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EU-ASEAN FREE TRADE AGREEMENT(S) – PROSPECTS AND CHALLENGES FOR INTER-REGIONAL FTA

UMOWY O WOLNYM HANDLU UE-ASEAN – PERSPEKTYWY I WYZWANIA DLA MIĘDZYREGIONALNYCH SWH

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Summary: In 2007 the EU and ASEAN launched negotiations on a free trade agreement between the regions. However, 2 years later, the inter-regional negotiations were paused due to the slow progress. As an alternative the EC started individual negotiations with those countries that wished to sign a bilateral FTA. Firstly, it initiated talks with Singapore in 2010 which was then followed by Malaysia, Vietnam, Thailand, the Philippines and Indonesia. By the half of 2017 the EU concluded the FTAs with Singapore and Vietnam which are yet to be ratified. Four other countries negotiate the agreements with many challenges and issues to be addressed in bilateral talks. Although official declarations say about replacing those individual agreements by one EU-ASEAN FTA in future, it will be difficult to achieve due to differences in economic interest among ASEAN members, differential progress within the ongoing negotiations and even the reluctance of some countries to join the FTA with the EU.

Keywords: EU, ASEAN, FTA, free trade agreement, EUSFTA.

Streszczenie: W 2007 r. UE oraz ASEAN rozpoczęły negocjacje dotyczące utworzenia strefy wolnego handlu. Jednakże po 2 latach międzyregionalne rozmowy zostały zawieszono ze względu na zbyt wolne postępy w negocjacjach. W ich miejsce KE zaproponowała rozpoczęcie indywidualnych dwustronnych rozmów z zainteresowanymi państwami ASEAN. Najpierw rozpoczęto rozmowy z Singapurem (w 2010 r.), a następnie z Malezją, Wietnamem, Tajlandią, Filipinami i Indonezją. Do połowy 2017 r. udało się uzgodnić porozumienia jedynie z Singapurem i Wietnamem, które muszą zostać jeszcze ratyfikowane. Cztery pozostałe państwa w dalszym ciągu negocjują dwustronne porozumienia. Mimo oficjalnych deklaracji o chęci zastąpienia tych umów w przyszłości przez międzyregionalne porozumienie UE-ASEAN, jego osiągnięcie będzie trudne ze względu na różnice w rozwoju państw ASEAN, zróżnicowane zaawansowanie negocjacji dwustronnych, a nawet niechęć części państw do zawarcia umowy o strefie wolnego handlu z UE

Słowa kluczowe: UE, ASEAN, SWH, strefa wolnego handlu.

1. Introduction

In 2007 the EU and ASEAN launched negotiations for a free trade agreement between the regions. However, 2 years later, the negotiations were paused due to the slow progress and growing reluctance of some ASEAN members to negotiate and conclude the new comprehensive region-to-region agreement. As an alternative the European Commission (EC) proposed to those countries that wished to continue negotiations signing bilateral FTAs. It was also expressed that the ultimate goal would be to conclude the EU-ASEAN FTA and the individual agreements are the building blocks towards the full inter-regional agreement.

The general aim of this paper is to present the status¹ of bilateral negotiations between the EU and those partners that decided to continue talks, and to identify main challenges and prospects for concluding the agreements with the countries and – through this – the ultimate comprehensive EU-ASEAN FTA in future. In analysis special attention will be dedicated to ASEAN-4 countries (Malaysia, Thailand, the Philippines and Indonesia) that still negotiate their individual bilateral agreements with the European Union.

2. The ASEAN as a trade and economic partner of the European Union

The Association of South-East Asian Nations (ASEAN), consisting of 10 member countries, belongs to the most important and fast-developing Asian markets. With its total population of almost 640 million people and high economic growth rates the ASEAN is classified as one of the most promising markets of the future and important trade and economic player at the global stage. In 2016 the total GDP of all ASEAN countries amounted to 2.55 trillion USD. However, it should be highlighted that the group is economically highly diversified – from the most developed Singapore, with GDP *per capita* exceeding 50 thousand USD, to Cambodia, Laos and Myanmar classified as the Least Developed Countries (Table 1).

