/avila.pdf>.

<sup>11</sup> Focus Group Discussion with government officials involved in ASEM, 23 August 2005, Department of Foreign Affairs, Pasay City.

<sup>12</sup> Cesar de Prado Yepes, “Is there convergence of East Asian countries’ foreign policies? The case towards Europe,” *Panorama*, Vol. 6, No. 1 (2004): 29; and Paul Lim, “Political Issues in EU-ASEAN Relations,” *Panorama*, Vol. 1 No. 1 (1999): 6-7.

dialogue as well informal dialogues on both regional and international issues involving economic, environmental, non-military aspects of security, disarmament and humanitarian issues, as well as dialogue on common rules of conduct that ensure the proper maintenance and functioning of international order. It is in the context of the last aspect of political dialogue that the Philippine government saw the importance of the ASEM process to Philippine interests.<sup>13</sup> In particular, the Philippine's Department of Foreign Affairs was intent on using the strategic benefit that ASEM could lend to the issue of the South China Sea. ASEM became another forum which the Philippine government used to press China into discussing a code of conduct for rival claimants to the Spratley Islands. In the end, the establishment of the Declaration on the Conduct of Parties on the South China Sea is testimony to the amount of labor and persistence that went into these efforts of Philippine diplomats (both formal and informal, government and non-government) even in the face of imposing odds.

At the same time that the ASEM process was used by the Philippine government to advance an issue of particular interest to it, the episode also exposed what is clearly a major problem as far as advancing the dialogue process was concerned – incongruities in the interests of the Philippines, the other Asian participants to ASEM, and the European participants. At the ASEM Senior Officials Meeting in Berlin in 1999, the Philippines pushed for the inclusion of the South China Sea issue in the ASEM agenda over the disinclination of the hosts to support it. Obviously, this was an issue that China preferred to leave out of the meeting. Then Secretary of Foreign Affairs Domingo Siazon insisted that “the issue has to be discussed because it relates to political and security conditions in Asia, [even] as we will also be discussing political and security conditions also (sic) in Europe.” He pointed out that the issue could be included via a formula which would allow it to be referred to in conjunction with other specific political and security issues.

The need to reconcile specific differences such as these, however, reflect a fundamental area of agreement between the ASEM participants, i.e. ASEM's value as a dialogue process on political and security affairs goes beyond any possible claim that it would provide a forum for discussing and perhaps helping resolve specific political and security issues. Rather, specific cooperation programmes and initiatives should help make ASEM into a workable confidence-building institution on a region-to-region level. As far as the Philippines is concerned, balancing between the achievement of specific goals (such as putting the South China issue on the ASEM agenda) and the general objective of keeping ASEM relevant as a dialogue process to all

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<sup>13</sup> Sebastian Bersick, “The ASEM Regime and its participants' interests,” a paper presented at the Philippine Forum on the Asia-Europe

concerned remains the principal challenge. As far as the political dialogue process is concerned, and despite the lack of interest on the part of Europe to include the South China Sea as a specific issue that merits inclusion in the agenda, this has been less of a problem than it would seem. Two recent issues also illustrate how these interactions between convergences on interests on general policies coincide or conflict with specific Philippine or European concerns.

*Terrorism and Human Rights.* Since 11 September 2001, the fight against terrorism has taken on a global significance. This was brought home to Asia with the bomb attacks in Bali and the JW Marriott Hotel in Jakarta in 2002 and 2005, and various places in the Philippines in 2002. Attacks in Europe, such as Spain in 2004 and England in 2005 have only made to clear the commonality of the concern for both Europe and Asia. As a consequence, The EU-Asia dialogue process has given its support to the different ASEAN declarations on the fight against terrorism. The European Union's "Comprehensive Strategy for Future Relations with Southeast Asia" launched in July 2003 indicated its support for supporting regional stability in Southeast Asia and the fight against international terrorism.<sup>14</sup> Joint exercises that focused on counter-terrorism were conducted between ASEAN states and non-ASEAN states. These involved primarily the United States and Australia. At the same time, though, intensified cooperation specially on intelligence sharing is already evident among the ASEAN states, particularly between Indonesia, Malaysia, the Philippines, Singapore, and including even Thailand, as well as between the ASEAN states and some European states. Even more evident is the European support for ASEAN initiatives on counter-terrorism in Southeast Asia especially in the context of the ASEAN Regional Forum. The Philippines, a front-line state as far as terrorism in the region is concerned, has been a key player in these initiatives.<sup>15</sup>

The fight against terrorism, however, has also brought about tensions between Southeast Asia and Europe. On 28 November 2002 the Australian and Canadian embassies in Manila closed down after receiving "credible and specific information" about threats from Islamic extremists. This development was apparently another point against the Philippine government which was caught by surprise by the decision of the two governments. It was particularly problematic since the Philippine government could not confirm the veracity of the information

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Meeting: Understanding the Process and Potentials and Defining Civil Society Engagements, 26-27 November 2004, Manila.

<sup>14</sup> Frank Umbach, "EU-ASEAN Political and Security Dialogue at the Beginning of the 21<sup>st</sup> Century: Prospects for Interregional Cooperation on International Terrorism," *Panorama*, Vol. 6, No. 1 (2004): 11.

<sup>15</sup> Ever since 11 September 2001, there have been at least 25 declarations, joint communiqués and workshops undertaken by the ASEAN states. A number of these have been with the ASEAN Regional Forum. Of these initiatives, the European countries have been particularly active on issues relating to money laundering and terrorist financing. See John McFarlane, "Terrorism in the Asia Pacific: The Reality and the Response," in Elina Noor and Mohamed Jawhar Hassan, eds. *Asia Pacific Security: Uncertainty in a*

received by the two embassies.<sup>16</sup> Travel warnings from the United States, the European Union and Australia have been criticized by the ASEAN states. The European Union supposedly included the Philippines in its list of “terrorist havens.” The impact of this development is such that it might “wipe out” the efforts of President Arroyo to lure foreign businessmen to the country.<sup>17</sup>

An even more serious rift is the conjunction between the fight against terrorism and human rights in the region. A number of states in the region, the Philippines included, have either put into place or are considering putting into place anti-terrorism legislation. In some cases, these have been criticized by some European states and more strongly by civil society groups based in Europe because of the powers these laws grant to the state that are potentially problematic for human rights. In the case of the Philippines, different versions of the same bill are being debated in both the Senate and the House of Representatives. Central to the debate is the issue that an Anti-terror Law may be used against political dissenters. Enough cases in the past wherein the police powers of the state was used with very little supporting evidence (and where in many cases it eventually turned out that there was really no evidence against the person/s involved) make the passage of an Anti-terror Law in the Philippines something that merits close scrutiny.<sup>18</sup>

Both terrorism and human rights, however, are issues that do not really create much dissonance in the relationship between the Philippines and Europe. Both are areas where there is actually strong agreement between the European states and the Philippines on the principles involved that need to be observed and protected. In fact, in both areas there has been some degree of cooperation between governments as well as civil society groups, especially as it pertains to pushing the adoption of human rights norms in the region. What is noteworthy is the degree to which ASEM has made a contribution in these areas of concern as far as the Philippine is concerned. This has been at best moderate as much of the cooperative mechanisms between the Philippines and Europe have been bilateral in nature.