The economic potential of ASEAN members together with the impressive economic growth in last years, resulted in growing importance of many of those countries in international trade and financial flows. In 2016 the total exports from the ASEAN amounted to 1141 bn USD (7.15% of total world exports) and made the group the 4th largest exporter in the world (after China, the EU and the USA). At the same time the total imports value at 1079 bn USD also listed the ASEAN as the 4th largest importer in the world with a share of 6.65% of total global import [WTO 2017]. Although the ASEAN's position in international trade is high and its international trade flows have almost doubled throughout the last decade, the total volume has decreased over last 2 years. Since 2013 and 2014, when the ASEAN's

¹ As of 1 July 2017.

Table 1. Macroeconomic indicators of ASEAN countries (2016)

Country	Population (mio)	GDP (current prices bn USD)	GDP per capita (current prices, USD)	GDP growth (%)	Exports of goods (bn USD)	Exports volume change (y-y, %)	Imports of goods (bn USD)	Imports volume change (y-y, %)
Brunei	0.42	11.2	26 424	-3.2	4.96	-3.2	3.09	-3.2
Cambodia	15.78	19.4	1 229	7.0	10.04	10.2	12.60	13.4
Indonesia	258.71	932.4	3 604	5.0	144.49	3.2	135.65	-1.0
Laos	7.16	13.8	1 925	6.9	3.02	1.3	4.72	8.1
Malaysia	31.66	296.4	9 360	4.2	189.41	0.5	168.39	3.1
Myanmar	52.25	66.3	1 269	6.3	11.00	11.5	16.60	1.9
Philippines	104.20	304.7	2 924	6.8	56.31	25.6	86.29	5.8
Singapore	5.61	297.0	52 960	2.0	329.77	0.9	282.92	1.3
Thailand	68.98	406.9	5 899	3.2	215.33	-2.2	194.67	0.1
Vietnam	92.64	201.3	2 173	6.2	176.78	11.3	174.23	10.0

Source: [IMF 2017; WTO 2017].

trade recorded peak values (for imports and exports, respectively), it has decreased by 13.3% (for imports) and 11.8% (for exports) in 2016. This change correlates with the tendency of decreasing global trade volume since 2014 [WTO 2016].

ASEAN countries play also an increasingly important role in the international trade in commercial services. In 2016 the total ASEAN's exports of commercial services reached 325 bn USD, while imports were only slightly lower – 317 bn USD. This corresponds to 6.7% of world trade in commercial services (both for exports and imports). The leading position among ASEAN countries in international flows of services is hold by Singapore which exports 45.9% and imports 48.9% of the total ASEAN trade in commercial services [WTO 2017].

In 2016 the ASEAN was ranked as the 4th biggest trade partner of the European Union with a share in EU total trade volume of 6.0% (7.2% and 4.9% of total imports and exports, respectively). The importance of the EU among main ASEAN trade partners is also very high. The European Union is the 3rd import partner of the ASEAN (12% of total ASEAN imports) and the 2nd biggest export market (14.9%) – after China – for goods exported from the region [European Commission 2017a].

The total value of merchandise EU-ASEAN trade in 2016 amounted to 208.08 bn EUR, of which 122.23 bn EUR was EU imports from the ASEAN and 85.85 bn EUR was the European exports to ASEAN markets. Since 2001 trade flows between the parties have almost doubled. Contrary to total ASEAN and world trade volumes, in 2013–2016 the bilateral trade EU-ASEAN has grown, with EU imports growing faster than exports. It has resulted in record trade deficit (36.38 bn EUR) for the EU in 2016 (Fig. 1, Table 1).

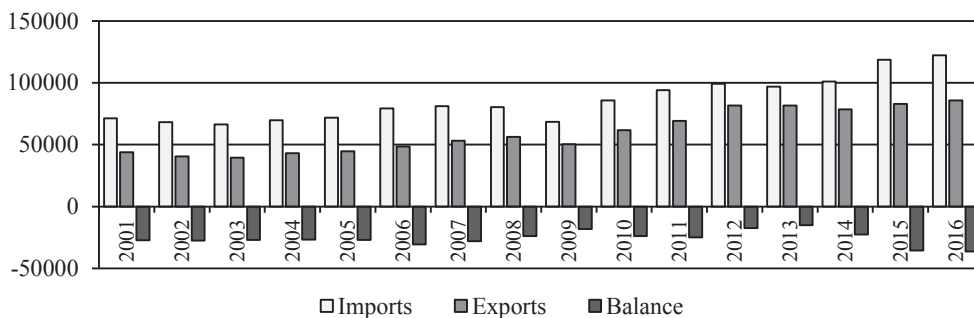


Fig. 1. EU 28-ASEAN trade in 2001–2016 (mio EUR)

Source: own study based on Comext 2017 statistics.

The geographical dimension of bilateral merchandise trade indicates concentration of trade flows within a relatively narrow group of EU and ASEAN members. The most important trade partner for the ASEAN from the EU countries is Germany which accounts for almost $\frac{1}{4}$ of total EU-ASEAN merchandise trade (21.4 and 27.1% for imports and exports, respectively). ASEAN countries remain also an important supplier of goods to the Netherlands (18.7% of total EU imports from the ASEAN), the UK (15.8%), Belgium (9.4%) and France (8.3%). In reference to exports, Germany is followed by France (17.5%), the UK (12.0%), the Netherlands (11.6%) and Italy (8.4%), which all together amount to 76.7% of total EU merchandise exports to ASEAN.

Similarly trade flows are also concentrated in the biggest economies of ASEAN (Table 2). The most important trade partner for the EU is Singapore which is a hub for trade and economic activities in the whole South-East Asia and accounted for

Table 2. The EU 28 trade with ASEAN countries (by volume of total trade, mio EUR, 2016)

ASEAN country	Total trade	Exports	Imports	Balance
Singapore	50 968.7	31 467.7	19 501.0	11 966.7
Vietnam	42 424.3	9 335.6	33 088.7	-23 753.2
Malaysia	35 372.1	13 234.9	22 137.2	-8 902.3
Thailand	33 901.5	13 557.4	20 344.1	-6 786.7
Indonesia	25 125.4	10 466.8	14 658.7	-4 191.9
Philippines	12 826.3	6 174.8	6 651.5	-476.6
Cambodia	5 223.9	641.5	4 582.4	-3 941.0
Myanmar	1 554.1	562.0	992.1	-430.0
Laos	353.3	118.3	234.9	-116.6
Brunei Darussalam	328.5	288.8	39.7	249.1
TOTAL	208 078.2	85 847.8	122 230.3	-36 382.5

Source: own study based on Comext 2017 statistics.

36.7% of total EU exports to the ASEAN. This is also one of only two countries in the region with which the EU has a trade surplus (11.97 bn EUR, 2016). The second most important market for European exporters is Thailand (15.8% of total EU exports to the ASEAN), followed by Malaysia (15.4%), Indonesia (12.2%) and Vietnam (10.9%). Differently shapes the geographical distribution in terms of imports. The most important supplier of goods is Vietnam with its share at 27.1% of total EU imports from the ASEAN, which is followed by Malaysia (18.1%), Thailand (16.6%), Singapore (16.0%) and Indonesia (12.2%).

The structure of EU-ASEAN merchandise trade indicates that EU exports concentrates mostly in machinery and mechanical appliances (34.1% of total), transport equipment (14.8%), products of the chemical or allied industries (13.1%), optical and photographic instruments (5.4%) and mineral products (5.1%). The EU imports from the ASEAN is realized mostly in sections: machinery and mechanical appliances (41.6%), textiles and textile articles (8.6%), products of the chemical or allied industries (8.4%), footwear, hats and other headgear (5.1%) and optical and photographic instruments (4.6%) [European Commission 2017a].