*The inclusion of Myanmar into ASEM and the enlargement of the European Union.* The participation of 39 partner states at the Fifth ASEM Summit in Hanoi in 2004 was a historic landmark in Asia-Europe relations. Not the least of its accomplishments was in meeting the challenges provided by the membership issues that bedeviled both Asia and Europe in the lead-up to the Summit. In the case of Asia, the membership of Myanmar in ASEAN posed a

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*Changing World Order* (Kuala Lumpur: Institute of Strategic and International Studies, 2003): 34-35.

<sup>16</sup> *Manila Standard*, 29 November 2002, p. 1.

<sup>17</sup> *Manila Standard*, 5 November 2002, p. 2.

<sup>18</sup> See Gemma B. Bagayaua, “The Long Road to an Antiterror Law,” *Newsbreak* (21 November 2005): 14.

challenge not only to the ASEAN-EU political dialogue that was suspended for a few years but also to the ASEM process itself. It was only made possible by the conjunction of two factors, the insistence of the ASEAN members on ASEAN solidarity and the EU's own desire to have its ten new members become participants in ASEM. If not for these two conditions, it is highly unlikely that Myanmar would have been admitted into ASEM. Even then, the case of Myanmar remains a sticking point in relations between Europe and ASEAN. Myanmar's eventual participation at ASEM 5 was at a level lower than Head of State/Government. The failure of Myanmar's military regime to release Daw Aung San Suu Kyi and open the National Convention to the participation of the National League for Democracy (NLD) prior to Myanmar's accession to ASEM 5 caused the EU to revise its Common Position on Myanmar and to further tighten sanctions against Yangon. Specifically, the visa ban on senior military officials traveling to the EU has been extended to cover all officers holding the rank of Brigadier General or higher while new restrictions have been authorized to prohibit EU companies from investing in Myanmar's state-owned enterprises.

The policy of constructive engagement implemented by ASEAN in relation to Myanmar is based on the rationale that Myanmar's integration into Southeast Asia would prevent it from slipping into potential isolation and would help socialize the country into being a responsible member of the global community. While the impasse between ASEAN and the EU over Myanmar is underpinned by differences in politico-cultural values, it is also due to a technical reason - the formal and official positions that each grouping had committed itself to.<sup>19</sup> On the one hand, ASEAN's admission of Myanmar means that Myanmar should be treated as full-fledged member of ASEAN both within ASEAN and in all activities that ASEAN is involved in.<sup>20</sup> On the other hand, the EU's common stand on Myanmar precluded the European member countries from having normal political and economic relations with Myanmar either directly or indirectly, or through its relationship with ASEAN.<sup>21</sup>

On the part of ASEAN, there has already been a vast change in the attitude of the ASEAN states regarding the case of Myanmar. The ASEAN Foreign Ministers signed a Joint Communiqué in June 2003 calling for the release of Daw Aung Sang Suu Kyi from detention. This started the debate within ASEAN which eventually led to the military junta in Myanmar agreeing to step down from taking over the chair of ASEAN in 2006 so as not to further strain ASEAN relations with its dialogue partners. Prior to this, only the Philippines and Thailand

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<sup>19</sup> Simon Tay and Goh Chien Yen (1999) "EU-ASEAN Relations: The Question of Myanmar". *Panorama*, Vol. 1, No.4 (1999).

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

were prepared to adopt the principle of “flexible engagement” as a working principle in ASEAN in dealing with domestic issues that spill beyond national borders. Instead, the ASEAN states agreed at the Manila ASEAN Ministerial Meeting in 1997 that in exceptional circumstances it would be possible for ASEAN to act under the principle of “enhanced interaction,” which many saw as a watered down version of “flexible engagement.”<sup>22</sup>

The inclusion of Myanmar in Hanoi, albeit at a lower level of participation, as well as the actions of both groupings in their relationship with that country’s ruling military junta show that both the ASEAN and the EU appreciate that the ASEAN–EU dialogue and ASEM must not be held hostage by Myanmar. At the same time, until political change takes place in Myanmar, it will continue to be potential source of contention in ASEAN relations with Europe, one that will indirectly affect Philippine political relations with the EU member countries.

The other side of the membership issue is the [entry of eight central and eastern European countries together with Cyprus and Malta into the EU in what is the biggest and most ambitious enlargement of the EU to date](#). A debate over a constitutional treaty for the EU followed in the wake of this enlargement – a debate that has been settled at the moment by the non-ratification of a proposed EU Constitution by the people of a number of important European states. Hence, in the case of the EU, it is grappling with both widening and deepening issues. On the widening aspect, new and old members still face substantial political and economic challenges but the emerging trends are very positive. Even as the EU, however, begins the task of assimilating 10 new members, the deadline for the next enlargement is already approaching. Bulgaria and Romania, having completed negotiations, signed their Treaty of Accession on 25 April 2005. They should be able to join the Union on 1 January 2007. Two other candidate countries, Turkey and Croatia opened their membership negotiations in 2005. Initially scheduled for March 2005, the opening date for entry talks with Croatia was put on hold until the country cooperates fully with the International Criminal Tribunal for former Yugoslavia. Turkey opened negotiations in October 2005. An application for membership submitted by the former Yugoslav Republic of Macedonia in March 2004 is being examined by the European Commission, which will decide on whether it is ready to begin entry negotiations. The EU is now looking at further enlargement in the Western Balkans. It believes that the countries of this region are destined to become members of the EU once they are ready.

It is the deepening aspect of EU integration which has been stalled by the rejection by French voters of the EU constitution on 29 May 2005, followed by a similar decision in the

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<sup>22</sup> Carolina G. Hernandez, “Political Security Cooperation within ASEAN: Increased Opportunity for EU’s Participation,” *Panorama*

Netherlands three days later. These rejections have raised questions throughout Europe about what the rejections mean, and where the EU movement goes from here. All 25 states must ratify the EU constitution for it to become law but so far, only nine of the EU's 25 members have ratified it. The constitution, when ratified expands the EU's responsibilities to include such areas as immigration and refugee policy, makes the EU presidency a more powerful and permanent office, strengthens the role of the European Parliament, and gives the EU a "legal personality" so it can sign international agreements itself. If the proposed EU constitution does not win unanimous ratification, it dies. EU leaders have agreed to extend the deadline for ratification beyond November 2006. They have not specified what the new date will be, but there is little doubt that the movement towards fuller European integration suffered a major setback in France and the Netherlands.

The impact on ASEAN of the EU's widening and deepening policies are at this point too early to determine. The following scenarios, however, have been predicted in the event that the EU constitution will not be ratified.<sup>23</sup> At worst, the political dialogue (both in the bi-regional ASEAN-EU relationship as well as in the interregional ASEM process) would recede to a low profile and be replaced by a largely uncoordinated exchange of opinions among more or less autonomously acting member states. The EU, preoccupied with mending fences among members and getting back on track the derailed integration process, would become a basically inward-looking actor that shows little interest in deepening relations with ASEAN. The most likely scenario, however, is that the dialogue relations between ASEAN and the EU would continue without spectacular changes on a relatively low profile. Both bi-regional relations as well as the ASEM forum would proceed in a largely ad hoc manner; the noncommittal nature of consultation on the basis of "soft institutionalism" would remain in place. What is certain, however, is that with the widening, ASEAN's relations with Eastern European countries would be strengthened as the latter's integration in to the ASEAN-EU dialogue framework will regularize and intensify mutual contacts and increase opportunities for interaction. The accession of Eastern European countries may reinvigorate the ASEM bi-annual foreign minister's meetings that are not well attended by EU foreign ministers. Eastern European countries may be more motivated to send representatives to these meetings.