3. EU-ASEAN FTA(s)

The idea of creating closer economic relations between the EU and the ASEAN was presented during the Third ASEAN – EU Consultations, held on 4 April 2003 in Luang Prabang. During this meeting the EU suggested to create a regional framework called “Trans-Regional EU ASEAN Trade Initiative” that could be transformed into an ASEAN-EU preferential trading agreement in the future. Subsequently, in 2005 the European Commission and ASEAN Economic Ministers constituted the Vision Group, consisting of senior economic officials, whose the main task was to investigate the feasibility of new initiatives on closer economic co-operation, including potential inter-regional EU-ASEAN FTA. In 2006 the Group presented officially the final report opening the way to formal FTA negotiations [Lim 2012].

The presentation of the report coincided with the publication of the European Commission’s communication *Global Europe – competing in the world*, presenting a new EU’s strategy with regard to the Common Commercial Policy. Among the chief elements of the new strategy, it mentioned bilateral free trade agreements which should acquire a new shape and dimension in the EU’s trade connections with major trade partners. The strategy assumed new economic criteria for the choice of trade partners with whom new bilateral agreements should be discussed, which included the market potential and the level of protection of the given market with respect to products and companies from the EU. On the basis of those criteria, leading trade partners were indicated, with whom bilateral negotiations on FTA should be initiated. The list included among others the ASEAN. According to the strategy, future FTAs with selected trade partners would need to be ambitious and comprehensive agreements, liberalizing not only trade in goods, but also regulating

trade in services, investments and many trade-related issues such as intellectual property rights (IPR), competition policy or environmental and social aspects of trade [Mazur 2013].

In April 2007 the Council approved negotiating directives and authorized the Commission to start the negotiations on a free trade agreement with the ASEAN that would create a coherent economic framework for relations between the parties. The formal negotiations on a region-to-region FTA were launched one month later, during the ASEAN-EU Economic Ministers (AEM) Consultations held in Brunei Darussalam on 4 May 2007 [Mazur 2013].

An initial enthusiasm and ambitious declarations accompanying the launch of negotiations did not last long. In November 2007, during the EU-ASEAN summit, the European Commission expressed its concerns about slow progress in negotiations. In April 2008 the European Parliament presented a report on trade and economic relations with ASEAN, stating that – in the light of reports from recent negotiating rounds – prospects for an early and ambitious agreement with the ASEAN might be undermined by a lack of negotiating capacity, difficulties in developing a common position that reflects the collective interests of the region and the lack of political will. Furthermore, it was stressed that if certain ASEAN countries proved to be reticent about signing the FTA, then those countries that wished to participate should be offered the choice of signing bilateral FTAs [European Parliament 2008]. Similar position was also expressed by the Commission, stressing the importance of flexibility and a need of “variable geometry” that would take into account different levels of development between ASEAN countries. Such approach would allow to move towards faster and more advanced bilateral talks with individual ASEAN members [Lim 2012].

Consequently inter-regional negotiations were paused in March 2009. The pause did not last long and in December 2009 the Council gave the green light for the Commission to continue negotiations towards free trade agreements with individual countries of the ASEAN [European Commission 2009]. At the same time the EC announced also an intention to start negotiations with Singapore – the most important trading partner among the ASEAN and the country that as a first signaled its strong interest in closer economic relations with the EU. In 2010 it became clear that other countries of the region were also prepared to pursue negotiations in bilateral option. Vietnam, Malaysia and Indonesia were among first countries that expressed (2010–2011) their interest in negotiating FTA with the European Union [Oxelheim 2012]. It should be also stressed that the EC expressed its intention that the strategic and ultimate objective was to reach an agreement with the ASEAN (region-to-region FTA) in future and bilateral agreements that would be negotiated and concluded with individual countries could become valuable building blocks towards that objective [European Commission 2009].

The negotiations with **Singapore** were launched in March 2009 and the comprehensive free trade agreement (EUSFTA) was concluded on 17 October 2014.

The EUSFTA is the first agreement of the EU with ASEAN member and the second one with a developed Asian country (after South Korea). During the negotiations both parties concentrated mostly on a far-reaching liberalization of their services markets as well as the elimination of non-tariff barriers which was crucial for both economies in enhancing bilateral economic links to the new level. The comprehensive agreement includes a.o. regulations on trade and services, investments, public procurement, intellectual property rights including geographical indications (GIs), commitments on environmental aspects or sustainable development [European Commission 2013]. In 2015, after concluding the agreement, the EU and Singapore finalized also the legal scrubbing of the investment protection provisions in the draft agreement, in line with EU's new approach, that would replace twelve existing bilateral investment agreements of the EU member states with Singapore [FTA 2016].

The ratification of the EUSFTA has been prolonged due to a complex nature of competences between the EU and member states in adopting comprehensive trade and economic agreements. In July 2015 the European Commission lodged the application initiating proceedings with the European Court of Justice for an opinion on the EU competence to sign and ratify the agreement. The Court issued its Opinion 2/15 on 16 May 2017 and stated that the EUSFTA was a mixed agreement with two parts (non-direct foreign investments and the regime governing dispute settlement between investors and states) falling within shared competences. It follows that the FTA can, in its current form, only be concluded by the EU and the member states jointly [CJEU 2017]. Although both parties have declared to ratify the EUSFTA expeditiously and apply the agreement provisionally, the Court's opinion will prolong the ratification process and the entrance of the full agreement into force.

In December 2015 the European Commission – after more than three years and several rounds of negotiations – concluded also the free trade agreement with **Vietnam** (EVFTA). This is the second ASEAN member that signed the FTA with the EU. The agreement is described as the most ambitious and comprehensive FTA ever concluded by the EU with a developing country. The agreement is a new opportunity for European exporters and investors as it opens dynamically developing 90-million consumer market of the Southeast Asia. It provides the liberalization of 99% of EU-Vietnam trade (at the entry into force – 65% of EU exports to Vietnam and 71% of its imports from Vietnam; rest of the customs duties will be removed over a transitional period of max. 7 (for the EU) and 10 years (for Vietnam)) [European Commission 2016]. The sensitive products² excluded from the liberalization will benefit from improved market access via duty-free tariff rate quotas. It is expected that tariff liberalization and the reduction of non-tariff barriers should create new trade opportunities for European exporters of automobile parts as well as electrical

² Sweet corn, garlic, mushrooms, sugar and high-sugar-containing products, manioc starch, surimi and canned tuna.

appliances and their components. However, the scale of new trade will be correlated with future potential European FDIs in Vietnam in sectors that use these semi-products. It will also depend on decisions of European companies to use Vietnam as an export platform to other countries of the region. The EVFTA will bring also new export opportunities for Vietnam, especially for products which still face relatively high tariffs in export to European markets: textiles and clothing, footwear and seafood. The potential export in those sections is strongly dependent on the abilities of Vietnamese exporters to meet all EU high sanitary standards and to adopt to restrictive rules of origins (including certificates of origin). If so, Vietnam may gain a competitive edge for mentioned products in export to EU markets in comparison to other ASEAN states [Błaszczuk-Zawiła 2015].

The EVFTA, as a comprehensive “new generation” agreement, regulates also trade in services (much beyond standard regulations of GATS), investments and intellectual property rights (including GIs for 169 EU unique products). The agreement brings also new opportunities for EU companies at some Vietnamese public procurement contracts and confirms that both parties will apply all disciplines in line with the Government Procurement Agreement (GPA) rules of the WTO. The EVFTA includes also regulations on competition policy, including rules regarding state-owned enterprises, sustainable development, development cooperation and capacity building. Those regulations are of crucial importance for further development of Vietnam [European Commission 2016; Błaszczuk-Zawiła 2015].

4. EU-ASEAN-4 negotiations – status and future prospects

By the half of 2017 the European Union concluded – within the bilateral format – individual FTAs only with two mentioned ASEAN members: Singapore and Vietnam. At the same time the EC negotiates new agreements with other four countries of the region: Malaysia, Thailand, the Philippines and Indonesia (ASEAN-4).