There is a need to consolidate the ASEM process after this round of enlargement, and also in consideration of future EU enlargement. There is currently a numerical imbalance in ASEM with 25 EU and 10 Asian countries, an imbalance that further enlargement on the Asian side

would redress. Candidates for the enlargement of Asian participation are India, Pakistan, Mongolia, and Russia. New Zealand and Australia are also strong candidates.

The Philippines does not have any particular concerns with enlargement. It has always supported ASEAN on the Myanmar issue although it has also always supported attempts within ASEAN to push for political reform in Myanmar. At the same time, the Philippine government does not have any strong position on the inclusion of the new members of the EU. There have been, however, fears expressed that there is the danger of ASEM becoming too unwieldy. One way to address this is to improve ASEM's institutional mechanisms.

*Strengthening ASEM Institutions.* In Bangkok in 1996, the stated goals of ASEM were to foster political dialogue, reinforce economic cooperation, and enhance cooperation in other areas such as social, cultural, educational. As stated at the onset of this paper, ASEM is an informal process of dialogue and cooperation. But it was also seen as a basis for organizing region-to-region cooperative mechanism. It also intends to stimulate and facilitate progress in other fora, go beyond governments in order to promote dialogue and cooperation between business/ private sectors, between peoples of the two regions, encourage the cooperative activities of think tanks and research groups of both regions.<sup>24</sup> The only permanent fixture in the ASEM coordination mechanism is the EU Commission. The EU Council Presidency and coordinators from Northeast Asia and Southeast Asia (current are Japan and Vietnam) rotate, thus leaving continued institutional know-how in the hands of the EU Commission. It is seen as having powers to make proposal on the European side and even seen as the brain of ASEM.<sup>25</sup> Given the lack of institutional structure in Asia, the rotation scheme gives Asia country coordinators ample time to consolidate initiatives and build consensus on those initiatives. But despite its non-institutionalized character, ASEM gave birth to ASEF in Singapore and the AEETC in Thailand, both of which became permanent centers of ASEM activities most especially in the social/cultural pillar. Nonetheless, it was observed that in the absence of centralized budget system some initiatives like the ASEF could become overly focused on Singapore relations with Europe.

There are over 20 initiatives proposed at each Summit and these initiatives should have the full consensus and support of ASEM partners, and work programs are agreed at the Summit level. Proposals are usually done prior to the Summit at the Coordinators' Meetings. The

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<sup>23</sup> Jurgen Ruland, "The European Convention and Enlargement: Opportunities for ASEAN," *Panorama* Vol. 5, No. 2 (2003).

<sup>24</sup> Chairman's Statement at the Second ASEM held in London, 3-4 April 1998.

<sup>25</sup> Sebastian Bersick, "The ASEM Regime and its Participants' Interests," a paper presented at the Philippine Forum on the Asia-Europe Meeting: Understanding the Process and Potentials and Defining Civil Society Engagements, 26-27 November 2004, Manila.

Senior Official Meeting Summit is usually held every two years and is responsible for the overall coordination of ASEM activities. They form the core of the dialogue process that also includes the regular meetings of Foreign Ministers, Economic Ministers, and Finance Ministers. Clearly there is a need to look into the further institutionalization of ASEM as the grouping grows in both membership as well as activities.

Within the Philippines, there is particular interest in the idea of looking particularly at the possibility of setting up a “small but professional” ASEM Secretariat. Though the benefits of face-to-face dialogue between heads of states, which the ASEM Summits provide, cannot be ignored, a Secretariat would provide a repository for documents and limited funding and direction in ASEM, a need that was recognized by the ASEAN member states during the early stages of ASEAN’s development.<sup>26</sup> The Philippines fully supports a Secretariat that will cater to both Asia and Europe.<sup>27</sup> The Philippines is also in favor of setting up more ASEM meetings, particularly functional ones.<sup>28</sup> The Philippines was most active during the first and last summit meetings and intends to bid to host the summit in 2012. Although the Philippines’ principal interest in ASEM is primarily focused on the admittedly narrow concern regarding how the latter’s political and security dialogue could affect a peaceful resolution to the South China Sea issue, the former stands to gain from a more effective political interregional dialogue, both in the bi-regional ASEAN-EU relationship as well as in the transregional ASEM process. The Philippines sees the ASEM process as contributing to regional and international security through political dialogue and specific cooperation programmes and initiatives that result in confidence building measures on a region-to-region level. Though the ASEM process is still largely a political dialogue mechanism, heads of states are brought together and personal communication between them (though expensive) contribute to the strengthening of lines of communications between the different governments involved.<sup>29</sup> The ASEM process has also contributed to seeing Asia not just as ASEAN but as ASEAN+3.<sup>30</sup>

Curiously, though the institutionalization of ASEM does not seem to be a priority of the EU at the moment, it does support the development and evolution of the ASEAN Regional Forum (ARF) and would like to see a move towards greater institutionalization. The EU stands ready to support the proposals made to reinforce the role of ARF and hopes that the recommendations made in the paper on Preventive Diplomacy will eventually be fully agreed upon and

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<sup>26</sup> Focus Group Discussion with government officials involved in ASEM, 23 August 2005, Department of Foreign Affairs, Pasay City.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Focus Group Discussion with government officials involved in ASEM, 23 August 2005, Department of Foreign Affairs, Pasay City.

<sup>30</sup> Ibid.

implemented. From the EU point of view, strengthening the role of the ASEAN Secretariat in the ARF is a positive step. The ARF is also in the EU's view an appropriate forum to address key regional security issues and build a consensus among Asian countries on such issues. The recent positions taken by the ARF on Myanmar and on the Korean peninsula are encouraging developments in this respect, although the ARF could be more active in addressing regional conflicts and tensions. On terrorism, the EU has participated in the past intersessional meetings and supports the view that the ARF is a good forum for exchanging information and for expert level cooperation. The activities under ARF should be coordinated with work done under other fora such as ASEM for political dialogue, and EU-ASEAN for cooperation.

The ARF is the principal area of focus of the EU in relation to ASEAN, but it intends to play a more active role in ASEM and intra-regional processes. The EU's effectiveness in its political and security dialogue with ASEAN would ultimately depend, however, on the implementation of the Common Foreign and Security Policy (CFSP).<sup>31</sup> However, the rejection of the constitution by France and The Netherlands shows that the implementation of the CFSP will be stalled indefinitely. In the case of ASEAN, political security dialogue with Europe will be affected over the long-term by the continuing process of ASEAN integration, as well as the current discussions on the concepts of non-interference and sovereignty.<sup>32</sup>

## **Economic Cooperation**

While the Philippines' expressed interest in ASEM lies in its political and security dialogue pillar, the more substantive effects of the grouping are expected in the pillar on economic cooperation. The Economic Ministers and Financial Ministers of the participating countries of ASEM meet once a year and are the primary channels for carrying forward the ASEAN work programs in their respective areas.<sup>33</sup> In this particular pillar, there is the Senior Officials Meeting on Trade and Investment that oversees the Investment Promotion Action Plan (IPAP) and the Trade Promotion Action Plan (TPAP) with the Asia Europe Business Forum (AEBF) facilitating business dialogue. The Philippines was particularly active in the development of the TPAP.

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<sup>31</sup> Carolina G. Hernandez, "Political and Security Cooperation within ASEAN: Increased Opportunity for EU's Participation," *Panorama* Vol. 5, No. 2 (2003)

<sup>32</sup> *Ibid.*

<sup>33</sup> *See Asia Europe Cooperation Framework 2000.*

There are, however, some questions as to how effective ASEM has been in helping to facilitate interregional economic cooperation. ASEM has been able to expand cooperation in different functional areas, but there is an apparent lack of coordination and linkage between the different mechanisms that operate under ASEM. At the same time, their different agenda are too broad in terms of the areas of interest they are involved in for current levels of coordination to operate more effectively. Though activities are agreed upon at the ASEM Summit, there is an evident lack of results-orientation in drawing up these activities and their expected outcomes. While each activity presented before ASEM indicate concrete policy outcomes which are supposed to further Asia-Europe relations, the process has instead led to more directionless activities. Nonetheless, ASEM has tackled issues of common concern such as employment and quality of labour,<sup>34</sup> international terrorism, and transnational crimes, among others. Most initiatives, however, are trade-related issues such as Customs Procedures and Trade and Investments. This shows that at least in the economic pillar, ASEM is making headway. On the other hand, it was noted that even as progress in being made in the area of economic dialogue, it is not clear whether this has been beneficial to Asian participants, particularly the Philippines.<sup>35</sup> The general trend in Philippine trade has not changed over the time that ASEM has been in place with Europe remaining significantly behind Asia and North America in terms of volume.<sup>36</sup> This is not primarily due to ASEM's lack of effectiveness, however, as these trends are at least partially attributable to a lack of business interests in the EU, and vice versa.<sup>37</sup> Various fora organized by University-based business schools geared to raise the level of awareness on the EU have not been able to turn the situation around.<sup>38</sup>

*Trade and Investment.* In a number of areas, the EU has been an important contributor to the economic development of the Philippines. Economic relations remain highly favorable to the Philippines with the EU being one of the largest export markets of the country. Since the Asian economic crisis, the EU-Philippine trade balance has been in favour of the Philippines. Partial figures for 2001, for example, show a trade balance surplus for the Philippines of €3 billion. During the period 1995 to 2001, the EU has been second largest export market of the Philippines by absorbing 19% of Philippine exports. In fact, the EU has been instrumental in diffusing the

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<sup>34</sup> Among the activities outlined at the 3<sup>rd</sup> ASEM was a workshop on "The Future of Employment and the Quality of Labour.

<sup>35</sup> Remarks made by Dr. Alfredo Robles at the Philippine Forum on the Asia-Europe Meeting (ASEM), 26-27 November 2004, Manila.

<sup>36</sup> Exports of the Philippines to Asia is at 45%, North America 32% and Western Europe 19% and imports to Asia is 55%, North America 20% and Western Europe 11%.

<sup>37</sup> An official of the Department of Trade and Industry articulated the lack of interest from the Philippine Business Community. One reason cited is the high cost of participation

<sup>38</sup> Interview with Rudolfo Ang, Dean School of Business, Ateneo de Manila University, September 19, 2005.

impact of the Asian economic crisis on the Philippine economy. More than 50% of the Philippines exports to the EU over the period 1995-2000 consisted of computer components and parts; and electronics and electrical equipment, whereas food products accounted for a quarter of the total exports. At present, the EU still constitutes the fourth largest export market of the Philippines, absorbing about 16.2% of total Philippine exports in the first 10 months of 2004 (versus 17.6% in 1995). It is behind Japan which has taken the lead with a 19.8% share (from 15.7% in 1995) of the market, the US with 18.4% (from 35.3% in 1995), and the rest of the ASEAN region with 17.3% (from 13.6% in 1995). The combined share of mainland China and Hongkong is 14.4% (from 5.9% in 1995) which puts them in fifth place.

On the EU exports side, the Philippines is a small but fast growing market. The market share of the Philippines is relatively small with less than 1% of EU exports being purchased by the Philippines. However, the volume of EU exports to the Philippines more than tripled between 1990 and 2001. Over the period 1995-2001, 9% of the total Philippine imports originated from the EU, putting it in fourth place after Japan, the US and the ASEAN countries. Also, while EU exports to the Philippines were hit hard by the Asian economic crisis, plunging by 38% in 1998, these more or less returned to pre-1998 levels as exports grew by 37% in 2000 and have stabilized since then. Over half of EU exports to the Philippines over the period 1995-2000 consisted of electronics, telecommunications, & electrical equipments; and power generating machines, mechanical appliances & computer-related items.

The investment record of the EU in the Philippines has also been exceptional. The EU has been the largest source of foreign direct investments (FDI) that flowed into the Philippines in the past decade, overtaking both Japan and the US. Over the period 1990-2001, EU direct investments accounted for nearly one-fourth of the total FDI in the country. EU investments have increased significantly during this period. In the aftermath of the Asian financial crisis, investments from the EU providing an important boost to the Philippine economy. In fact, from €364 million in 1997, it increased to €1.4 billion in 1999. The year 2000 proved to be an exceptionally fruitful year, with EU investments reaching €5 billion.

Since the mid-1990s, the EU has also surpassed the US as the largest supplier of bank credit to the Philippines. In fact, as of mid-2001, EU banks account for almost half (48%) of total outstanding bank credit to the Philippines. Japanese and US banks by comparison account for only 19% and 12%, respectively, of such credit. There are existing bilateral and regional instruments that can be used to help the Philippines improve its capacity not only to meet its international commitments but also to further intensify its economic relations with the EU.

The degree to which economic relations has grown can also be seen in the increasing acceptance of the euro as a preferred currency for foreign exchange. In fact, the Philippine Government floated €350 million of euro-denominated bonds from the early part of 1999, allowing it to further diversify its foreign debt. The Central Bank has also adjusted the composition of its international reserves, although only 1% was denominated in euro as of end-1999, versus 82% in US dollars. Although precise information is limited, there is evidence that the Philippines has begun to use the euro in international trade, both in import and export transactions.

This positive picture, however, has noticeably begun to deteriorate as Philippine exports to the EU have shown a declining trend over the past years. Japan and China gained ground on Europe as Philippine exports to these economies grew at double-digit rates in 2004. In contrast, the volume of Philippine exports to the EU (as well as with the US and South Korea) has been contracting. By 2003, this had declined to US\$6.5 billion, down from a peak of US\$8.9 billion during the period 1995-2000. In 2004, the trend continued with a further decrease (10%) in exports from the Philippines to the EU. This is quite significant because the growth of trade between the Philippines and the EU prior to 2001 had been instrumental in diffusing the impact of the Asian crisis on the Philippine economy. The sector most affected by this decline has been the manufacturing sector as the trends in exports in computer components and parts, electronics, optical and medical instruments have been going down. Other sectors that are in a similar bind include seafood products, vegetable extracts, paper products, tobacco leaves and waste food. While the export of some products, such as automobile parts, toy products, textiles, and wood products continued to enjoy respectable growth, and others (including clothing, aircraft parts, furniture, and vegetable and fruit products) have actually recovered, these have not been enough to offset the general trend.