Malaysia was the second of ASEAN countries that launched (October 2010) the bilateral negotiations with the EU on a comprehensive FTA. At that time it seemed that Malaysia would be a logical FTA partner, given its position as one of the EU’s most important trade partners in the Southeast Asia. However, the progress of negotiations was not satisfactory and bilateral talks were paused in April 2012 at Malaysia’s request. As Malaysia was mostly interested in regulating trade in goods and liberalization of merchandise trade, it presented a disappointing offer on services, which was far from the EU’s expectation [FTA 2016]. It was generally correlated with Malaysia’s reluctance to negotiate deep and comprehensive commitments in IPR, competition policy and public procurement. At that time the FTA with the EU was the most comprehensive agreement ever negotiated by Malaysia and the country was not prepared for far-reaching commitments in some sectors. One of the contentious issues was the Malaysia’s government procurement policy favoring ethnic Malays (*bumiputera*). Most of contracts were awarded to companies owned

by ethnic Malayan making almost impossible for foreign companies to bid for state contracts. Malaysia, through specific exclusions and special measures, has largely preserved its *bumiputera* policy even after concluding the TPP, so it might be expected that similar exclusion would be included also in potential agreement with the EU [Grier 2016].

Another controversial issues, which need to be resolved to conclude the agreement, are Malaysian regulations relating to import of products of animal origin and *halal* requirements specifying a compulsory audit of each and every foreign meat establishments, and also costs to be paid by the exporting country. Moreover, Malaysia did not want to accept verification (system audits) and prelisting procedures for products of animal origin in line with international standards and thus reciprocating EU's approach. The EU considered those regulations as burdensome for EU export and not compatible with international standards [European Commission 2012].

In the meantime of the paused negotiations, the European Parliament agreed on a resolution³ calling on the European Commission to take measures to phase out the use of vegetable oils that drive deforestation, including palm oil, as a component of biofuels, preferably by 2020. EP members called also on the EU to introduce sustainability criteria for palm oil and products containing palm oil entering the European market. It was stated that existing voluntary certification schemes and their standards, promoting the sustainable cultivation of palm oil, were not transparent. In this context a single certification scheme would guarantee that only sustainably produced palm oil may enter the EU market [European Parliament 2017]. Malaysia and Indonesia are the main producers of palm oil, with an estimated 85–90% of global production and the EU is the second largest global importer. Most of the EU's imports of palm oil comes from those countries, making the Union the most important export market for Malaysian palm oil (Fig. 2). The resolution was strongly criticized by Malaysia. It was underlined that the proposed single certification system is not feasible as in Malaysia there are 600,000 small holders specialized in producing palm oil [Ching, Majid 2017].

In March 2017 the EU and Malaysia agreed to re-launch the negotiations. In 2012 Malaysia prioritized talks on the Trans-Pacific Partnership and as the agreement has been already concluded, the country moves its attention to other important export markets. In the meantime Malaysia was also excluded (since 1 January 2014) from the EU's General System of Preferences and lost its preferential access to EU market. It has made that Malaysia falls currently under less preferential regime in trade with the EU than other ASEAN countries. Moreover, the latest resolution of the EP has brought new concerns in Malaysia about future conditions of export to European markets and through this created additional incentives to re-launch negotiations with the EU.

³ European Parliament resolution of 4 April 2017 on palm oil and deforestation of rainforests (2016/2222(INI)).

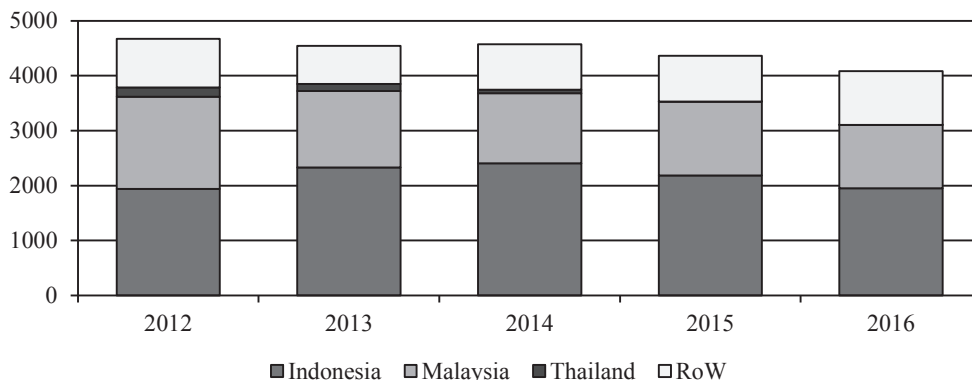


Fig. 2. The EU 28 imports of palm oil and its fractions (HS-4: 1511) by geographical directions in 2012–2016 (mio EUR)

Source: own study based on Comext 2017 statistics.