There are a number of reasons for these developments. Most often cited is the issue of market access to Europe, which a lot of exporters find very restrictive. Phytosanitary measures are particularly problematic and had been mentioned in a number of discussions. Also of concern to both sides is the expansion of the EU into Eastern Europe, and the increasing importance of China as an international market. In the case of the former, this affects European economic interests in the region as more European states shift their resources towards Eastern European markets. The rise of China, on the other hand, attracts both Asian and European trade to the detriment of Southeast Asia. A third factor, however, involves a relative lack of interest in Europe on the part of Philippine exporters. The United States and Asia remain the main markets

for export goods coming from the Philippines, and the relative decline of Philippine exports to Europe may reflect a continued reliance on the traditional markets for Philippine producers.

The trends on the import side of trade are looking much better. The EU remained the fifth largest import supplier to the Philippines providing 8.2% of total Philippine imports in the first 9 months of 2004 (versus 10.8% for the whole of 1995). Since 2002 it had fallen behind mainland China and Hong Kong, which has a combined share of 10.3% (from 7% in 1995) of Philippine imports. ASEAN, with a share of 19.2% (from 11.9% in 1995) has overtaken Japan, which has a share of 18.4% (from 22.6% in 1995), as the largest import supplier. The US is now in third place with a share of 16.6% (from 18.4% in 1995).

A number of trade issues are being discussed and addressed in various bilateral and multilateral fora many of which affect trade relations between the Philippines and Europe directly. EU Trade Commissioner Pascal Lamy raised the issue of excise taxes on spirits with Trade Secretary Purisima at the sidelines of ASEAN-EU Consultations in September 2004. Draft legislation proposing a shift to a common regime for all distilled spirits independent of the raw material used was introduced by the Philippine government under the 13<sup>th</sup> Congress. However, subsequent debates and proposals in Congress led to a departure from this formula. The EC officially expressed its concern on these developments to both the Executive and Legislative branches. Nevertheless, in December 2004, the Philippines adopted Republic Act No. 9334, bearing the title "An Act increasing the excise tax rates imposed on alcohol and tobacco products," which exacerbated the differential treatment between distilled spirits using local raw materials and those that do not by imposing a 30% tax increase on the former and a 50% tax increase on the latter.

The temporary ban on beef from the Netherlands was lifted by the Department of Agriculture (DA) following an inspection mission in May 2004. The ban is still in effect for the EU Member States covered under DA Memorandum Order No. 19 dated 14

November 2000, namely: UK, Ireland, Belgium, Denmark, France, Luxembourg, Portugal, Italy, Spain and Germany due to the outbreak of Bovine Spongiform Encephalopathy (BSE) or mad cow disease. The continued implementation of MO 19 to date is considered to be discriminatory especially when viewed vis-à-vis other countries also affected by BSE. The comprehensive set of protection measures enforced in the EU against BSE guarantees that all beef produced in the EU meet very high health standards.

Quantitative restriction issues have also been addressed that would help ease the entry of Philippine products into the EU. In March 2004, the EU adopted a regulation increasing the garments and textiles quotas to take into account the imports by the 10 new EU member states.

The increase took effect from 1 May 2004 to the end of 2004. In December the EU adopted a regulation that will eliminate from 1 January 2005 all quantitative restrictions on the import of textile and clothing products in line with the expiration of the WTO Agreement on Textile and Clothing (ATC) on 31 December 2004. It also established a transitional regime concerning the import in the first quarter of 2005 of products subject to the import quota regime in 2004. The Regulation also sets up a statistical monitoring system for the imports to the EU of a number of textile and clothing products. This will give early intelligence on signs of serious market disruption and will allow the EU to follow closely the development of trade in the new environment. The EU will be abolishing 210 quotas for the import of textiles and clothing products from 11 WTO-member countries or territories (Argentina, China, Hong Kong, India, Indonesia, Malaysia, Peru, Philippines, Taiwan, South Korea and Thailand) which have been in force under bilateral agreements concluded under the former GATT Multi-Fibre Agreement in the 1970s. In 2003, a number of products were identified for which quotas will be eliminated. This includes 63% of total textile and clothing imports. It must be noted though that only 20% of EU imports were imported under quotas.

Further action was taken by the EU on areas that also affect the Philippines. As part of the EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT), the EC proposed in July a comprehensive set of measures to combat the growing problem of illegal logging and the related trade in illegally harvested timber. The main elements of the package are: (i) voluntary partnerships with wood-producing countries badly affected by illegal logging to support and promote governance reform in their timber sectors; (ii) a regulation that sets up a voluntary but legally binding licensing scheme with partner countries to ensure that only legal timber from these countries is allowed into the EU. The package is based on an innovative approach that links the push for good governance in developing countries with the legal instruments and leverage offered by the EU's internal market.

In December 2004, the EC committed 20 million Euros to support the EU Action Plan for FLEGT. The Commission will support international and non-governmental organizations and the private sector, through a range of innovative pilot activities, to promote governance reform in countries affected by illegal logging and to facilitate trade in legally harvested timber. In particular the EC will support:

- Intergovernmental dialogue aimed at building commitment for reforms to combat illegal logging and its underlying causes.
- Models of good practice for forest governance
- Independent monitoring / auditing of forest harvesting operations

- Strengthening local civil society in support of improved forest sector governance.
- Facilitating trade in legally-harvested timber, and encouraging corporate social responsibility in the EU timber importing industry.

Other areas where the EC proposes action include co-operation with other major consumer markets, such as the US and Japan, to stop the trade in illegally-harvested timber; and efforts to ensure only legally harvested timber is sourced through public procurement contracts in the EU. Illegal logging is linked intimately with corruption and bad governance, and robs governments in affected developing countries of an estimated 10 to 15 billion Euros every year in lost revenue. It also impoverishes rural communities in developing countries who depend on forest products for a living.

New programmes have been introduced in the Philippines intended to further strengthen relations, particularly economic relations, with Europe. Particular emphasis have been placed on: (i) business information and improving the Philippine industry's awareness of European trade and investment opportunities and vice-versa; (ii) business match-making events; and (iii) technical assistance to help Philippine businesses take full advantage of the trade and investment opportunities offered by the European single market. Examples of this new approach include the following bilateral economic co-operation programmes: Business Information and Development Services (BIDS) implemented by the European Chamber of Commerce of the Philippines; European Business Information Centres (EBICs); a software co-operation project implemented with the Philippine Software Association; and the European Studies Programme (ESP) implemented with the ESP Consortium of Universities (composed of Ateneo de Manila University, De La Salle University and University of the Philippines). These programmes have been successfully implemented and are now closed. In the case of EBIC and ESP, the private sector and the Academe respectively have taken over to pursue these valuable activities, thus ensuring the sustainability of the EC's investment.

### The Philippine Country Strategy Paper 2002-2006

The European Commission adopted in 2002 a 'Country Strategy Paper 2002-2006' for the Philippines, a five-year strategy for its technical and financial assistance to the country, the operational and financial translation of which is made in 'National Indicative Programmes' (NIPs). This strategy paper was prepared in consultation with the Government of the Philippines

and the EU Member States and takes into account EU's goals and policies, the Philippines' development agenda, and past and ongoing EC co-operation experiences.

The CSP incorporated the conclusions drawn up at the Senior Officials Meeting (SOM) II held in Brussels in 1999. In light of the improving economic situation of the Philippines, the CSP reiterated the Commission's intention to redirect bilateral co-operation towards a "more economic orientation, seeking mutual benefits for both sides." EC development assistance to the Philippines, on the other hand, would continue to be focused on poverty alleviation, while geographic priority, besides the Cordillera Autonomous Region (CAR), would be given to Mindanao. Other areas of co-operation, such as governance, support human development and rights and stability and security, all of them preconditions for sustainable development. An indicative sum of €63 million for technical co-operation in development and economic programmes was foreseen for the period 2002-2006. The new strategy for the Philippines also put forth the cross-cutting theme of "good governance that will deal directly with the effective delivery of services by a democratically accountable government." Areas of intervention under this theme are access to justice by the disadvantaged and corruption prevention.

The CSP has been translated on two National Indicative Programmes, one covering the period 2002-2004 and one for 2005 to 2006. The projects identified under both programming documents are testimony to the significant change of direction that our cooperation strategy has experienced from the time its main focus was on rural development. New projects cover assistance to Governance, both in the public sector and on the corporate world; technical assistance to the Philippines on trade issues and cooperation on the fight against terrorism. Fundamentally, the CSP 2002-2006 aims to consolidate previous achievements and extend co-operation to intervention and policy dialogue contributing to create an environment conducive to private sector development and the strengthening of the corresponding reforms and policies. This strategy and the corresponding National Indicative Programme are focusing notably on the following priority areas aiming at supporting the Philippines' integration into the world economy:

- 1) Trade related technical assistance, to assist the Philippine authorities to enhance conditions for international trade and improve the access of Filipino exports to the expanded EU market. This priority area has been identified in view of the crucial role played by external trade in the Philippines development and on strong growth potential of Filipino export to the enlarged EU. The assistance follows a holistic approach, linking trade policy more effectively with macroeconomic and structural reforms, private sector development and institutional capacity building. A comprehensive TRTA programme

covering the areas of product standards, sanitary and phytosanitary measures, Customs reform and WTO capacity building is currently under preparation and should start its activities mid-2005.

- 2) Governance and institutional reform to create an enabling economic environment and improve economic governance in order to enhance economic relations between the Philippines and the EU and notably foster its foreign direct investments. The Philippines has a certain number of comparative advantages over its regional competitors, notably in terms of skilled and largely English speaking work force and relatively liberal economy and trade policies. A more transparent business environment and higher legal certainty are instrumental in transforming these business potentials in concrete investment flows. The EC supports the Government's efforts to implement its thorough reform agenda and fight against corruption, notably through the following projects: Access to Justice for the Poor, which supports the Supreme Court's Action Programme for Judicial Reform, and Corruption Prevention, in collaboration with the Office of the Ombudsman.
- 3) Support to mutually beneficial and sector specific partnerships as well as to business to business contacts. The aim is primarily to strengthen trade and investment flows between the regions, notably by (i) raising awareness of business potential of Europe in Asia and vice versa; (ii) to assist business organisations to help European and Asian SMEs with their internationalisation process; and (iii) to build institutional capacity, business dialogue and networking, notably through match-making events. A particular attention is given to the creation of long lasting partnerships and on the Information and Communication Technology (ICT) sector as well as on other sectors particularly relevant for the Philippine economy and European private sector. This goal is notably pursued through Asia Wide programmes, such as ASIA Invest and ASIA IT&C.

## EC-Philippines Development Cooperation

As the EC-Philippine Country Strategy Paper (CSP) 2002-2006 states, one of the two main focal areas for future co-operation is assistance to trade and investment aimed at facilitating the integration of the Philippines into the international flow of trade. The CSP underlines that reforms in the legislative and regulatory framework and measures to improve governance in the Philippines are essential if business co-operation is to advance. Thus, assistance to enhance the business climate and economic governance is foreseen as essential elements of future co-operation in the Philippines. Part of this commitment is reflected in the EC's continued drive to

make the WTO Doha round a development round and to provide developing countries, including the Philippines, with the necessary trade-related technical assistance and support for capacity-building, consistent with the Doha Ministerial Declaration.

The Strategy Paper and Indicative Programme for multi-country and regional cooperation with Asia, covering the period 2005-2006 have just been approved by the EC. The Strategy provides a framework for Asia wide programmes and co-operation in regional integration intended to supplement and complement the EC's bilateral programmes. The Indicative Programme has a budget of up to 100 million Euros to support multi-country programmes notably in the following areas:

- (1) Asia-wide programmes on trade and investment, on higher education, and on environment.
- (2) A programme to support the Association of South East Asian Nations (ASEAN), focused on implementing the new strategy on South East Asia including issues such as deeper trade integration with EU and anti-terrorism.

## The European Investment Bank

The European Investment Bank (EIB), the EU's financing institution also supports capital investments in Asian countries that are signatories to Co-operation Agreements with the EU, such as the Philippines. The Framework Agreement between the Republic of the Philippines and the EIB was signed in April 1994 and extended in July 1997.

The EIB gives particular emphasis to investment projects that involve: subsidiaries of EU companies; joint ventures bringing together EU and local firms; private enterprises holding concessions to invest in and run public services; and the transfer of European technology.

In the Philippines, the EIB has supported important capital investments such as BOT projects for the new 1000 MW Santa Rita power plant in Batangas and the Water and Sewerage Manila West project; the construction of an integrated circuits assembly and test facility; and improvement of the airports of Davao and Puerto Princesa.

Due to their size in excess of € 20 million, EIB loans have, in the past, tended to benefit only larger projects, the Bank has approved two lines of credit in 2003 to reputable financial intermediaries to provide medium to long term financing to small and medium scale investments and to assist SME development in the Philippines. The first global loan for US \$50 million is to be released to ABN AMRO Bank Inc, a subsidiary of ABN AMRO NV; the second, for an

amount of €25 million, is to be released to the government-owned Development Bank of the Philippines.

## Poverty Eradication

The focus on poverty eradication, however, continues. The European Commission's continued involvement in the health sector is further strengthened under the NIP for 2005-2006, which allocates more than €30 million (i.e. approximately half of the funding available for 2002 to 2006) to a sector-wide programme, an intervention that would mainly benefit the poorest sectors of society. It is also important to note that this programme follows the government's Health Sector Reform Agenda for 1999-2004, and is envisioned to pave the way for Government, i.e. the Department of Health, to be in the "driving seat" of a government-led Donor coordination process. This highlights three main trends or guiding principles in the EC's provision of aid to developing countries that aim to improve its impact: using sector-wide approaches instead of project/programme approaches; supporting government's reform policies and improving foreign donor co-ordination by participating in multi- donor assistance programmes.

Internal stability and security in the Philippines, particularly in Mindanao, is also an essential part of the EC strategy in the fight against poverty. It has been recognized that armed conflict with Islamic and communist rebels as well as with terrorist gangs exploiting the kidnapping industry have not only added destruction and suffering to the poorest population in the Philippines, but also hindered investment opportunities that could have helped reduce economic inequalities.

Restoring lasting peace and security in Mindanao is a key challenge to the Philippines. Together with other international donors, the World Bank is currently working on the establishment of a Mindanao Reconstruction and Development Trust Fund (MRDTF) which reflects the commitment of the international community to support peace and development in Mindanao. The Commission is an active participant in this initiative, to which it has assigned a considerable share of the funding available under the 2005-2006 NIP, provided certain conditions are met.

## What About ASEM?

In all these, the impact of ASEM has been limited. Much of the economic relationship between Europe and the Philippines has been conducted at the bilateral level or through other multilateral

channels. This is not to say that ASEM has been ineffectual. ASEM programmes continue to play an important role in trying to build Philippine-Europe relations.