In March 2013 the EC launched negotiations for a free trade agreement with **Thailand**. Initial plan presumed to conclude bilateral talks within two years. However, due to the military coup in Thailand in May 2014, the EU – after four rounds – suspended bilateral negotiations. The EU stressed that it would not conclude and sign any agreement with Thailand until a democratically elected government is in place.

Since 1 January 2015 Thailand has been withdrawn from the EU's General System of Preferences,⁴ and lost preferential access to the EU in the form of lower customs duties for more than 6200 products, including automotive parts, meats, precious stones, rubber products, seafood, and textiles [Lorenzo 2015]. This created a new situation for Thai exports to the EU, which faces now higher tariffs (on the basis of MFN). In the consequence, Thailand is losing its competitive edge in many export-oriented sectors in favor of other ASEAN countries that either have already concluded FTAs with the EU (Singapore and Vietnam) or still are beneficiaries of the unilateral preferences granted by the EU under the GSP (Indonesia), GSP+ (the Philippines) or the most favorable treatment in the form of EBA⁵ (Cambodia, Laos and Myanmar) [Mazur 2017]. This leads to a new situation that Thai companies are relocating their production to neighboring countries to be able to benefit from EU preferences granted to other ASEAN members [FTA 2016].

⁴ According to the GSP criteria, a country that has been classified by the World Bank as a high or an upper-middle income country for three consecutive years should not benefit from such preferences. Thailand had been classified as upper-middle income country in 2011, 2012 and 2013.

⁵ EBA (*Everything but Arms*) – an instrument within the GSP that grants to the Least Developed Countries duty free and quota free (DFQF) access to the EU markets for all goods except arms and ammunition.

In this connection there is a growing pressure from Thailand's private sector for negotiating the FTA that could offset the damage from the unfavorable position of Thailand after the withdrawal of GSP privileges. However, the political situation in that country has not been stabilized yet. At present no further round of talks has been announced yet. It is generally expected that negotiations will be re-launched after Thailand's elections, which should take place in 2017/2018. Among contentious issues during future potential talks will be a.o. strengthening of regulations on IPR, technical barriers to trade, higher transparency in policy-making in Thailand, liberalization of the services sector and relaxation of foreign ownership restrictions. The negotiations would also refer to such sensitive issues as human rights and democratization.

In December 2016 the EU launched also FTA negotiations with the **Philippines** and in September 2016 with **Indonesia**. Those are last two ASEAN countries that joined the bilateral talks on a free trade agreements with the EU and in both cases the negotiations are at an early stage. Both partners share also the same vision with the EU to negotiate a comprehensive agreement covering a broad range of regulations leading to the elimination of customs duties and other barriers to trade, liberalization of trade in services and investment flows, access to public procurement markets, additional disciplines in the area of competition policy and protection of IPR. The prospective agreements should also include commitments in areas such as environmental protection and social development, which have been promoted by the EU in trade co-operation with developing countries [European Commission 2015]. From the EU's perspective the agreements are crucial for securing access for European exports and investments to the most populated markets of the ASEAN (Table 1). Both markets are e.g. attractive for European car manufacturers, which still face unfavorable position in comparison to Korean or Japanese competitors (e.g. in the Philippines customs duty for EU cars is 30% and zero-tariff for Korean/Japanese vehicles) [MBI 2016].