For the Philippines, the ASEM Trust Fund (TF) has played a critical role in supporting government activities to mitigate the adverse effects of the Asian financial crisis. Under ASEM TF1, eight country-specific projects were approved for funding for a total of US \$7.2 million (approximately 5.76 million Euros). All of these were completed as of end-August 2002. In addition, nine regional projects benefiting the Philippines were approved and completed. Under the second phase, nine further projects were approved for the Philippines worth US \$ 5.7 million (approximately 4.5 million Euros).

Despite the importance of the economic relationship in building stronger ties between the Philippines and Europe, much of it is founded on initiatives by governments trying to encourage the private sector to take advantage of specific market opportunities. The declining interest in Europe among the private sector, however, clearly shows that much needs to be done to build anew on existing programmes. There has been little recognition of the degree to which ASEM has contributed to creating such opportunities, but this is likely more a function of bilateral restrictions which are outside the purview of ASEM, and the continued reliance on the traditional markets of the U.S. and Asia on the part of Philippine business

## **Socio-cultural cooperation**

Since ASEM 3, activities in the social/cultural pillar have proliferated as well. It has taken up issues such as on health, Culture and Arts events, e-Education, Aids/HIV, Fellowship programs, Youth Dialogue, among others. The Asia Europe Foundation (ASEF) is the main mechanism through which people-to-people activities are promoted. Though ASEF's contribution has always been commended by ASEM in the past years, the Van-der-Geest and Macaranas Report noted the need to align ASEF more closely to the ASEM process. One recommendation was to provide information and analysis of the ASEM process to a key audience through suitable intellectual exchange, people-to-people, cultural exchange and public relations/information projects.<sup>39</sup> Nonetheless, there is also a contrasting observation about ASEF - a Filipino participant to ASEF initiated activities observed that ASEF has helped build bridges and linkages between Asia and Europe and saw the process as more advance than the rest of the two

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<sup>39</sup> Chairman's Statement at ASEM 5, Hanoi, 8-9 October 2004.

pillars.<sup>40</sup> But another observed that its purported aim is not being fulfilled because its linkage with civil society is very limited.

Yet if one looks at the list of participants in various ASEF-initiated activities such as the Young Leaders Symposium, Young Parliamentarians, etc, But it is not clear how participants, most especially in the track two activities of ASEF, get selected. One explanation could be the obvious problem of information dissemination and one could also conclude that there appears to be a lack of transparency as to how one can get to participate in those activities. But ASEF is recognized by the Philippines as having been responsible for bringing together a number of Track 2 efforts and bringing about closer understanding between Asia and Europe.<sup>41</sup>

Other issues covered have expanded/widened to include the Banking Sector, Tourism Cooperation, e-Education Hub, Drugs, Child Welfare, Anti-money laundering, Police and Transnational Crimes, Migration Flows, Environment, Anti-Terrorism, Fiscal Policies, etc. But ASEM activities for the past years neglected global issues such as reduction of nuclear weapons, working of the abolition of weapons of mass destruction and also complete disarmament. This was acknowledged at the ASEM 5 where leaders saw the need to strengthen multilateral cooperation and deeper ASEM cooperation on non-proliferation of weapons of mass destruction. In spite of the number of activities; other important themes such as asylum seekers, good governance, and democratization were excluded.

Philippine officials recognize the importance of the free dialogue process of ASEM and that the process' main accomplishment is the organization between these two regions. Yet, promoting dialogue between peoples of the two regions has to be explored further. Philippines civil society groups in particular have unable to engage ASEM because of the lack of knowledge how ASEM operates, it has proved to be difficult to raise issues regarded as critical by their governments.<sup>42</sup> Although the AEPF is another mechanism for consultation and parallel to ASEM, they are not sure whether ASEM indeed read statement of AEPF.<sup>43</sup> This is indicative of the lack of confidence and access to the process by these groups in ASEM. Though this maybe the case, it created synergy among civil society groups on issues that they think ASEM could address such as the human rights issue in Burma, reduction of military expenditure, child welfare, trafficking of women and children.

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<sup>40</sup> Ibid in note 2.

<sup>41</sup> See speech of Assistant Secretary Jaime Yambao, before the Asia-Europe Consultative Seminar with Civil Society, 17 November 2003.

<sup>42</sup> Bersick

<sup>43</sup> See comments made by Alfredo Robles who was discussant on the "Structure and Processes of ASEM," Panel 1: Regional and Inter-regional Formations: Asia and Europe at the Philippine Forum on the Asia-Europe Meeting (ASEM), 26-27 November 2004, Manila.

Given the above, there is a need to reevaluate the role and location of non-state actors in the process and re-orient the priorities of ASEM. On non-state actors, other than the academe and business, NGOs should also be given more significant participation in the process.<sup>44</sup> As a consequence of being left out, NGOs and POs established their own alternative forum - the Asia Europe People's Forum (AEPF). It is clear here that civil society groups recognize the need to create a space for civil society engagement with ASEM. The AEPF has called on ASEM to establish appropriate consultation to give them an opportunity to build the Asia-Europe partnership outside of the official process.<sup>45</sup>

Increasingly, some of the articulated appeals of AEPF have found its way into ASEM's list of initiatives, including such issues as trafficking of children and women and child welfare. But it remains to be seen whether governments will respond to these appeals and adopt actual policies. At best, it remains a dialogue process, and has not really become a forum for developing initiatives that could lead to concrete policies that could be adopted by ASEM governments. Though it has a pre-determined agenda many criticized the multiplication of initiatives as potentially contributing to lack of focus and direction as a consequence of the absence of an institutional driver. This was implicitly acknowledged by ASEM when in 2002 at the Foreign Ministers Summit of ASEM proposed that agenda should be focused with few topics.

The Philippines in this case, have expressed interest in the last Summit (ASEM 5) in the establishment of an ASEM Secretariat that would service both Asia and Europe and has even presented a case for hosting it. The secretariat is expected to serve as an institutional driver, which to some officials is what is lacking in the current mechanism.<sup>46</sup>

## Proposed changes to improve ASEM Working Methods

There were proposed changes in ASEM's working methods, but only to reinforce its informal nature but to also make it more interactive. Thus, at the Fourth ASEM Foreign Ministers Meeting in Madrid in 2002, the Ministers endorsed measures to improve the ASEM working methods and among these measures were:

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<sup>44</sup> Based on the commentary made by Prof. Josefa Francisco who was discussant on "ASEM Structures and Processes: Players and their interests; What ASEM has achieved so far? And where is it heading towards?" at the Philippine Forum on the Asia-Europe Meeting (ASEM), 26-27 November 2004, Manila.

<sup>45</sup> This is one of their appeals with ASEM governments outlined in the Final Statement of the ASEM People's Forum 5 on 9 September 2004 in Hanoi Vietnam.

<sup>46</sup> Focus Group Discussion with Philippine foreign affairs officials, 23 August 2005.

- 1) Meetings made more informal and interactive by instituting appropriate informal intervals and retreat sessions;
- 2) setting a focused agenda with a few topics;
- 3) ASEM activities/initiatives should be linked to the dialogue and be supportive of it;
- 4) making the Chair responsible for the short factual statements but political declarations on specific issues will be negotiated separately, albeit Chair Statements during Summits and Ministers' meeting consensus do not mean texts would be negotiated word for word; and
- 5) reaching out to the public by involving various sectors of society in ASEM.

While changes are needed, these will have to build on existing mechanisms and institutions. The Philippine Delegation in the Senior Officials Meeting in Rome in 2003 expressed the opinion that “there is no need to re-invent the wheel because ASEM leaders had already decided on the future direction of ASEM and prescribed the ways by which they might be realized.”<sup>47</sup> A strengthening of existing institutions, however, is clearly warranted with the need for a Secretariat at the top of the list.

### Other Mechanisms outside of the ASEM process

There are other mechanisms outside of the formal ASEM process that assists in enhancing relations between Asia and Europe at least at the track 2 levels and limited to policy-oriented intellectual exchange. These mechanisms include the EU-ASEAN Think Tanks Dialogue, the Council for Asia Europe Cooperation (CAEC), and the Asia Europe People's Forum.

- (1) The European Union-Association of Southeast Asian Nations (EU-ASEAN) Think Tank Dialogue. An annual event jointly organized by the Konrad-Adenauer-Stiftung (KAS) and the ASEAN-Institute of Strategic and International Studies (ISIS) network that seeks to promote intellectual exchange and research collaboration between scholars from ASEAN and EU countries. It has been going on for five years and while the majority of the participants are policy experts and researchers from think tanks, universities and research institutions, the dialogue is enriched by the active participation of parliamentarians, policy officials and representatives from the business sector and Non-governmental organizations (NGOs).

Much of the papers written by EU and ASEAN think tanks generally do not reach the policy makers. Hence, much more should be done to ensure that good ideas that come

out from such EU-ASEAN dialogue reached the politicians and policy makers. While this network is an informal one, there is interest to institutionalize to help the network grow and make it more dynamic and effective. The network of think tanks can also identify specific EU-ASEAN issues and promote joint research on some of these issues. After studying the issue, a memoranda or list of policy recommendations should be circulated and brought to the attention of EU and ASEAN governments and parliamentarians. An important issue that the think tanks can focus on right now is the enlargement of the EU and its impact on EU-ASEAN relations that can be studied with the participation of think tanks from Central and Eastern Europe.

(2) Council for Asia Europe Cooperation (CAEC) was established in 1996 12 leading research institutes from Asia and Europe in response to the First ASEM Summit in 1996. It has facilitated intellectual exchanges between scholars, researchers, and policy planners from Asia and Europe. In 1997, CAEC produced a rationale for facilitating Asia-Europe cooperation and thus assisting in giving focus and direction for ASEM. This was followed by a publication of its policy-oriented reports on Strengthening International Order: The Role of Asia Europe Cooperation, on the Financial Crisis, and on Population, Food, Energy and the Environment in 2000 and four years later on Foreign Workers, Refugee, and Irregular Immigrants. CAEC provided the mechanism for Asian and European scholars discussing relevant and common issues to the two regions outside of the formal ASEM process.

(3) European Studies Programme in the Philippines is a bilateral program between the Philippine government and the Commission of the European Communities signed in 1993. The program is donor-driven that was conceptualized even before ASEM. It began implementation in 1995 by the European Studies Consortium of Universities in the Philippines. This consortium comprises three universities namely: Ateneo de Manila University, De La Salle University, and the University of the Philippines. On the European side, members of the consortium University of Amsterdam, University of Barcelona, Exeter University, University of Leiden, and the University of Turku.

The Philippine Consortium was set-up to administer the program and the two main goals are to increase the level of awareness of Filipino decision makers and the general public regarding European affairs and also to increase the pool of Europe experts. Select faculty members from Consortium members were sent to Europe Universities for

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<sup>47</sup> Yambao

research and for graduate studies. An initial outcome of this program was that establishment of the European Studies program in Ateneo and a European Documentation Centre in De La Salle. The Consortium's linkage with ASEM is through ASEF but only to ask for nominations for the Summer School and it gets to be invited to various Asia-Europe activities. The Secretariat is based in Ateneo.

It was an attempt to build Filipino European specialists but when the program ended those who were initially exposed to Europe were not able to continue to specialize in Europe because there was no more funding for PhDs. Thus, shifted to other areas where funding is available for PhD. Those involved in managing the program articulated the need to bigger commitment from Universities for students to specialize in Europe.<sup>48</sup> In addition, the commitment should also go for the foreign affairs office. In this case, there is still a need to develop next generation of specialists in Europe and also address the disjoint in specialists by developing both Asia and Europe specialists. Thus, there was a suggestion to hold a strategic planning meeting for this purpose.

The closure of this program could be attributed to one there was a change in the Country Strategy Program of EU and the Philippines that has since emphasized trade and investment and assistance to the poorest sectors of society; and two, the inception of ASEM in 1996 placed emphasis on multilateral activities. Thus ASEM in a way undermined bilateral institutions.

## Conclusions

As clearly shown in the paper, Philippine-Europe relations are built around a number of multilateral and bilateral arrangements and agreements which remain strong in a number of areas. The problematic area is determining the extent to which ASEM has been instrumental in all these. The idea behind ASEM is to forge a common vision for cooperation between Europe and Asia, but differing interests clearly impinge on this. In Southeast Asia, it was observed that countries that are more interested are Singapore, Thailand, the Philippines, and Vietnam. The Philippine in particular sees ASEM in terms of strategic benefits for the South China Sea issue. At the same time, it was expected that the dialogue process would lead to confidence building in the political side, and to an increase in trade links with the EU member states through the

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<sup>48</sup> Separate interviews with Dr. Emmanuel De Dios and Prof. Rudolfo Ang, both were involved in the Consortium.

TFAP.<sup>49</sup> Yet, the trade links have not been expanded and remains largely bilateral. This is in spite of the extensive programmes that the EU has initiated to encourage more interaction in this area. The focus of the Philippines regarding ASEM remains focused on the dialogue mechanism, though there are hopes that this will eventually move towards substantive cooperation based on results oriented initiatives.<sup>50</sup> It has been declared by ASEM that it is an informal process and not a forum for negotiating agreements and is particularly cautious about the proliferation of ASEM institutions. Thus the current set-up is actually a coordination mechanism, ad hoc and is considered to be practical for their purpose. More substantive cooperation, however, will require more than what is currently existing. In the case of the Philippines, this is probably why there is greater interest on the effects that bilateral and other multilateral mechanisms other than ASEM have on substantive cooperation.

To be fair to ASEM, political considerations hamper its effectiveness. The difficulty of the accession of Myanmar in ASEM 5 has not been resolved fully. An indicator of this difficulty could be gleaned from the cancellation of several official meetings due to the inability to find a compromise concerning the legitimacy and extent of Burma's participation.<sup>51</sup> The enlargement of Europe and the inclusion of Myanmar in the process could also affect momentum of cooperation and at the same time showed the limits of its current modality such that episodic difficulties on Myanmar could have been avoided. The enlargement came at a time when the process itself has not deepened.

Overall, ASEM has not made much of an impact on the Philippines. Much of Philippine-Europe relations remain embedded on more traditional modalities. As noted above, this may be less a measure of its effectiveness as it is a reflection of the lack of interest in what ASEM can offer in areas outside of the official sphere. In this context, the governments of the Philippines and its European partners have to work beyond the official relations and to try to increase the participation of business (working to get them more interested in the process) and non-government groups (institutionalizing their participation) in ASEM and its programmes.

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<sup>49</sup> Sebastian Bersick

<sup>50</sup> Ibid in note 12.

<sup>51</sup> Jon Dosch. Relations of the US and the EU with East Asia: A Fresh Look at Actors, Strategic Interest and Institution Building. Panorama (1/2001).