Regarding the Philippines, the country has been a beneficiary of the enhanced trade preferences granted by the EU under GSP+ since the end of 2014. The system provides additional preferences to countries which ratified and implement international conventions relating to human and labor rights, environment and good governance. Although the GSP+ secures current beneficial exports to the EU, it refers only to trade in goods. The prospective FTA would secure long-term duty free market access. The country may be graduated from the system once it achieves higher level of economic development. The FTA would secure more permanent and long term concessions for Philippine export, also in those aspects which are not covered by the GSP+ [Remo 2016]. Moreover, the FTA could (potentially) provide more flexible rules of origin for products of a great importance to Philippine exports to the EU such as tuna, processed agricultural products, textiles, vehicles and chemicals. The new agreement would also cover trade in services, that could eventually result in higher EU investments in the Philippines, especially in the

country's information technology and business process outsourcing industry, which is presently dominated by firms from the USA [Canivel 2016]. Among the issues that will need more time and efforts during negotiations to achieve conclusions are sanitary and phytosanitary provisions, system of geographical indications (GIs), IPR related to pharmaceuticals and the system for settling investor to state disputes (ICS). Also a political situation in the Philippines might be a challenge for further renegotiations as the EC expressed its concerns about human rights in context of the President R. Duterte's "war on drugs." However, the Commission denied in April 2017 that it had suspended talks with the Philippines over human rights [Reuters 2017].

In reference to Indonesia, the elected in July 2014 President J. Widodo has initiated a programme of economic reforms and greater openness of Indonesian market [FTA 2016]. This resulted also in growing interests in negotiating bilateral FTA with the EU and finally in launching the negotiations. The prospective agreement is also important for the EU, as Indonesia is the biggest 250 million people market in the Southeast Asia. The market is very attractive for EU exports of food and beverages products, but there are still many tariff and non-tariff measures, such as import quotas and local content requirements, which preclude from using the potential of the market. Additional barriers, as in the case of Malaysia, which will be addressed during the negotiations are obligatory *halal* certificates [Hermansyah 2016]. On the contrary side many concerns have raised last months around the EP resolution of April 2017. Indonesia is the biggest supplier of palm oil to the EU and European countries are the second largest palm oil importer for Indonesia. Moreover, palm oil is the most important commodity in Indonesia's exports to European markets. Indonesian government assured about its openness in providing comprehensive information about the management of the palm commodities and further efforts to international recognition of Indonesia Sustainable Palm Oil certifications [AN 2017]. It should be expected that the issue will be widely discussed during upcoming negotiating rounds. According to political declarations, an agreement on the prospective EU-Indonesia FTA should be achieved by the end of 2019.

5. Conclusions

As of mid-2017, 10 years after the launch of inter-regional EU-ASEAN negotiations, the EU concluded comprehensive bilateral agreements only with two countries of the region – Singapore and Vietnam. The agreements still need to be ratified to enter into force. Four other agreements are in negotiations, but only with two countries – the Philippines and Indonesia – talks are ongoing. Negotiations with Malaysia and Thailand, two important EU trade partners in the region, have been suspended (in 2012 and 2013, respectively) and bilateral talks are freeze for uncertain time. However, it seems that those countries should be mostly motivated in further negotiations and securing preferential access to the EU, as currently they are at the

least favorable position in trade with the EU. Three other ASEAN members – Cambodia, Laos and Myanmar – as the LDCs fall under the most privileged of EU trade regimes and their motivation for bilateral agreement with the EU (and thus also reciprocal preferences for EU exports to their markets) is modest. Of those countries only Myanmar launched (March 2014) with the EU negotiations on an investment protection agreement that should improve the legal environment for EU investors in this country, regulating a.o. investor to state dispute settlement system. However, currently there are not specified plans about any further negotiations on FTA in future.

In March 2017, during the ministerial meeting in Manila, the EU and the ASEAN agreed to make an effort to revive plans for a region-to-region FTA. All individual negotiations so far have been carried on the basis of the 2007 mandate for the FTA with the ASEAN. The Commission has also stressed the need of similarity between all individual FTAs and treats the already concluded agreements with Singapore and Vietnam as benchmarks for other countries in the region. During the meeting in Manila both parties tasked also senior economic officials to develop a framework encompassing the parameters of a future ASEAN-EU FTA and report back to the next ministerial meeting in 2018 [European Commission 2017b]. However, it can be stated already that the consensus on inter-regional FTA will not be easy to achieve, especially when taken into account enormous differences in economic structure and development level of the ASEAN member states.

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